

NOTICE OF 2018 ANNUAL MEETING

Thursday 18 October - 10.30 am
LIC Head Office
Cnr Morrinsville & Ruakura Roads
Newstead, Hamilton





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Notice of Annual Meeting of Shareholders

Notice is hereby given that the Annual Meeting of Shareholders of Livestock Improvement Corporation Limited ("LIC" or "Company") will be held at LIC's Tempero Centre, Corner Morrinsville and Ruakura Roads, Newstead, Hamilton on Thursday 18 October 2018, commencing at 10.30 am with registration from 9.30 am.

Business to be conducted

- Item 1:** To receive and consider the Company's Financial Statements for the year ending 31 May 2018 and the Directors' and Auditor's reports in respect thereof, all as set out in the Annual Report, available on the LIC website (www.lic.co.nz/shareholders/annual-reports/) or on request, phone (07) 856 0700.
- Item 2:** To receive and consider the LIC Shareholder Council's report as presented at the meeting and which will be available on the LIC website following the meeting (www.lic.co.nz/shareholders/annual-meeting/).
- Item 3: Resolution 1: Approval of LIC Directors' Remuneration***
- To receive and consider the LIC Shareholder Honoraria Committee's recommendation as to Directors' remuneration, and if thought fit, to resolve by way of ordinary resolution to:
- "Approve the total remuneration of all Directors taken together being increased by \$17,100 from \$630,000 to \$647,100".
- Item 4:** To receive and consider the LIC Shareholder Honoraria Committee's recommendation to maintain the current level of Shareholder Councillor's remuneration.

Item 5: Resolution 2: Reappointment of external Auditor KPMG*

To consider, and if thought fit, to resolve by way of ordinary resolution to:

“Reappoint the chartered accountancy partnership KPMG as the Auditor until the conclusion of the Company’s next Annual Meeting, and that the Directors be authorised to fix its remuneration.”

Item 6: Resolution 3: Approval of the LIC Shareholder Council’s budget*

To consider, and if thought fit, to resolve by way of ordinary resolution to:

“Approve the LIC Shareholder Council’s budget for the year ending 31 May 2019 as outlined in the Explanatory Note in the Notice of Annual Meeting.”

Item 7: Resolution 4: Ratify the reappointment of Ms Candace Kinser Reed as an Appointed Director*

To consider, and if thought fit, to resolve by way of ordinary resolution to:

“Ratify the reappointment of Ms Candace Kinser Reed as an Appointed Director for a further three year term.”

Item 8: General Business

Closure: 12.30 pm

Refreshments: 12.30 to 1.00 pm

Procedural notes

- (a) With respect to the items marked above with an asterisk, Explanatory Notes are set out in the following pages.
- (b) Agenda Items 3, 5, 6 and 7 must be passed by an ordinary resolution of Ordinary Shareholders, i.e. by a simple majority of the votes of those Shareholders entitled to vote and voting on the resolution.
- (c) Resolution 1 in Agenda Item 3 relates to Directors' Remuneration. Pursuant to NZAX Listing Rule 9.3.1 the Directors and their Associated Persons are disqualified from voting on Resolution 1. This extends to a Director who has been appointed with a discretionary proxy. A Director is only entitled to exercise a proxy for this Resolution where the shareholder has provided that Director with an express instruction setting out how to exercise that shareholder's vote.
- (d) In each case the votes counted include postal votes, electronic votes and the votes of proxies and representatives.



M G King

Chairman, on behalf of the Board

September 2018

Resolutions and Explanatory Notes

Item 3

Resolution 1: Approval of Directors' Remuneration

To receive and consider the LIC Shareholder Honoraria Committee's recommendation as to Directors' remuneration, and if thought fit, to resolve by way of ordinary resolution to approve the total remuneration of all Directors taken together being increased by \$17,100 from \$630,000 to \$647,100.

Explanatory Note

Honoraria Committee:

The Honoraria Committee was formed pursuant to clause 24.2 of the Constitution and is made up of four independent farmer shareholders who are elected by shareholders. The role of the Committee is to consider and recommend the form and amount of the remuneration of Directors and Councillors. Committee members are: David Gasquoine (Chairman), Ian Brown, Paul Todd and Scott Montgomerie. This year the Committee met formally on one occasion to review current remuneration levels.

Background

LIC Board:

The Honoraria Committee wishes to convey to shareholders that it is evident that the role and business of LIC differs from that of other companies. The speed of technology change, mergers and acquisitions and the international markets all bring risk and complexities to the business. Health and Safety, Listing Rules and Financial Market legislation also have a big impact on the business and responsibilities of an LIC Board Director.

It is imperative that LIC maintains a high calibre of Director on its Board particularly during a period of significant change for the Company. Elected Directors bring a strong understanding of the cooperative as well as the New Zealand market and Appointed Directors bring international markets, merger and acquisitions, health and safety, technology, finance and risk and complex business skills.

The Committee felt LIC Directors were on par with other organisations and recommend an increase of 3% for the Chair and 3% for all Directors to maintain market parity.

Recommendation:

The Committee acknowledged that last year saw an increase of 2.8% for the Chair and 3.7% across the rest of the Board and prior to that the past two years have seen the honoraria for the LIC Board increase slightly. To maintain pay parity with other organisations, the Committee recommends the increase to the base honoraria of the Board of 3%.

The Honoraria Committee considers that the small increase mentioned above would be appropriate, but acknowledges the current environment dairy farmers are facing. Based on this, and following further consultation with the LIC Board Chair and the Shareholder Council Chair, its final recommendation to shareholders is to increase the Board’s current base honoraria by 3% for the Chair and 3% for Elected and Independent Directors as set out below.

Director Remuneration			
	Current	Proposed	Difference
Chair	\$120,000	\$123,600	\$3,600
Each of the other nine Directors	\$50,000	\$51,500	\$1,500
*Maximum sum available to reimburse for additional duties & skills	\$60,000	\$60,000	\$0
Total for LIC Board (as a whole)	\$630,000	\$647,100	\$17,100

* maximum pool available to LIC Board to set the remuneration required for Appointed Directors honoraria and/or the Committee Chairs’ remuneration.

Item 4

To receive and consider the LIC Shareholder Honoraria Committee's recommendation to maintain the current level of Shareholder Councillors' remuneration.

Explanatory Note

Shareholder Council:

The role of the LIC Shareholder Council differs to that of the Fonterra Shareholder Council, and is unique in how it represents LIC's 10,500 or so Shareholders.

The Committee acknowledged that in recent times, the role of the Shareholder Council Chair has increased significantly and is now more in line with the workload of a Fonterra Councillor. In particular, the review of LIC's Capital Structure has increased the Council Chair's involvement on behalf of shareholders. Over the past two years the Shareholder Council Chair's remuneration has increased slightly and is now at a more appropriate level.

Shareholder Council Remuneration			
	Current	Proposed	Difference
Chair	\$30,000	\$30,000	Nil
Deputy Chair	\$9,000	\$9,000	Nil
Each of the 19 other Councillors	\$5,000	\$5,000	Nil
Total for LIC Shareholder Council (as a whole)	\$134,000	\$134,000	Nil

There is also a daily allowance of \$220 available for Councillors who carry out extraordinary duties at the request of the Company.

Item 5

Resolution 2: Reappointment of External Auditor

To consider, and if thought fit, to resolve by way of ordinary resolution to reappoint the chartered accountancy partnership KPMG as the Auditor until the conclusion of the Company's next Annual Meeting, and that the Directors be authorised to fix its remuneration.

Explanatory Note

Following a review, the Board recommends to Shareholders that KPMG be reappointed as the external Auditor for the ensuing year.

Item 6

Resolution 3: Approval of Shareholder Council Budget

To consider, and if thought fit, to resolve by way of ordinary resolution to approve the LIC Shareholder Council's budget for the year ending 31 May 2019 as outlined below.

Explanatory Note

In accordance with the Constitution (clause 21.1), Shareholders are required to approve the LIC Shareholder Council's budget each year. The Council has reported as follows:

Expenditure	2017 - 2018		2018 - 2019
	Budget	Actual	Budget
Honoraria (inc daily allowance)	\$140,300	\$138,251	\$142,000
Training Costs	\$15,000	0	\$15,500
Meeting Related Expenses	\$59,207	\$45,536	\$74,672
Administration	\$4,030	\$2,576	\$4,280
Total	\$218,537	\$186,363	\$236,452

2017 / 2018 Season - Budget

The Council again reviewed their budget to reach a final total budget of \$218,537 of which \$186,363 was used in the 2017/18 financial year.

The base Councillor Honoraria was unchanged but there remained a provision for Councillors to claim a daily allowance if attending meetings on behalf of the Company. Administration costs continue to be kept to a minimum. The Council's scheduled October meeting has been organised to coincide with the Annual Meeting ensuring that meeting and travel costs are kept to a minimum.

2018 / 2019 Season - Budget

With the downturn in the dairy industry over the past couple of years the Shareholder Council removed their annual study tour from their budget. In the 2018/19 season the Shareholder Council feel it is necessary to include a study tour to enable them to gain a further appreciation and understanding of current and future influences for LIC.

A decision whether to organise as study tour has been put on hold due to the presence of Mycoplasma bovis in New Zealand.

A small increase in the travel and meeting costs has also been included to allow for increased costs of flights, accommodation and catering.

Item 7

Resolution 4: Ratify the reappointment of Ms Candace Kinser Reed as an Appointed Director

To consider, and if thought fit, resolve by way of ordinary resolution to

“Ratify the reappointment of Ms Candace Kinser Reed as an Appointed Director for a further three year term.”

Explanatory Note

Pursuant to Schedule 3 of the Constitution, the Board of Directors can invite up to three people to be Appointed Directors. This is subject to the prior approval of the LIC Shareholder Council and subsequent ratification by Shareholders at the Annual Meeting.

The term of office for an Appointed Director is a maximum of three years but he/she is eligible for reappointment if invited by the Board to continue, subject to the approval process.

The Board and the Shareholder Council unanimously recommend the re-appointment of Candace Kinser Reed for a further 3 year term.

Profile - Candace Kinser Reed

Candace has held a number of senior roles in the biotech and technology sector including over a decade of experience as a CEO and Board Director on private, Crown and NZX listed boards. In 2012, when she was the CEO of NZTECH, she was behind the creation of TechWeek, the annual technology festival in New Zealand and was the founder of NZTECH Women as well as a supporting founder for ShadowTech, helping young women into careers in technology. She is currently an NZTE Beachheads Advisor and works with the University of Auckland Return on Science national research commercialisation program. Her driving passion is leveraging growth-focussed, innovative science and technology companies to succeed globally.

With advanced qualifications in business, governance and technology, Candace has had experience growing companies on the world stage as the CEO of genetics software company Biomatters through to first-hand experience in preparing and listing a technology company on the NZX as a Director of EROAD. Candace was the recipient of the Leadership award for the 2017 AUT Business Awards and is a regular speaker at conferences on the topic of technology innovation and business growth.

Candace was appointed to the Board in October 2015.

Requirements

If Shareholders ratify her reappointment, Ms Kinser Reed will be the Chair of LIC's Technology Advisory Board and will hold office for a further three-year term, retiring by rotation in 2020.

Voting Instructions for Shareholders

NB: All Shareholders have voting rights and are entitled to attend the meeting.

Shareholders can vote in the following ways:

1. Attend the meeting

Bring your Voting Paper to the meeting as the barcode is required to assist with your registration; or

2. Electronic voting

Visit www.electionz.com/LIC2018 and follow the prompts. You will require your PIN and password shown on your Voting Paper to exercise your vote. Electronic voting will close at **10.30am Tuesday 16 October 2018**; or

3. Postal voting

Complete the Postal Vote section of the Voting Paper and return it in the reply paid envelope provided to reach electionz.com before **10.30am Tuesday 16 October 2018** or address to electionz.com as per the details provided at the bottom of this section; or

4. Appoint a Director or Councillor of LIC, or another person as your proxy

Complete the proxy appointment section on the Voting Paper including how you wish them to vote (as a directed vote) or as 'Proxy's Discretion' and return to electionz.com to arrive before **10.30am Tuesday 16 October 2018**. Your appointed Director/Councillor/Representative will receive voting papers upon registration at the meeting.

Please only use one voting option.

Each method of voting and the way to use the Voting Paper enclosed with this Notice of Meeting are explained in detail below. Please choose only one voting option.

Full details on how to return your Voting Paper to electionz.com are available at the end of this section.

1. To attend and vote at the Annual Meeting

You must register at the registration desk prior to entering the meeting.

The registration and poll will be managed by electionz.com.

Shareholders wishing to vote at the meeting are asked to bring their Voting Paper(s) with them to assist with the registration and voting process however replacement Voting Paper(s) will be available if required.

Each resolution to be voted on will be presented to the meeting. Following each presentation the Chairman will ask shareholders to indicate their vote on the Voting Paper(s).

Once the voting is completed, electionz.com will collect your Voting Paper(s) from you.

2. To vote electronically

If you wish to cast your vote electronically, please follow these steps:

1. Visit **www.electionz.com/LIC2018**
2. Enter your PIN and Password as shown on the top of your Voting Paper.
3. Follow the prompts to complete your vote.

Please note multiple herd owners will need to vote on each Voting Paper received individually.

Electronic voting will close at 10.30am Tuesday 16 October 2018.

3. To cast a postal vote

If you wish to cast a postal vote, complete the Postal Vote section on your Voting Paper, indicate how you wish to vote on each resolution and return the form to electionz.com in any manner as described at the bottom of this section.

4. Appointing a Director or Councillor of LIC, or another person, to attend the meeting and vote on your behalf as your proxy

If you wish to appoint a Director or Councillor of LIC or any other person as your proxy, you need to complete the “**Appointing a Proxy**” section on your Voting Paper. A proxy need not be a shareholder of LIC.

Please read the “**Proxy Voting Information**” on the reverse of your Voting Paper carefully. In the area provided, please insert the name of the Director, Councillor or other person you wish to appoint. Use the voting boxes to indicate how you wish your proxy to vote. Alternatively indicate ‘**Proxy Discretion**’.

If you return the Proxy Form without indicating how you wish to vote, your proxy will vote, or abstain from voting, as he or she sees fit. If you indicate on the Voting Paper how your proxy is to vote, your proxy will vote as directed.

Any Director and LIC Shareholder Councillor, who is appointed a proxy and is given a discretion as to how to vote, will vote in what he or she believes to be in the best interest of LIC.

PLEASE NOTE: Pursuant to NZAX Listing Rule 9.3.1 the Directors and their Associated Persons are disqualified from voting on **Resolution 1 (Approval of Directors’ Remuneration)**. This extends to a Director who has been appointed with a discretionary proxy. A Director is only entitled to exercise a proxy for this Resolution where the shareholder has provided that Director with an express instruction setting out how to exercise that shareholder’s vote.

Please advise your proxy that he or she must register at the registration desk prior to entering the meeting room to obtain the necessary voting papers to vote on your behalf.

The Proxy Form must be completed, signed and received by electionz.com no later than 10.30am on Tuesday 16 October 2018.

Return your Postal/Proxy Voting Paper to electionz.com in any of the following ways:

- **mail** to electionz.com in the reply paid envelope provided; or
- **address and mail** to The Returning Officer, Livestock Improvement Corporation Limited, PO Box 3138, Christchurch 8140; or
- **deliver** to electionz.com, 3/3 Pukaki Road, Yalhurst, Christchurch 8042; or
- **fax** to 03 377 1474; or
- **scan and email** to iro@electionz.com (please put the words "LIC Annual Meeting" in the subject line for easy identification); or

If you are not attending and voting at the Annual Meeting, your electronic vote must be cast or your Voting Paper must be received by electionz.com no later than 10.30am on Tuesday 16 October 2018 to be valid.

The LIC Board has appointed Mrs Melanie Tonkin, Governance and Representation Advisor, as the Returning Officer. She has authorised electionz.com to receive, record and count all postal votes, electronic votes and proxy votes.

If you have any questions regarding the voting, please contact the Election Helpline on 0800 666 048.

Please Note

All Shareholders / Proxy holders / visitors or any other person(s) who will be attending the LIC annual meeting must register at the registration desk prior to entering the meeting room.

Please choose only one voting option.

Multiple herd owners need to vote on each Voting Paper received individually.

Disclosure of financial assistance as required under the Companies Act 1993

LIC Employee Share Scheme

LIC proposes to provide financial assistance to those employees who elect to participate in the LIC Employee Share Scheme (“Employee Scheme”) which from 1 April 2011 has been managed by Craigs Investment Partners Ltd (Manager) with Custodial Services Ltd acting as custodian. LIC proposes to pay the Manager’s and Custodian’s fees and expenses (including brokerage). The amount of the Manager’s fee will depend on how many employees participate in the Employee Scheme and the level of their contribution. An estimate of the net amount of the financial assistance is \$24,000.

The Board of LIC resolved on 18 July 2018 that LIC should provide the financial assistance referred to above (“Employee Scheme Assistance”) for the period of twelve months commencing 10 working days after the date of sending this disclosure to Shareholders, and that the giving of the Employee Scheme Assistance is in the best interests of LIC and is of benefit to Shareholders not receiving that financial assistance; and that the terms and conditions under which the Employee Scheme Assistance is given are fair and reasonable to LIC and to the Shareholders not receiving that financial assistance. The grounds for the Board’s conclusions are:

- (a) The Employee Scheme is a valuable addition to the benefits available to the employees of LIC and will assist in retaining them as valuable staff;
- (b) The Employee Scheme is a method of aligning the interests of employees with the interests of Shareholders and is an effective means of motivating future performance of the employees. This is expected to bring about an increase in the value of the Shares;
- (c) Shareholders will not be diluted or otherwise disadvantaged as no new Shares are being issued under the Employee Scheme;
- (d) The additional Shares will be purchased through the Manager at the market price;

- (e) The Employee Scheme will enhance the liquidity in the market for the Shares, providing a more liquid market for Shareholders wishing to sell those Shares;
- (f) The amount of financial assistance is minimal in comparison to the benefits arising out of the Employee Scheme for Shareholders and LIC.



**Internet voting, postal voting & proxy
appointments close
10:30am Tuesday 16 October 2018**

Or

**Vote in person at the Annual Meeting
10:30am Thursday 18 October 2018**





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