Acting Chief Executive Graham Law
New Zealand Stock Exchange (NZX)
Level 2, NZX Centre
11 Cable Street Wellington 6011
New Zealand
PO Box 2959

9 July 2026

Dear Mr. Law,

Subject: Dual Class Shares

The International Corporate Governance Network (ICGN) appreciates the opportunity to comment on New Zealand Stock Exchange's (NZX) consultation on Dual Class Shares.

Led by investors responsible for assets under management of >US$100 trillion, ICGN is an authority on global standards of corporate governance and investor stewardship. Headquartered in London, our membership is based in more than 40 countries. ICGN's *Global Governance Principles*[1] and *Global Stewardship Principles*[2], written from an investor perspective, are widely used by our members in their company assessments and voting decisions, and by regulators when developing corporate governance rules.

This response will highlight ICGN's general position on dual class shares before laying out our views on the consultation's specific proposals in each chapter, with the aim of responding to NZX's questions, where appropriate.

ICGN's View on Dual Class Shares

- ICGN advocates a "one share, one vote" standard as the optimal long-term structure for both companies and investors.

- Our global governance principles state that "Dual-class share structures should be discouraged, and where they are in place, kept under review and should be accompanied by commensurate extra protections for minority shareholders, particularly in the event of a takeover bid."

- We do not support the introduction of dual class share structures and would strongly caution against introducing these structures to the New Zealand market.

- Shareholders are the economic owners of a company, and their voting rights should reflect the economic risk they bear. The principle of one share, one vote ensures that influence over key decisions is aligned with the stake each investor holds, and this alignment is the foundation of fairness, accountability and trust in public markets.

We note that this position is aligned to many other international investors and investor groups, as demonstrated by the Investor Coalition for Equal Votes in their report, "Undermining the Shareholder Voice: The rise and risks of unequal voting rights"[3]. This report is also a useful source of academic research supporting the views of institutional investors on these matters.

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[1] International Corporate Governance Network (ICGN), ICGN Global Governance Principles, 2021
[2] International Corporate Governance Network (ICGN), ICGN Global Stewardship Principles, 2024
[3] International Coalition for Equal Votes (ICEV), Undermining the Shareholder Voice: The rise and risks of unequal voting rights, November 2023

We recognise that NZX's stated aims for this consultation (to attract high-growth companies, align with international markets, and maintain investor confidence and market integrity), are reasonable objectives, however, we do not believe that the evidence suggests that more companies are likely to list as a result of these changes. For Example:

- In the first half of 2025, according to research from the Council of Institutional investors[4], of 36 listings in the USA, only 8 listed with unequal voting rights, and only 4 of those 8 without a time-based sunset clause. Therefore, 78% of newly public companies in 1H 2025 listed with equal voting rights – which were not a disincentive for those companies to list.

- Similarly, recent UK reforms permitting dual class share structures have not led to a meaningful increase in IPO activity. Since the new rules came into force in 2024, only one company has listed on the UK Main Market with a dual class share structure (across 2025 and to March 2026). More broadly, IPO volumes have remained subdued, with 11 Main Market IPOs in 2024, 14 in 2025, and just one by March 2026. This compares with 22 IPOs in 2020 and 43 in 2021. The evidence suggests that allowing dual class shares, in itself, has not materially increased new listings.[5]

- Hong Kong, mainland China and Singapore saw very few listings during the period immediately following relevant rule changes to allow DCSS structures. Hong Kong has seen a recent increase in IPO activity, but this coincides with separate initiatives to increase investment from mainland China, and therefore cannot be attributable to DCSS by itself.

Please note that all our comments are made in the context of our overall view that dual class share structures should not be permitted. They present a serious concern for investors and a clear risk to long term shareholder rights.

Should NZX decide to move forward with this proposal, we believe that the most important and effective protection for shareholders is a mandatory time-based sunset provision, ideally no longer than seven years after the initial listing, consistent with the guidance laid out by the Investor Coalition for Equal Votes (ICEV).[6]
We would also encourage NZX to require that detailed voting results be disclosed on a class-by-class basis following each shareholders meeting, so that investors can assess how superior and ordinary shareholders voted separately on each resolution.

With this in mind, we offer the following comments:

Eligibility

While we would prefer that the NZX not allow dual class listings at all, in the event that you do move forwards, we believe that the below are important safeguards:

- restricting dual class structures to new listings
- restricting superior shares to a clearly defined permitted holder group,
- requiring superior shareholders to hold a meaningful minimum economic interest at the time of listing.

[4] Council of Institutional Investors, Newly Public Operating Companies Snapshot: Jan.-June 2025, June 2025
[5] Financial Conduct Authority, FCA Listings data, 26 June 2026
[6] International Coalition for Equal Votes (ICEV), Undermining the Shareholder Voice: The rise and risks of unequal voting rights, November 2023

However, the only proven actual shareholder rights safeguard is a mandatory time-based sunset clause, and we would strongly urge the NZX to include this protection for investors in any rulemaking.

Controls on Superior Shares

In the event that these proposals are taken forward, we agree that a cap on the voting ratio would be a helpful protection, although absent a mandatory time-based sunset clause, this would still risk serious entrenchment of management.

We also agree that anti-dilution protections preventing an increase in the proportion of superior shares following listing would be helpful. Anti-dilution protections are important because, without them, a dual class issuer could progressively erode the voting influence of ordinary shareholders over time through subsequent issuances or buy-backs, even where the original disclosure at listing implied a fixed balance of control. Capping the voting differential and preventing post-listing increases in the proportion of superior shares helps ensure that the degree of control disclosed to the market at the time of listing does not subsequently expand without shareholder consent.

On the scope of matters requiring equal 1:1 voting, we welcome the proposed list but believe it should be extended. We believe minority shareholders should retain an equal say in decisions that materially affect the investment case for the company, such as major M&A transactions, change of control, and related party transactions. We would recommend these be added to the list of matters requiring 1:1 voting under Rule 2.16.1(h).

We welcome the proposed redemption restrictions. We would also note, consistent with our position above, that we believe a time-based sunset clause would provide a more fundamental safeguard than reliance on conversion triggers alone. We welcome the automatic conversion triggers proposed for breaches of eligibility or governance requirements, but do not believe this goes far enough in the absence of a time-based mechanism.

We also believe dissolution should also be triggered by the sale or transfer of superior shares to a person outside the permitted holder group, including in circumstances such as the death of a superior shareholder, to ensure that superior voting rights cannot be passed on to parties for whom the original policy rationale for holding them no longer applies.

Governance

ICGN believes that majority independent boards should be the baseline expectation for listed companies, and we believe this is particularly important for dual class issuers given the disproportionate control exercised by superior shareholders. We note that NZX's own Corporate Governance Code[7] recognises the value of this and we believe it should be elevated from a recommendation to a requirement for DCS Issuers specifically, given the heightened governance risks associated with disproportionate control.

We would prefer that DCS Issuers be required to maintain a majority independent board, rather than the proposed minimum of two independent directors. We believe this is particularly important in a dual class structure, where the disproportionate voting power of superior shareholders increases the risk that decision-making could be biased towards the interests of a controlling group rather than security holders as a whole.

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[7] New Zealand Stock Exchange (NZX), NZX Corporate Governance Code, March 2026, P.17

It is best practice for all directors to be elected by, and accountable to, the full shareholder base through a single ballot. However, we recognise that in companies with a controlling shareholder, it is important to ensure that independent directors elected by minority shareholders are present on the board to provide genuine oversight of the controlling owner.

We strongly support the proposed requirement for a dedicated DCS Governance Committee, and we welcome the proposed independence requirements for the Audit Committee, including the requirement for a majority independent membership and an independent chair, as well as the broader proposal for stronger independence requirements across board committees for DCS issuers. This is consistent with our own published recommendations, which call for robust governance and control structures, including an independent board, separate Chair and CEO roles, and a conflicts committee.

Disclosure

We support the proposed mandatory 'DCS' designation and warning statement across securities, announcements, offer documents and annual reports.

We also reiterate our recommendation, noted above, that voting results be disclosed on a class-by-class basis following each shareholders meeting, to give investors visibility into how superior and ordinary shareholders voted separately on each resolution.

Capital raising

We support the proposed restrictions on the issuance of additional superior shares, including the requirement for approval by both share classes and the exclusion of placements, employee schemes and dividend reinvestment plans as routes for issuing further superior shares without shareholder approval.

We recommend that any issuance of additional superior shares require the approval of a majority of minority shareholders, voting separately from superior shareholders, to provide an additional layer of protection against the further concentration of disproportionate control.

Conclusion

ICGN appreciates NZX's efforts to design a considered regulatory framework for dual class share structures, and we welcome the inclusion of meaningful investor protections across eligibility, governance and disclosure. We continue to believe that one share, one vote represents the optimal long-term structure for companies and investors alike, and we would encourage NZX to strengthen the proposed framework further, in particular through the introduction of a mandatory time-based sunset clause, consistent with the recommendations set out in this submission.

Thank you again for the opportunity to share our perspective on NZX's dual class shares proposals. If you would like to follow up with questions or comments, please contact Thomas Stables, Policy Executive (thomas.stables@icgn.org).

Yours faithfully,

Jen Sisson

Jen Sisson

Chief Executive Officer, ICGN