

In reply please quote

Or ask for

Alan Adcock

Forum North, Private Bag 9023
Whangarei 0148, New Zealand
Telephone: +64 9 430 4200
Facsimile: +64 9 438 7632
Email: mailroom@wdc.govt.nz
Website: www.wdc.govt.nz

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Dear Shareholder

LGFA Draft Statement of Intent 2015/16 and Shareholder Expectations

This letter, sent on behalf of the LGFA Shareholders' Council (SC), accompanies the LGFA's Draft Statement of Intent for 2015/16 and a letter from the LGFA Chairman, Craig Stobo.

Earlier this year the SC sent a 'letter of expectation' to the LGFA that outlined a number of issues that we wished to be considered in the preparation of the Draft SOI. The main points were:

- Amending the Primary Objectives to strengthen the focus on asset quality and the availability of longer term bonds.
- Improving the definition and measurement of objectives, particularly in relation to pricing margins compared to NZ Govt bonds and demonstrating interest savings for the sector. These are both KPI's that are not being achieved currently.
- Improving financial reporting, particularly in relation to any significant budget variations.
- Progressing the review of the capital structure required in the future and any resulting dividend policy changes.
- With the planned moves to an 'unmatched book' to support the provision of a wider range of products and services a review of the Board composition is sought before any fundamental change in the operating model is made.
- Improvements to the communication process and logistics around the Annual General Meeting and Director nominations.
- Regular reporting on risks, mitigants and any events of review.

I am pleased to advise that the Board has responded positively to this feedback and has included a number of changes in the Draft SOI (compared to the 2014/15 SOI) to address these matters.

In addition, some of these issues, such as a comprehensive Board review, are being dealt with outside the SOI process and will be reported on in due course.

Overall, the SC is comfortable with the Draft SOI as presented and does not recommend any changes. Of course, individual Councils may have a different perspective and may wish to raise issues with LGFA in their own right.

If you wish to discuss any aspect of this letter or any other matter relating to the LGFA from a shareholder perspective please contact me directly.

Yours sincerely



Alan Adcock
Chairman
LGFA Shareholders' Council

cc. Mark Butcher, CEO LGFA