



Private Bag 3016
Hamilton 3240
New Zealand

0800 651 156
www.lic.co.nz

7 September 2023

Dear Shareholder,

On behalf of the LIC Board, we are pleased to invite you to attend LIC's 2023 Annual Meeting on Thursday 12th October commencing at 5.00pm, with registration open from 4.00pm.

As an NZX-listed company we are required to hold our Annual Meeting no later than six months after the close of the financial year.

This year's Annual Meeting will be held at Hotel Ashburton, 11/35 Racecourse Road, Allenton, Ashburton, 7700. Alternatively, you are welcome to join us online at www.lic.co.nz/annualmeeting.

Save the date
Annual Meeting 2023

12th October 2023
5.00pm

Hotel Ashburton,
11/35 Racecourse Road,
Allenton, Ashburton 7700

Online at
www.lic.co.nz/annualmeeting

The full list of business to be covered is set out in the Notice of Meeting booklet enclosed, along with your voting information and papers.

Recommended changes to the LIC Constitution

My letter to shareholders in July outlined several proposed changes to LIC's Constitution, which we are seeking your support on in addition to the "business as usual" matters.

The changes are not considered substantive, but your support of them will further strengthen our governance and shareholder engagement arrangements and ensure our co-op is operationally efficient, effective, and fit-for-purpose.

A summary of the recommended changes is provided below. There are three separate special resolutions for consideration. For further information, please refer to Schedule 1 in the Notice of Meeting booklet.

Resolution 10 – Delegations of Authority from the Board to Management

This resolution authorises certain delegations of authority from the Board to the management team, which will help streamline processes, optimise the time spent by the Board on LIC matters, and reduce the administrative burden on the Company. Specific changes include:

Reduce the administrative burden on the Board and Management when shares are sold under the compulsory disposal provisions of the Constitution including the removal of the need for a director to sign a statutory declaration in relation to the sale of LIC Ordinary shares under lien and allow a Senior Manager of LIC to sign a certificate instead

The Board is frequently asked to note the sale of LIC Ordinary shares under lien and a Director is required to sign an accompanying statutory declaration. This change will enable management to certify the sale of LIC Ordinary shares on behalf of shareholders, thereby reducing the administrative burden on the Board and the Company.

Streamline the processes related to enforcing the constitutional based restrictions on LIC shares

The proposed changes will streamline the processes related to shares held by non-Users (Prohibited Shares), shares held over the 5% maximum holding (Excess Shares) and shares held over the 1% voting cap (Restricted Shares) by removing the obligations on the Board to first determine if these terms of the Constitution have been breached and, if so, what action should be taken.

The intention of these changes is for the share restrictions to apply automatically rather than at the determination of the Board, and for management to be able to enforce the terms of the Constitution in these specific circumstances.

The ability for individual cases to be escalated to the Board in the event of a dispute has been included in the revised Constitution.

Resolution 11 – Governance Changes

This resolution authorises certain updates to the eligibility, appointment and election requirements relating to the Board, Shareholder Reference Group (SRG) and Honoraria Committee, to ensure consistency of treatment. Specific changes include:

Amend the Eligibility Requirements to enable Appointed Members of the SRG to be drawn from a wider pool of dairy farmers

Four of the 12 members of the SRG are Appointed Members. The proposed changes will enable a wider pool of dairy farmers to be eligible for appointment to these four positions.

Changes to the qualification criteria will extend the range of potential candidates to include those nominated by a shareholder, which is particularly relevant for our commercial and corporate shareholders and Trusts (including Māori Trusts). It would also allow for farm managers or members of management of trusts/commercial entities who have experience of working on farms to be eligible for appointment. Currently only Participant Code owners, directors and named trustees can become Appointed Members of the SRG.

Changes to the criteria will also remove the requirement that to be an Appointed Member a candidate should use one of LIC's herd testing options and submit more than 60% of one herd to AB using LIC semen. This will mean that farmers who don't use one of our herd testing options because they, for instance, have on-farm milk meters/technology in place will now be eligible for appointment.

Extend the qualification criteria for Elected Directors and Elected Members of the SRG to include GeneMark Whole Herd products

This change will include use of LIC's GeneMark Whole Herd products as an alternative to LIC's traditional herd testing services, recognising changing farming practices including the increasing use of DNA testing as a herd improvement tool. The remaining qualification criteria to be elected to the Board or SRG are unchanged.

Align the election process for the Honoraria Committee with those of Elected Directors and Elected Members of the SRG

These changes to align the Honoraria Committee election process will remove the need for an election to be held if there is only one candidate for each relevant position, with such candidates being deemed to be elected by the shareholders.

Where there are more candidates than positions available, and an election is held, the candidates with the highest number of votes will be appointed. These changes will also clarify the ability of the Honoraria Committee to fill vacancies on a casual basis.

Align the wording used in the Constitution to describe the arrangements and/or entitlement of Directors, SRG members and members of the Honoraria Committee to be paid expenses

The wording in the relevant provisions will be aligned to read that members of the Board, SRG and Honoraria Committee are entitled to be paid for all reasonable travel, accommodation and other expenses properly incurred by them in connection with the business of the Company.

Resolution 12 – Definitional Changes/Tidy-ups

This resolution authorises certain definitional updates and administrative improvements and tidies up areas of the Constitution that are no longer relevant. Specific changes include:

Remove references to “transitional arrangement” in the Constitution

This change will remove any redundant references to transitional arrangements in the Constitution now that the transitional period under the 2020 Governance review has been completed.

Revise the definition of “Milk Processor”

A change to the definition of “Milk Processor” will confirm the position that a farmer who supplies raw milk to a raw milk processor under the Raw Milk Regulations can become a shareholder provided they meet the other criteria to be a User.

This change will remove any uncertainty in the wording of the Constitution that allows for this.

Why we are recommending these changes

We are recommending you support these changes to strengthen our governance and shareholder engagement at LIC, and ensure our co-op is operationally efficient, effective, and fit for purpose. These changes will do that by:

- a. Streamlining governance of LIC to delegate decisions on select technical matters from the Board to LIC management.
- b. Future proofing the Constitution by ensuring eligibility for representative roles is reflective of our shareholders and the nature of their farming practices today.
- c. Tidying up areas of the Constitution that are no longer relevant.
- d. Ensuring consistency and alignment for election rules across all elected LIC positions.

The proposed changes will help us establish an efficient and effective governance structure for the future, and one which is truly representative of LIC’s shareholder base.

Your decision

We strongly believe that the proposed changes to the LIC Constitution will help us to continue to drive value and allow us to innovate and deliver for our shareholders.

The SRG and Board recommend a YES vote for these changes.

We welcome any questions that you may have and look forward to your participation at the Annual Meeting on Thursday 12th October.

Yours sincerely



Murray King
LIC Chair