

TELECOM CORPORATION OF NEW ZEALAND AGM

The AGM was held in Wellington on 10 October. Your NZSA Board considered that the 2002 AGM of Telecom was one that deserved, and possibly required, the attendance of as many of your executives as possible. An additional benefit was that we were able to combine the visit to Wellington for the Telecom AGM with the inaugural meeting of the Association's Wellington Branch. You will read about this gathering elsewhere in the newsletter. **The importance of the AGM from our view was due to several factors. Telecom had always been perceived as an arrogant organisation with little understanding – or even the will to understand – the thread that should exist between shareholders and their representatives, the directors.** Bruce Sheppard was proposing no less than four resolutions dealing with directors' retirement benefits, employee remuneration, director remuneration and share options. We have strong views about all of these matters. Telecom, our largest listed company, just happens to have all these in abundance. **There were a number of major landmarks in a meeting that lasted just over two hours – a timeframe, it must be said, that included a minimal amount of initial hype and public relations blurb from the video cameras, the chairman and the chief executive. Thus dialogue in the form of shareholder questions occupied a considerable part, maybe an hour and a half of this time – one major positive change for the better.** Bruce Sheppard, in his usual straight-talking way, presented the shareholder side of the picture in

impeccable if perhaps at times controversial style. The chairman Roderick Deane conducted the meeting admirably with quiet fortitude against what occasionally must have been grave provocation – not, I should add, from any of our Association members. **Telecom video cameras were recording most of the proceedings and the Telecom website may provide information in more detail. Responding to one of the resolutions by Bruce Sheppard, Telecom had decided to give shareholders details of the remuneration strategy that is in place for rewarding employees.** Presentation of this policy was given by Ms Patsy Reddy, chair of the remuneration committee. At a conservative estimate at least 50,000 of the 60,000 plus shareholders of Telecom would, because of Ms Reddy's connection with the formerly named Brierley Investments (BIL), have willingly voted against her re-election as a director of Telecom, such is the feeling among the investing public that BIL is primarily responsible for engineering the collapse of trust that shareholders should always have in their representatives, the directors. The applause that Ms Reddy deservedly received following her presentation was perhaps muted by astonishment that this young lady could give such a brilliant exposition of what is an onerous responsibility on a subject that most of the audience had considered well outside her capabilities, given her BIL connection. It was a tribute to her address at the meeting that there was not a murmur of disagreement when her reappointment as a director came up for consideration. **One matter that Bruce Sheppard raised during**

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the meeting deserves mention at this point. On enquiry, the chairman had determined that voting was to be carried out by poll only and therefore no voting by show of hands was required. It is possible to conjecture the reasons for this decision. Fear that one or more of the four resolutions put forward would receive a negative vote for the Board, with accompanying embarrassment. Perhaps there is arrogance that the views of small shareholders who comprised the bulk of those present are irrelevant. Maybe the knowledge that the directors had so many proxies on hand to carry their resolutions convinced the chairman that there was no practical purpose in obtaining the view of the meeting. Whatever the reason, the Telecom AGM would have presented an ideal example of why it is

useful for the Board to test and gauge the feelings of their shareholders. The reappointment of Ms Patsy Reddy as a director may have provided welcome encouragement to the Board - we will never know.

The four resolutions put to the meeting by Bruce Sheppard were all defeated on poll. However the size of the voting in favour of the resolutions may have caused surprise amongst the Board. Results were as follows, with the percentage in favour of the resolutions alongside.

Directors' remuneration to be investigated 22%

Retirement payments to directors 21%

Remuneration strategy 16%

Share option schemes 14%.

Oliver Saint

MEMBERSHIP AND GROWTH

The NZ Shareholders' Association is only 18 months old, being formed in May 2001. Paid-up membership of the Association is fast approaching 400, which is an increase of over 130 in the last six months. Much of this increase is attributable to many Fletcher Forests' shareholders joining the Association to support our successful opposition to the company's proposal to sell its share of the Central North Island Forestry. Many other new members have been gained through the recent establishment of branches in Auckland and Wellington, and through the continuing publicity that the Association is getting in fighting for a better deal for small shareholders of public companies.

We need more members to provide more revenue in order to support publicity campaigns, which are expensive, and to broaden our operations, which are becoming increasingly time-consuming. We are going to need to employ more people

on a part-time basis to ease the voluntary workloads of some of our Board members. All members can assist greatly in this growth by encouraging friends and associates who have shares in public companies to join the Association. For those of you with email, there is an Application Form on our website for you to download and pass on. Otherwise, you can email, telephone or fax me, or give my phone/fax number to your colleagues, and I will post an Application Form to whoever requests one.

Those of you in Auckland, Bay of Plenty or Wellington can also contact branch officers (listed elsewhere in the Newsletter) to join branches or to join up new members.

Those members who have recently become online should forward their email address to the Association please.

Russell Hodge

Membership Director

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Fletcher Forests – “Gun Fight at the OK Corral”

The Fletcher Forests EGM was undoubtedly a gunfight between the Board and Rubicon on one side, and Xylem, GPG and your Shareholders' Association on the other side. The Board team chose the venue for the gunfight and also had the opportunity to prepare the corral for the showdown in an attempt to shoot the opposition before it could draw its guns.

A number of dirty sniper attacks from the top table followed:

- A long and protracted address from the chair prior to questioning and debate.
- The meeting was divided into two venues and movement between the two was restricted.
- Each question from the floor was countered by a protracted answer from the top table that effectively stifled debate and wore the meeting down.
- Only when the tea and bickies were smelling good, and about 20% of the meeting had abandoned the sidelines of the gun fight did your shareholders' association get the opportunity to draw its guns and start shooting.

- Then in a callous endeavour to rig the fight the board voted undirected ADRs, which had the strong possibility of downing the opposition in cold blood given the close nature of the fight.

In a hail of bullets and counter attacks, the smoke cleared and the corral emptied out to a poorly attended afternoon tea that had become a pre-dinner snack.

The medics moved in and counted the casualties. That evening the result was out. The Shareholders' Association and allies had the day. Subsequent to the engagement, McFadgen (RIP) succumbed to his injuries. What was most interesting in the casualty count was the lack of institutional votes cast. In short the little guys managed to convince the big guys to abandon the fight rather than join in it. This counts as one of the most significant events in NZ corporate history, as small shareholders have finally had an effective say.

Fletcher Forests AGM is coming up and Michael Walls the ADR king is up for re-election. I wonder if he has any regrets regarding his conduct at the EGM!

CABLETALK GROUP AGM

The AGM was held on Thursday 22 August in Auckland. The chairman offered little hope for better prospects and the CEO, Peter Wilson whilst apologising for previous performance, indicated that the company was a year behind original forecasts. The item of special business was approved after the company lawyer explained that the constitution was drawn up anticipating the company would be listed on the New Capital

Market. The resolution clarified the position following introduction of the Takeovers Code. Your representative queried the approval of directors' fees being on an individual basis rather than in one amount. Confirmation was passed on the basis directors' fees for the ensuing year will be fixed at \$70,000. In prior years, no fees had been paid to non-executive directors.

Oliver Saint

UPCOMING AGMS

Bruce Sheppard, Ross Dillon and Russell Hodge will be attending Fletcher Forest's AGM on Monday 11 November if any FFS shareholders who cannot attend the meeting would like to assign their proxies.

Bruce Sheppard will also be attending Hellabys AGM and Tourism Holdings AGM, if shareholders would like to assign proxies.

BRANCH ACTIVITIES

Auckland Branch

The first general meeting of the Auckland Branch was held on 3 September, and attended by over 40 members and visitors. Chris Liddell, CEO of Carter Holt Harvey was the guest speaker and gave an excellent outline of company activities and governance, which generated many questions and comments from the audience. A discussion was then held to seek feedback from members on frequency and content of branch activities, who to invite as guest speakers, which company visits to be arranged, and what workshops should be planned for the near future.

The first company visit, to Fisher & Paykel Healthcare, was held on the afternoon of 14 October. Graham Wilson led a group of 16 who enjoyed an address from the CEO, a tour of the premises and afternoon tea. All found the visit to be useful in understanding the operations of the company.

The next meeting of the Auckland Branch is at the Horse & Trap in Mt Eden on Tuesday 3 December. The guest speaker will be Brian Gaynor and there will be a workshop, led by Graham Wilson, on Understanding P/E in sharemarket tables. More details to Auckland members nearer the date.

Russell Hodge

Tauranga Branch

The Tauranga Branch continues to meet monthly for formal business but with major emphasis on organising/arranging activities designed to advance the knowledge and interest of members in sharemarket features and developments. It is important for us to bear in mind that some members may have very little knowledge or background on these topics and may have joined our organisation to fill the gaps; they are also likely to be reluctant to appear as novices so informal discussion groups are an excellent method of drawing them into full participation.

The most recent discussion group took place on 30 August when, lead by Bruce Anderson and Howard Zingel, the topics covered were "How to read an annual report; how does one select, and judge the value of, a company; and investing in Australia." Visits planned for local major industries are:-

Sanford Seafoods 16 October, Seeka Kiwifruit Industries 14 November. Visits still to be arranged for 2003 include Trust Power and Comvita.

Our Xmas luncheon is at Fahy's Motor Inn Restaurant 28 November.

To ensure that our focus meets the aspirations of members, a questionnaire was despatched with the minutes of our meeting on 3 October inviting members to comment on:-

Visits to companies- which ones?

Social events; visiting speakers, cocktail functions?

Discussion groups and preferred topics?

Any further ideas and suggestions?

An approach has been made to Port of Tauranga Board for permission to distribute flyers to potential members at their upcoming AGM, always strongly supported by local shareholders, and a response is eagerly awaited. It is hoped this might lead to a significant increase in membership, especially on the back of much favourable publicity following the NZSA Board's activities at recent meetings of Fletcher Forests and Telecom.

Malcolm Dunphy

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Wellington Branch

The Wellington Branch had its inaugural meeting on the evening of 10 October. It was attended by 7 Wellington NZSA members, 5 Board members (in Wellington for the Telecom AGM) and 5 visitors. There were apologies from 3 other members. This was an excellent attendance – over 50% of the Association's membership in greater Wellington. Two of the visitors have since become members.

The meeting was addressed by Bruce Sheppard and other Board members.

A Committee was formed as follows:

Peter Nalder (chair), Sir James Belich, Ashley Chan, Phillip Kelliher, David Underwood, (one or two to be added)

The Committee will meet shortly to plan Branch activities and initiatives to increase membership.

Anyone interested in joining the Wellington Branch should contact Peter Nalder, telephone 04 478 5101, email nalderp@xtra.co.nz