

The Annual Meeting of Shareholders of Smiths City Group Limited (the **Company**) will be held at **THE TANNERY, METROPOLITAN LOUNGE, 3 Garlands Road, Woolston, Christchurch** at 10.30am on Thursday 5<sup>th</sup> September 2019.

## ITEMS OF BUSINESS

### ORDINARY BUSINESS

#### Financial Statements:

To receive and consider the Financial Statements for the year ended 30 April 2019 together with the Reports of the Directors and Auditors.

#### 1) Election of Directors

##### **Resolution 1**

Re-election of Alastair Gibson Kerr – To consider and if thought fit pass the following ordinary resolution: ***“To record the retirement of Mr Kerr as a Director of the Company and that, being eligible, he be elected a Director of the Company.”***

*Explanatory note:* In September 2018 a new board was elected. Under the new Listing Rules the entire board would be required to retire in September 2021. For prudent succession planning and continuity this is not optimal. The Directors therefore propose to establish a planned and orderly manner for the re-election of Directors over the next 2 years to ensure continuity of governance is maintained.

To commence this process, Mr Kerr will retire at this Annual Meeting and offers himself for re-election to the Board. Mr Kerr was first appointed a Director of the company in December 2017 by the Board and the Board supports the election of Mr Kerr.

#### 2) Auditor Remuneration

##### **Resolution 2**

To consider and if thought fit pass the following ordinary resolution: ***“That the Directors are authorised to fix the auditor’s remuneration for the current financial year.”***

### SPECIAL BUSINESS – ADOPTION OF NEW CONSTITUTION

#### 3) Special Resolution

To consider, and if thought fit, to pass the following special resolution, which requires a 75% majority of votes by those shareholders entitled to vote and voting:

##### **Adoption of new Constitution**

##### **Resolution 3**

That in accordance with section 32(2) of the Companies Act:

- a) The Company’s existing constitution is revoked; and
- b) The proposed constitution (as presented to the Annual Meeting of Shareholders) be adopted as the constitution of the Company.

### GENERAL BUSINESS

To consider any other business which may properly be brought before the meeting.

All resolutions to be put to the meeting are discussed in the Explanatory Notes attached.

20 August 2019

By order of the Board

**A G KERR**

**CHAIR**

## **EXPLANATORY NOTES**

### **Resolution 1 – Election of Directors**

#### **ALASTAIR GIBSON KERR**

*MA (HONS)*

Alastair Kerr joined the Board in December 2017. He is a professional independent director and has held many senior executive roles internationally with organisations such as Marks and Spencer, Mothercare, Virgin, The Body Shop, L’Oreal and Williams Sonoma Inc. in a career spanning 35 years.

Alastair is currently Chair of Murphy Group, the UK based construction company. In New Zealand he Chairs Cognition Education Limited; Vet NZ Limited and Paper Plus Limited.

### **Resolution 2 – Auditor Remuneration**

KPMG are the existing auditors of the Company. KPMG are automatically reappointed as auditor under section 207T of the Companies Act 1993. This resolution authorises the Board to fix the fees and expenses of the auditor for the current financial year.

### **Resolution 3 – Special Resolution – Adoption of New Constitution**

On 1 January 2019, NZX introduced the new NZX Market Listing Rules (**Listing Rules**) which replaced the former NZX Main Board Listing Rules dated 1 October 2017. The Company elected to commence complying with the new Listing Rules in January 2019.

Under Listing Rule 2.18.1 the Company is required to ensure that its constitution complies with the new Listing Rules. Due to the large number of amendments that are required to be made to the Company’s existing constitution, the Board recommends that the Company revoke its existing constitution and adopt a new constitution (**New Constitution**) which complies with the Listing Rules.

The advantages of the New Constitution are:

- It is shorter and simpler. The Company’s existing constitution is 62 pages and the Proposed Constitution is 18 pages;
- this is due to the existing constitution dating from 2004; a number of the legislations; regulations referenced in the current constitution have now been amended or superseded;
- The provisions of the New Constitution incorporate the Listing Rules by reference; future amendments to the Listing Rules are therefore concurrently incorporated into the proposed New Constitution without a constitutional amendment being required.

The New Constitution includes the following key changes as compared to the Company’s existing constitution:

#### **Directors**

The rules requiring regular retirement and re-election of directors have been changed.

Under the previous Listing Rules one third of directors or the number nearest to one third must retire at the annual meeting in each year and are eligible for re-election. The directors required to retire were those who had been in office the longest. Executive directors were not required to retire by rotation and the term of appointment of any executive director was not to exceed five years.

Under the new Listing Rules, a director may not hold office without being re-elected past the third annual meeting after their appointment or re-election, or for three years, whichever is the longer. The

requirement providing that executive directors not retire by rotation and their term not exceed five years was also removed.

The New Constitution has been amended to reflect these changes by removing the clauses in respect of rotation and managing directors by providing that directors shall retire from office when required by the Listing Rules and, subject to the Listing Rules, shall be eligible for re-election. The New Constitution also includes a provision allowing the Board to appoint new directors by Board resolution rather than only being able to appoint to fill a casual vacancy.

### Board Composition

The New Constitution has been amended to include an express statement that the Company shall comply with the minimum board composition requirements of the new Listing Rules.

### Other Changes

A number of other changes have been proposed in the New Constitution to reflect the Listing Rules and to simplify the form of the New Constitution by removing the unnecessary repetition of provisions of the Companies Act and the Listing Rules with which the Company must comply and which would in any event take precedence in the event of any existing or future inconsistency with the provisions of the Company's constitution.

The following changes are also proposed to generally update the provisions of the New Constitution:

- **Shareholders meeting quorum:** The quorum required for a meeting of shareholders has been amended from either five shareholders or shareholders who between them hold not less than five percent of the shares of the Company carrying voting rights, to three shareholders;
- **Voting by Poll:** A new clause is included that provides for so long as the Company is listed, voting at a meeting of shareholders must be undertaken by way of a poll;
- **Convening of a meeting of the Board:** A new clause is included that allows employees to request directors to convene a meeting of the Board by giving notice;
- **Period of Notice:** The procedure requiring notice of a meeting of the Board to be given to each director is amended so that not less than two calendar days' notice must be given to each Director, however if the chairperson believes it is necessary to convene a meeting as a matter of urgency, no less than two hours' notice may be given provided that all directors are contacted; and
- **Lack of a quorum:** A new clause is included which provides that if a quorum for a meeting of the Board is not present within 30 minutes after the time appointed for a meeting, the chairperson will adjourn the meeting to another time within the next three days. The directors present at the adjourned meeting constitute a quorum.

The New Constitution will not alter the rights attached to the Company's Shares.

The form of the New Constitution can be viewed at [www.smithcitygroup.co.nz/investors/](http://www.smithcitygroup.co.nz/investors/) or may be obtained on request from Michael Hindmarsh at [michael.hindmarsh@smithcity.co.nz](mailto:michael.hindmarsh@smithcity.co.nz).

The Company's solicitors, Duncan Cotterill, have provided an opinion to NZX confirming that the New Constitution complies with the Listing Rules, as required under Listing Rule 2.19.1.