



NZX Regulation Decision

Livestock Improvement Corporation Limited (LIC) (NS)
Application for Waiver from NZX Listing Rule 4.15.1

30 August 2019



Background

1. This decision relates to prior waiver decision granted by NZX Regulation (**NZXR**) to LIC on 9 February 2018.
2. The information on which this decision is based is set out in Appendix One to this decision. This decision will not apply if that information is not, or ceases to be, full and accurate in all material respects.
3. The 1 January 2019 NZX Listing Rules (**Rules**) to which these decisions relate are set out in Appendix Two to this decision.
4. Capitalised terms which have not been defined in this decision have the meaning given to them in the Rules, and in Appendix One.

Waiver from Rule 4.15.1

Decision

5. On the basis that the information provided by LIC is complete and accurate in all material respects, NZXR grants LIC a waiver from Rule 4.15.1 to allow LIC to provide financial assistance to an Approved Holding Entity, for the purposes of, or in connection with, the acquisition of Equity Securities issued, or to be issued, under the Voluntary Investment Scheme.
6. This waiver is granted on the conditions that:
 - a. Key terms of the Voluntary Investment Scheme and the arrangements to be entered into by the Approved Holding Entity are disclosed to LIC shareholders when the Voluntary Investment Scheme is established and launched; and
 - b. The terms of the Voluntary Investment Scheme, including quantum of financial assistance, are approved by Independent Directors who are not LIC co-operative members and who are not entitled to utilise the Voluntary Investment Scheme or hold the LIC shares.

Reasons

7. In coming to the decision to provide the waiver set out above, NZXR has considered that:
 - a. The policy behind Rule 4.15.1 is to ensure that Directors and others closely associated with an Issuer do not unduly influence a proposal to receive financial assistance from the issuer. Any financial assistance given under the Voluntary Investment Scheme is given solely to the Approved Holding Entity to cover its costs and does not cover the costs of the shares, which will be borne by the participants of the Voluntary Investment Scheme directly;
 - b. While the financial assistance will be given directly to an Approved Holding Entity that administers LIC's Voluntary Investment Scheme, the purpose of the financial assistance is to allow Directors and other senior, shareholding managers to participate in the co-operative in a meaningful way, creating alignment with other shareholders without being in breach of the law;
 - c. The financial assistance will be given on an arms-length basis, and in accordance with LIC's Governing Document; and
 - d. LIC has previously been granted a waiver from an equivalent provision under the 1 October 2017 NZAX Listing Rules (the NZAX Rules) in an NZXR decision dated 9 February 2018, and LIC's operating structure has not materially changed.

Confidentiality

8. LIC has requested that this application and any decision remain confidential until LIC announces the launch of the Voluntary Investment Scheme.
9. In accordance with Rule 9.7.2(a), NZXR grants this request.

Appendix One

Background

1. Livestock Improvement Corporation Limited (**LIC**) is a Listed Issuer with a “Non Standard” (**NS**) designation.
2. LIC is a farmer-owned co-operative company registered under the Companies Act 1993, operating in the dairy industry in New Zealand.
3. LIC’s shareholders are its customers who spend more than the prescribed minimum expenditure on qualifying products and services in a season, and employees of LIC. It is compulsory for customers of LIC purchasing LIC’s products and services to hold a certain number of shares in LIC based on their expenditure with LIC.
4. LIC has approximately 10,300 shareholders, spread across four regions (Northern, Midland, Central and Southern regions as defined in its Constitution). LIC shareholders are only able to nominate and vote for Directors that represent their region (**Elected Directors**). The regional elections are a key part of the process to ensure appropriate representation of LIC’s shareholders. The respective Elected Directors make up seven out of the ten Directors, with the remaining being Board appointed Directors from outside of the co-operative.

Voluntary Investment Scheme

5. LIC plans to offer a voluntary investment scheme (the **Voluntary Investment Scheme**) so that eligible directors and senior managers are able to invest in LIC without the risk of breaching securities trading restrictions. The Voluntary Investment Scheme will be a fixed trading plan under the Financial Markets Conduct Act 2013.
6. Pursuant to LIC’s Governing Document, the Board of LIC may approve one or more persons to be an approved holding entity to administer any voluntary investment scheme or dividend reinvestment plan adopted by the Board (**Approved Holding Entity**). The Approved Holding Entity will be a Board appointed third party who administers the Voluntary Investment Scheme by acquiring shares on behalf of the Voluntary Investment Scheme participants.
7. LIC intends to pay money to the Approved Holding Entity to meet the Approved Holding Entity’s administrative costs and brokerage fees for the shares that are acquired on a participant’s behalf. This financial assistance provided will be on arm’s length terms and represents a de minimus amount annually. The terms and the quantum payable under the arrangement will be approved by Independent Directors who are not co-operative members and who are not entitled to utilise the Voluntary Investment Scheme or hold LIC shares.
8. The cost of any shares acquired under the Voluntary Investment Scheme will be borne by the participants (i.e. eligible Directors and senior, shareholding managers) directly.

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9. As part of LIC’s recent migration to the NZX Main Board, LIC has applied for the re-documentation of a waiver that was previously granted by NZXR on 9 February 2018. LIC considers that there has been no substantive policy change between the NZAX Listing Rules in respect of which the previous waiver was granted, and the Rules that would impact on the decision. LIC also submits that there have been no material changes in LIC’s structure or circumstances since the previous waiver was granted in 2018.

Appendix Two

Rule 4.15.1 Financial Assistance

- 4.15.1 As Issuer must not give financial assistance for the purpose of, or in connection with, the acquisition of its Equity Securities except if that assistance:
- (a) complies with Rule 4.15.2, or
 - (b) is approved in accordance with Rule 4.15.1