

~~meeting invitation~~

Shareholding Ministers have given considerable thought to the SOE portfolio since taking office in November 2008. What we have learnt over this time has given us some cause for concern.

The relatively poor (and declining) financial performance of SOEs, coupled with the challenging economic conditions, has brought us to the conclusion that change in the SOE portfolio is urgent and essential.

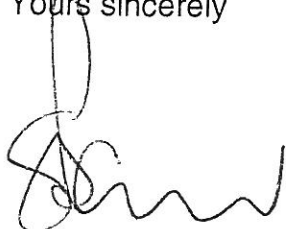
In short, we intend implementing a range of measures designed to improve the financial performance of the portfolio. Our first and highest priority is to improve the commercial expertise of SOE boards – this should come as no surprise to you. In addition, shareholding Ministers:

- a. will set clear expectations, including financial performance targets for SOEs, and hold boards accountable for achieving these
- b. will publicly disclose officials' analysis and commentary of SOE performance, including valuations of specific SOEs
- c. will discuss our specific expectations concerning dividend policy and dividend payments with each SOE as part of the 2009 business planning process; and reserve the right to direct SOEs to pay a dividend (under section 13(1)(b) of the SOE Act), as a last resort
- d. expect boards to increase financial disclosure, to match that of their private sector counterparts (notwithstanding the specific requirements of the SOE Act). For larger SOEs, we are considering introducing a continuous disclosure regime, similar to that applied to listed companies under the Securities Markets Act 1988
- e. expect SOE boards to exert industry best practice governance over subsidiaries, and increase the transparency of subsidiaries' performance to shareholders
- f. expect boards to conduct credible annual commercial valuations of the company (in accordance with section 14(3) of the SOE Act), and be able to justify those valuations and reconcile changes from year to year.

The purpose of this letter is to invite you to meet with both shareholding Ministers on Thursday 9 April 2009 from 5.00pm to 6.00pm to discuss these measures in more detail and provide an opportunity for feedback. The meeting will be held in Mr English's office on level 7 of the Executive Wing (Beehive).

Needless to say, we regard this meeting as very important. We would therefore appreciate it if you could make every effort to attend. Failing this, we would like a suitable alternate to attend, such as your deputy chair. We would appreciate confirmation as soon as possible, by contacting Emily Richards in my office, on 04 817 9877.

Yours sincerely



Hon Simon Power  
**Minister for State Owned Enterprises**  
*On behalf of shareholding Ministers*