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Dear Shareholder,

This year at the LIC Annual Meeting, in addition to the “business as usual” matters shareholders will be voting on, we are also seeking your support to:

- A) Update and streamline LIC’s governance and representation to make sure the co-operative is working at all levels for its shareholders.
- B) Update the co-operative’s constitution to be able to appoint a “market maker” to improve the liquidity of LIC’s shares on the NZX.

A. Recommended changes to LIC’s constitution and governance and representation structures

Carefully reviewing and updating LIC’s governance and shareholder representation is the next step in LIC’s transformation. Just as we did with the share structure, we need to be sure that the governance and representation models are operationally efficient, effective and fit for purpose.

We understand that LIC’s delivery of products and services for its customers takes priority over shareholder issues for many of you, which sometimes results in low levels of engagement around issues that matter for our co-op’s future. One of the main outcomes from the review is the need to strengthen engagement with shareholders. In particular, the way shareholder input is sought on operational performance and quality, product development, service delivery, and enhancements that need to be made.

The Board and Shareholder Council are recommending a number of changes that require shareholder approval. These are set out in detail in the Notice of Meeting. These changes include:

Smaller Board, equal weighting of Directors across North and South Islands, streamlined elections

- Reducing the number of Elected Directors to six, streamlining the timing of elections and balancing the number of Elected Directors between the North and South Islands. Each will have three Elected Directors.
- All shareholders will get to vote for three farmer Directors for their Island.
- Directors will be elected by a broader mix of shareholders across an expanded geographic area.
- Elections will be simplified. All Directors will be elected for approximately three years and all elections will be held at the Annual Meeting. Currently, Directors are elected at the season end, with any Directors appointed by the Board during the year ratified at the Annual Meeting.
- The Board is reducing from ten Directors to nine. There will be flexibility, however, to appoint a further Appointed Director based on the co-operative’s needs for specialist expertise in the future.

Shareholder Council becomes a smaller, more focussed Shareholder Reference Group

- Streamlining 21 Shareholder Council Wards into four territories.
- Each territory will have two elected members on the Shareholder Reference Group.
- Updating the 21 person Shareholder Council model to become a Shareholder Reference Group with 12 members. Eight of the members will be elected by shareholders and four appointed by the members of the Shareholder Reference Group to ensure diversity and a broad range of skills on the Shareholder Reference Group.
- The Shareholder Reference Group will have a clear purpose and will work to an annual engagement plan that has clear objectives that reflect shareholder views.
- The Shareholder Reference Group will work with both the Board and LIC management. It will provide the Board with open, honest and constructive views from shareholders on major shareholder issues, and engage with management on operational performance and quality, product development, service delivery, and enhancements that need to be made.

Why we are recommending these changes

The Shareholder Council and the Board have worked together on the review and on developing the changes we are recommending as a result of the review.

We believe that the new Shareholder Reference Group will be more hands-on and focussed, and deliver improved shareholder engagement, better value for money, and most importantly ensure that your voice as a shareholder is heard at an early stage where it is able to have a meaningful impact.

These changes will establish an efficient and effective governance structure for the future, that is truly representative of LIC's shareholder base.

The governance and representation review process

In 2015 we began looking at the structure of the co-op's Board and Shareholder Council, which were then almost 15 years old. However, at that time, we reached the conclusion that simplifying the share structure and getting the co-operative "match-fit" financially and operationally was the priority.

Following the simplification of LIC's share structure in 2018, the Shareholder Council and the Board began a formal review of LIC's governance and shareholder engagement. Just as the rest of LIC has been transformed into a modern, progressive co-op, we needed to get on with reviewing our governance and shareholder representation.

A working group of Directors and Shareholder Councillors was set up to determine whether the governance and representation structures and processes put in place 20 years ago are still right to serve today's shareholders and solve today's issues.

The Working Group was chaired by a Director and included the Chair of the Shareholder Council and two other Shareholder Councillors. Together, the Group developed the final recommendations for which we are now seeking shareholder support.

The Working Group had five key objectives for LIC's governance structure to meet:

- 1. Promoting Shareholder Interests** - Delivering a mutually beneficial engagement process for our shareholders, Directors and management.
- 2. Stronger Influence** - Ensuring shareholders' views are able to influence thinking at an early stage, particularly on product and service performance, enhancement and development.
- 3. Shareholder Confidence** - Ensuring the continued confidence and support of shareholders through best practice governance and a well informed and actively engaged shareholder base.
- 4. Intentional Engagement** - The Board wants to make shareholder engagement intentional, with measurable outcomes reported to shareholders.
- 5. Best practice** - Governance to underpin the future of the co-operative that best serves our current and future shareholders.

The governance and representation review findings

The review found that the current election process is outdated, expensive due to a large number of Shareholder Council wards and Director regions, and inefficient due to different election timings for Appointed Directors and farmer Elected Directors and Shareholder Councillors.

It also found that the Shareholder Council structure no longer had its main purpose for existence and needed to be streamlined, modernised and focussed following changes in the industry, including the transfer of the National Dairy Core Database to DairyNZ.

To address these issues, the Board and Shareholder Council are recommending the changes outlined in this letter. The full detail of the changes is in the Notice of Meeting, which we urge shareholders to read and consider before voting.

B. Appointing a “market maker”

There is a separate resolution for shareholders to vote on in the Notice of Meeting. This resolution is to amend the constitution to enable the Board to appoint a “market maker”, subject to the Minister of Agriculture approving this change. The aim of the “market maker” is to create price stability and additional liquidity through consistent two-way quotes in LIC shares on the NZX.

LIC recognises that due to the restrictions on who may hold LIC’s shares, its stock is more illiquid than other listed companies.

LIC proposes to introduce the option to be able to appoint one or more firms to act as a “market maker”. The role of the “market maker” is solely to provide additional liquidity in LIC shares for those farmers approved to buy and sell shares without the need to wait for another LIC shareholder to trade with.

Your decision

We appreciate that in recent times LIC has been through a process of significant transformation and change as we take a number of important steps on our strategic roadmap.

Ultimately it is you – the shareholders as owners – that make LIC a great co-operative. It is vital that your voice and your views are heard and acted upon as we grow and build our co-op in the years to come.

We believe that the proposed changes to LIC’s governance and shareholder engagement that we are seeking your support for will ensure that this happens, and that your voice as an LIC shareholder will be stronger and more effective than ever before.

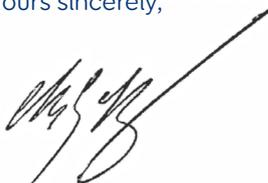
We also believe that following the share simplification, the appointment of a “market maker” is an important next step to make it easier for LIC shareholders to trade their shares.

On behalf of the Board and the Shareholder Council, we recommend a YES vote.

For more information regarding the proposed changes, please visit the LIC website www.lic.co.nz/annualmeeting

We will also be hosting a call on Wednesday 23 September at 1:00pm to discuss these changes and answer any questions you may have. Details for this will be announced to the NZX and on the LIC website and emailed to you shortly.

Yours sincerely,



Murray King
LIC Chair



Mark Meyer
Chair, LIC Shareholder Council