

Kia ora tatou tau toa

Mr Chairman, members of the Board, Chief Executive, members of staff, shareholders and fellow Shareholder Councillors, it is my pleasure to present to you for the last time, the LIC Shareholder Council report for 2020. What a year this has been. Who would have thought that we would be bringing this AGM to you via a virtual meeting.

Changes within the council

Currently the Shareholder Council is made up of 21 regionally elected farmer representatives from the top of the North Island to the bottom of the South Island. The council members run varying farm enterprises, from large multi-herd owners, equity partnership operators and 50/50 share milking operations.

Over the last 12 months we have been able to fill the vacancy in ward 16. Christine McBeth has been appointed to this position. We welcomed Christine to our meeting back in July. Christine is representing Nelson/top of the South Island. Welcome Christine.

After 9 years service to the shareholders in the Coastal Taranaki ward, Bede Kissick retired from the council in May. On behalf of the council I would like to acknowledge the work that Bede did for his shareholders. Thanks Bede.

After 21 years service to the LIC Shareholders Council and shareholders throughout the country Gordon Glentworth retired. Gordon tells me that his service to LIC goes back a lot longer than the 21 years. He was part of the Taranaki Regional Board prior to the formation of the Shareholders Council. Gordon, thank you for all of the work you have done, the knowledge that you have passed onto many Councillors over your long tenure; your humour and loyalty is incredible.

Unfortunately, we still have a vacancy in the Coastal Taranaki ward, ward 12. Fortunately Gordon couldn't keep away and he has offered to fill the vacancy that he created in ward 13 for a further 12 month term.

Appointed Directors

Clause 21 of the LIC constitution requires that the Shareholder Council consider any person that is nominated as an appointed director, and if so approve such an appointment if the Shareholders Council so decides.

This year the Shareholder Council unanimously endorsed the re-appointment of Mrs Sophie Haslam for a term of 3 years.

Afimilk

Earlier this year the Board came out to the shareholder base seeking support for the purchase of a 50% share in the Israel based Afimilk Agricultural Cooperative. This cooperative specialises in automation, farm management software and cow monitoring and operates in many countries throughout the world.

There were many synergies that could be seen in the partnership between Afimilk and LIC. However, you the shareholders voted against the proposal. There was considerable discussion at the time of the proposal about the pros and cons of the proposal. Constitutionally the Shareholder Council did not have to make a decision as to whether we supported the proposal or not. It was the Board that decided to venture ahead with the proposal after a significant period of due diligence.

After a Council debrief following the no vote the Council wondered if the shareholders of New Zealand agricultural cooperatives were apprehensive about offshore investments due to a poor track record many of our cooperatives have had with offshore investments, on top of the uncertainty created by COVID-19. This was a lost opportunity for LIC's shareholders to invest in a data collecting Technology Company that would have enhanced future genetic gain.

COVID-19

Back on January 27, 2020, the world was mourning the tragic death of the great American basketball player Kobe Bryant. On the front page of the Los Angeles Times alongside pictures of Kobe was a heading about how 6 people had died in New York from something called COVID-19. Fast forward to today and everyone here knows all about COVID-19, the disruption to lives and the economy from lockdowns and the tragedy of lives lost.

LIC in the eyes of the Shareholders Council must be congratulated for the way in which close to 600 staff from Newstead were sent home to work remotely. The Agri-managers continued to liaise with farmers during the busy sales season. Yes, there has been a small drop in revenue due to the impact of COVID-19, however the cooperative has been able to "weather the storm". We were fortunate to be allowed to continue to trade under the "Essential Service" banner, and did so without claiming the wage subsidy. I want to reiterate our thanks from the Shareholder Council and the shareholder base to our Chief Executive Wayne McNee for his and his team's ability to continue to operate our cooperative in the most effective manner possible during this global pandemic.

Financial Performance

After the year end results were announced we had our annual conference call with the Chief Financial Officer David Halzlehurst. The council congratulated him, the senior leadership team, and the Board on the cooperatives solid performance over the last 12 months. It is a good result considering the significant challenges (COVID-19) during the season. It was also pleasing that LIC was within the earlier announced profit range, which allowed for a good dividend.

The payment of a good dividend to shareholders was welcomed by everyone at a time on farm when money seems to be going out of our accounts faster than it comes in. This payment is another reflection of the solid performance that LIC has had over the last 12 months.

The council continues to share with the Board, CE and senior leadership team, shareholders concerns about pricing. Some of the increased revenue is coming from shareholders purchasing higher priced or

perceived higher valued products, (such as A2 semen, Forward Pack, Genemark). The Shareholders Council is watching this space.

A reduction of the bull teams head count due to LIC's genomics investment led to a \$7.2 million reduction in bull team value. We are watching this closely to make sure genomics is delivering the genetic gain it claims to offer.

Over the last few years I have been commenting on the declining spend by LIC on Research and Development. It is pleasing to see that this declining trend has been halted and the spend has actually increased. This year's spend was up 17.5% to \$16 million which equates to 6.3% of revenue, (up from \$13.6 million last year, 5.5% of revenue). LIC did also receive \$4.8 million from the Government to help with research and development.

Also of note is the collaboration between LIC and other industry bodies in pooling their resources to work together for the betterment of all New Zealand farmers. This has been well received and we look forward to seeing the results in the future.

At last year's AGM in Taranaki I raised the issue of the performance of the LIC Automation business unit. Many shareholders from throughout the country have expressed concern about the service and delivery of what was one of LIC's flag ship products, Protrack. It is pleasing to see that the Board and Senior management have undertaken a complete review of this business unit.

Bio Security

The Board must be congratulated for their foresight in protecting our most valuable resource, our bull team, through the purchase of Chudleigh Farm just outside Hamilton. This provides a complete quarantine facility for the young bulls. Mycoplasma Bovis is still being eradicated from dairy herds here in New Zealand and it is great to see LIC leading the way in protecting our most valuable assets. Many shareholders are not aware of these decisions and only hear that LIC has purchased this property. Understanding the reasoning behind the purchase and seeing the farm operating is a message that needs to be shared with all shareholders.

In conclusion I would like to thank the senior leadership team for delivering a great result for shareholders over the last 12 months. As I have said before it is a great result, however these great results need to be re-occurring year after year. The Last 2 year's results have paved the way; keep LIC moving in this positive way in this ever changing environment.

The Shareholder Council want to thank all of the members of the LIC staff that have presented to us over the last 12 months, informing us of what is happening within their business units. Thank you.

The Board and Shareholder Council have continued to work closer on matters of concern and importance for LIC. This interaction has enabled the Shareholder Council members to gain a greater understanding of the role of a governor. Over the last 2.5 years members of the Board and Shareholder Council have worked closely on the Governance and Representation review that you as shareholders are being asked to vote on. I won't dwell on this topic as the Chairman and myself will be discussing this

shortly in the AGM. I do want to say it has been a very robust process with great feedback and discussion from all members of the Board and Shareholder Council.

Finally, this is my last AGM as I have decided to retire. I want to thank everyone for their support over the last 5 years that I have been Chair. I want to say a massive thank you to our council secretary Melanie Tonkin for all of the work that she does to keep the council running smoothly. Thanks Melanie. I want to congratulate Nathan Keoghan who has been elected the new chairperson of the Shareholders Council. Good luck with your new position mate, I am sure you will do a sterling job. I am proud of the work that the Shareholders Council has achieved over the last number of years and I hope that our defining legacy is the development of the new Shareholder Reference Group. Thanks