



Sustainability Report For the year ended 31 May 2021

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A photograph of a man and a woman, likely farmers, standing behind a metal railing in a field. The woman is on the left, wearing a dark green shirt, and the man is on the right, wearing a plaid shirt and dark overalls. They are both smiling and looking towards the camera. In the background, there are rolling green hills and a range of mountains under a cloudy sky. In the foreground, the dark, out-of-focus heads of several cows are visible.

Helping our farmers meet  
sustainability goals

# This is LIC's first Sustainability Report, and presents information about our environmental, social and economic performance for the year ended 31 May 2021.

Sustainability is not only important to us as a business, but also because of the critical role we play in helping our dairy farmers meet their own sustainability goals. We are passionate about New Zealand's primary sector and believe we can be world-leading in our management of impacts on the environment, and create real value for our farmers as a result.

We are a member of the Climate Leaders Coalition, The Aotearoa Circle and the Sustainable Business Council (SBC). When joining SBC, members are

required to introduce annual reporting practices, which outline progress on environmental, social, governance and economic issues. This report meets those requirements from a business perspective, but it's also an opportunity to demonstrate how we are responding to sustainability challenges facing our farmers and the New Zealand dairy industry.

We are committed to open and transparent reporting on sustainability, and look forward to further developing our reporting framework over time.



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# Who we are

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**LIC is a farmer-owned co-operative and world leader in pasture based dairy genetics and herd management.**

We exist to deliver superior genetics and technological innovation to help our shareholders sustainably farm profitable animals.

LIC is headquartered in Hamilton, with over 21 sites across NZ, Australia, UK and Ireland. With origins dating back to 1909, LIC has a long history of developing and delivering world-leading innovations for the dairy industry. This is even more relevant to farmers today given the rapid change the sector is undergoing.

The co-op is one of the sector's biggest private investors in research and development (R&D). LIC's commitment to R&D and new product development continues today, in line with its strategy to deliver value for its farmer shareholders.

LIC shares are listed on the NZX. To be a shareholder in LIC, you have to farm dairy cows in New Zealand, supply a New Zealand milk processor and buy a minimum amount of qualifying products and services from LIC in any one year.

As a farmer-owned co-operative, all of our profit is returned to our farmer owners/shareholders in dividends, or reinvested for new solutions, and research and development.



**We exist to deliver superior genetics and technological innovation to help our shareholders sustainably farm profitable animals.**



# Why sustainability matters to LIC

A photograph of two young girls in a rural setting, focused on planting a small tree. One girl, wearing a dark blue jacket and boots, is crouching and holding the tree's trunk. The other girl, wearing a purple and black plaid shirt, is also crouching and holding the trunk. They are in a field with dry grass and a fence in the background.

**Delivering value for our farmer shareholders is at the heart of our strategy. We've got our farmers' backs when it comes to helping them with issues relating to dairy farming and climate change.**

**Our focus is on leveraging our co-operative strength and potential for the long-term sustainability of our farmers, our environment, and our industry in New Zealand.**

Our strategy is to build a strong sustainable co-operative, leading the world in our field and delivering outstanding value for our customers, shareholders, and industry, next year, in 5 years and for another 100 years.

As a co-op, we understand the role we must play in driving positive change through collective action on climate change in New Zealand and supporting our farmer shareholders on the journey. We are committed to driving sustainability improvements and reducing emissions on-farm, with projects and initiatives in both these areas well underway.

Delivering value for our farmer shareholders is at the heart of our strategy. We've got our farmers' backs when it comes to helping them with issues relating to dairy farming and climate change.

We support our 10,000+ shareholder farmers through genetics, genomics, milk testing and diagnostics to produce the most sustainable and efficient animals and the highest value product.

# Key highlights



## ENVIRONMENT

Supporting shareholders to produce the most sustainable and efficient animals and reducing emissions at LIC.

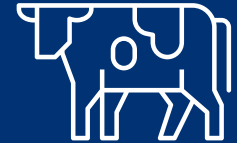
**Record milk production in NZ in 2019-20, without increasing cow numbers.**

An increased focus on efficiency means that cows around the country are better at converting grass into milk.

**1.87%**

**Reduction in LIC's CO<sub>2</sub> Emissions**

Change FY21 compared to FY20



**Launched indexes to rank our artificial breeding bulls on their environmental efficiency.**

**We are working on a world-leading methane research programme, investigating the link between methane emissions from bulls and their genetics.**

# Key highlights



Caring for our staff and our farmer shareholders.

70

## Organisational Health Index (OHI)

OHI is a McKinsey tool which measures the impact of our organisation practices and culture on performance against international benchmarks.

LIC is in the upper end of the second quartile of all tested companies by McKinsey worldwide.



3.49

## Total Reportable Incident Rate

(Per 100 full time equivalent employees).  
Down from 4.5 last year.



840+

## Full time equivalent employees

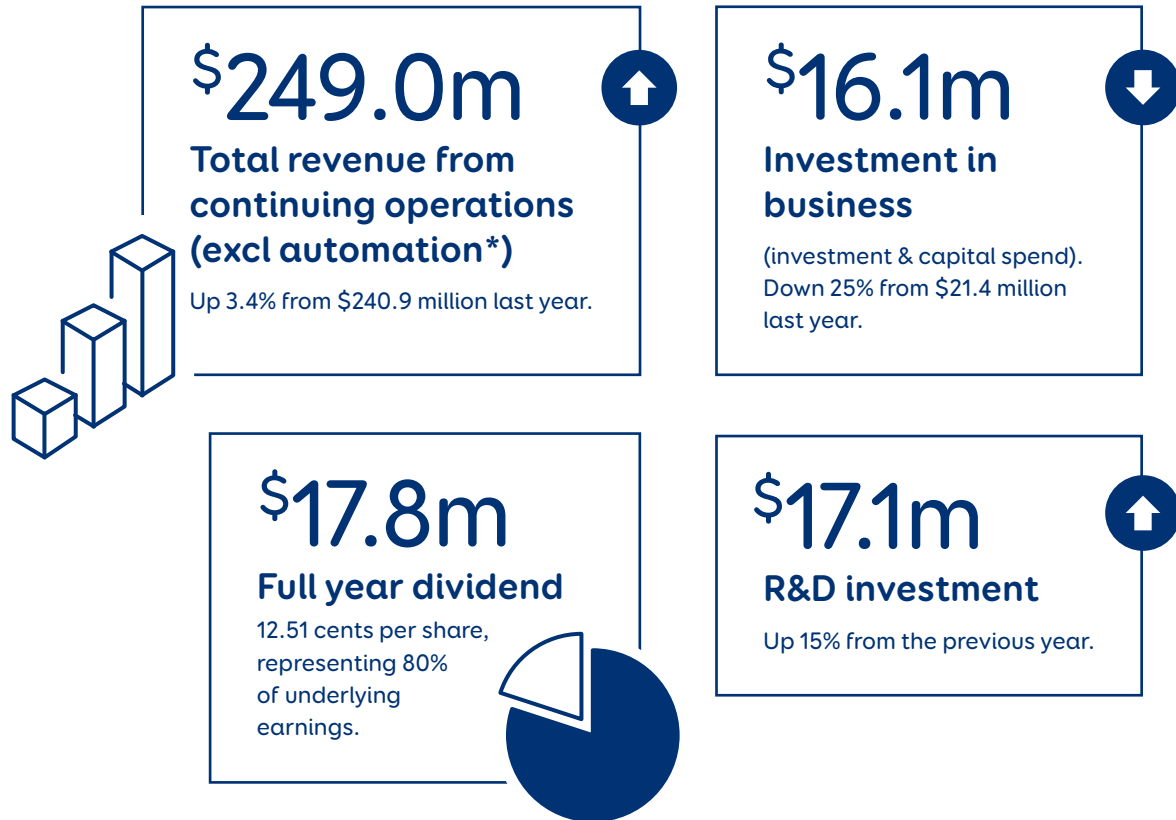
Plus over 1,900 seasonal workers.



# Key highlights



Delivering value to our farmer shareholders by investing in initiatives to help them breed the most profitable and sustainable animal.



\* Excludes discontinued business operations - Automation was divested in June 2021.



# Letter from the Chair & Chief Executive

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**As a farmer-owned co-operative and world leader in pasture based dairy genetics and herd management, we have a critical role to play in helping New Zealand's dairy farmers meet their sustainability goals.**

Sustainability is baked into our purpose. We exist to deliver superior genetics and technological innovation to help our shareholders sustainably farm a profitable animal.

Even though LIC has just started on its reporting journey, unlike other companies that can only make a difference through the business choices they make, we are able to do some of the heavy lifting on sustainability for our industry too.

The investments we are making in genetics and technology allow us to provide our shareholders with the precision tools they need to farm more sustainably and to breed more productive, profitable and climate-friendly cows.

Murray King

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Wayne McNee

We're proud members of the Climate Leaders Coalition, The Aotearoa Circle and the Sustainable Business Council (SBC), with a commitment to reduce our emissions and work with our suppliers to reduce their emissions as well. We support the Council's vision that by 2050 New Zealand is thriving in a carbon-neutral environment and we are committed to making a meaningful contribution towards delivering on this vision.

The purpose of this report is to demonstrate to our shareholders our commitment to them when it comes to sustainability, in addition to meeting our annual reporting requirements as a member of SBC. We have made an explicit commitment to our farmers in our refined strategy on environmental sustainability. We know that environmental and regulatory considerations are front of mind for our farmers, but we hope that this report will become a useful place to find out what LIC is doing each year to help the industry meet new challenges head on.

### **Reducing the environmental impact of the NZ dairy industry**

Beyond reducing cow numbers, LIC considers there are a number of other precision tools to help improve efficiency and reduce our environmental footprint, and we'll continue to add to this toolbox to support our farmers. We outline a number of these initiatives in the environmental sustainability section of this report.

While many industries only recently began responding to climate challenges, LIC and its farmer shareholders began work over 30 years ago to improve genetic gain within the herd using genomics - investing more than \$78 million in genetics and genomics R&D to be at the forefront of pasture-based genetics globally. One of the material outcomes of this three decades of investment is that farmers are better equipped to meet their climate goals by using genetic gain to breed more productive and sustainable animals.



## Farmers investing in high value genetics to meet climate goals

We're seeing a noticeable shift in farmer focus, primarily driven by discussions about farming more sustainably, and a general acceptance that if we are unable to milk more cows, we need to be milking better ones.

Interest in our highest genetic merit animals continues to grow year-on-year. This year, we've seen significant growth in our premium genetics range where young genomic bulls are utilised to fast track genetic gain and deliver more value on farm through increased productivity and efficiency.

As we continue to invest, it is pleasing to see more and more farmers utilising genomic sires, creating on-farm value out of an investment that started with innovative foresight nearly 30 years ago.

This shift reflects farmers' growing confidence in our proprietary genomics work and their willingness to adopt new tools and solutions to help them meet their own sustainability goals and future-proof their businesses.

We would like to thank our staff and shareholders for their hard work and continued support over the past year and we look forward to developing our reporting on LIC's sustainability journey in years to come.



**Murray King**  
Chairman



**Wayne McNee**  
Chief Executive



**It is pleasing to see more and more farmers utilising genomic sires, creating on-farm value out of an investment that started with innovative foresight nearly 30 years ago.**



# Our strategy



**Over the past five years, with the support of shareholders, we have transformed LIC into a modern, progressive co-operative.**

In 2021, the Board completed an exercise to refine our strategy to put value for farmer shareholders at its heart. We've listened to our farmer shareholders and they want us to focus on doing what we're good at and playing to our strengths in pastoral dairy genetics and herd improvement.

Our strategy is to build a strong sustainable co-operative, leading the world in our field and delivering outstanding value for our customers, shareholders, and industry, next year, in 5 years and for another 100 years.

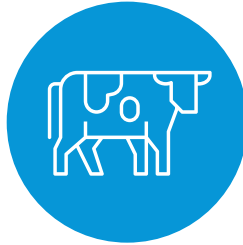
**Doing what we are good at. Playing to our strengths.**

# How we drive value for our farmers



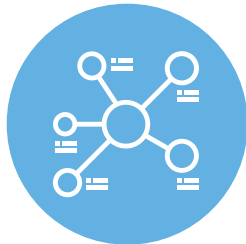
## Our Farmers

Deepen our understanding of the current and future needs of all of our farmers.



## Animal

Most sustainable & efficient animal.  
Highest value products.



## Data & Digital

Modernising the animal data  
& digital capabilities.



## Innovation

Research & development.  
Responsive innovation.

## Our three commitments to our farmers

We will be guided by our primary focus of delivering value for our farmer shareholders.

### 1 Operational Excellence

We commit to getting the basics right and delivering for you, on time, every time.

### 2 Faster Genetic Improvement

We commit to having your back when it comes to helping you meet the environmental challenges you face, in particular animal efficiency, and nitrogen and methane mitigation.

### 3 Software Reliability and Performance

We commit to being better at delivering our software to you. We renew our commitment to continuous improvement and transparency around delivery of new features.

# Environmental sustainability

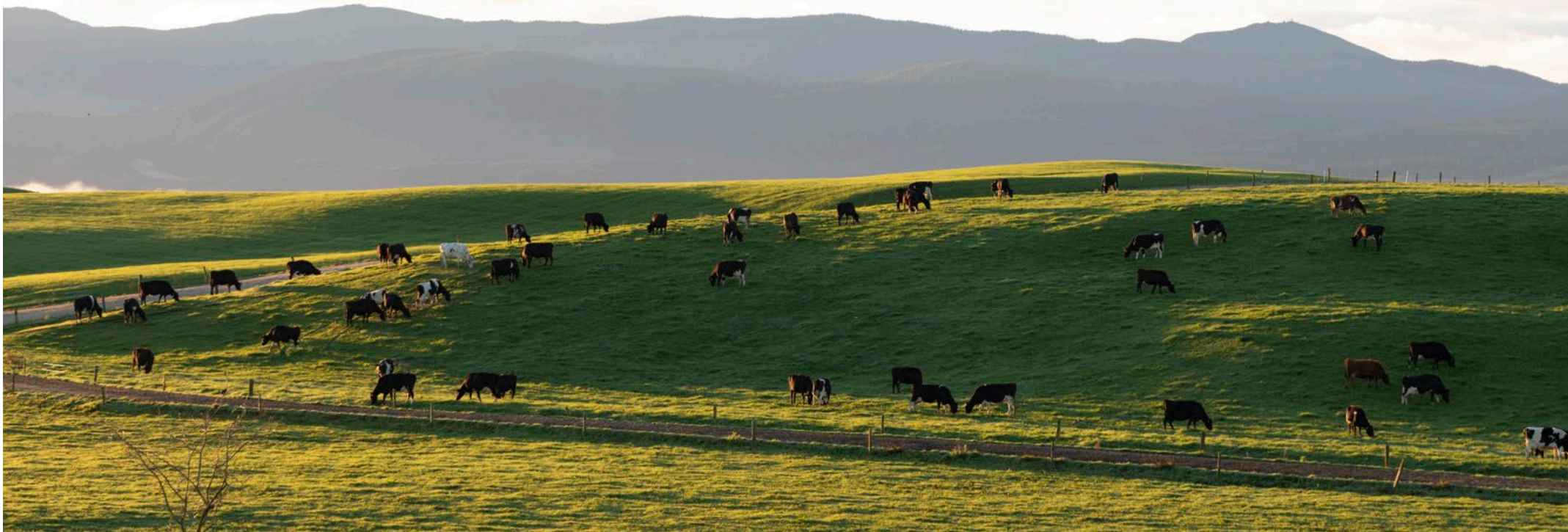
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For LIC, the biggest impact we can have on environmental sustainability is through providing our farmers with the precision genetic and technology tools to meet the environmental goals for the New Zealand dairy industry. LIC is also focused on reducing our own footprint at a business level.

One of the primary ways we assist our farmers to reduce their environmental footprint is breeding high genetic merit bulls for artificial breeding and supporting farmers to accelerate their herds' genetic gain.

We're proud of the role we play in ensuring cows around the country are year-on-year more efficient at converting grass into milk, in turn enabling farmers to reduce their environmental footprint, and we work hard to develop and deliver solutions that make this easy for them.

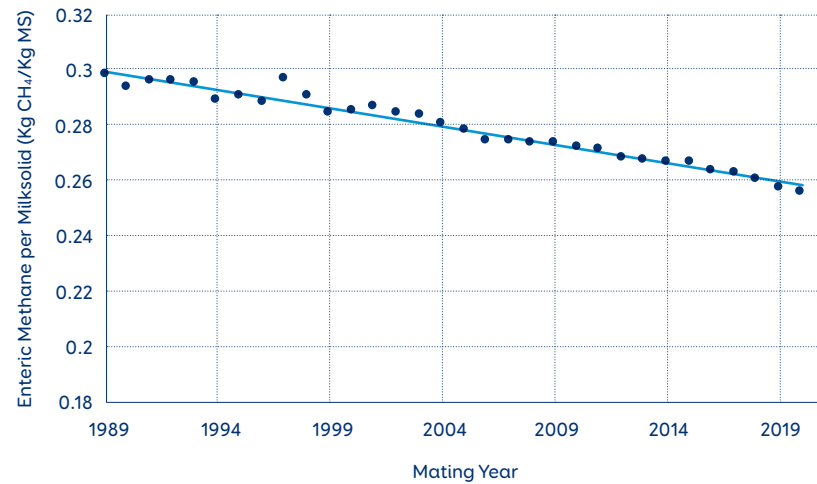
**We're proud of the role we play in ensuring cows around the country are year-on-year more efficient at converting grass into milk.**





# Key metrics

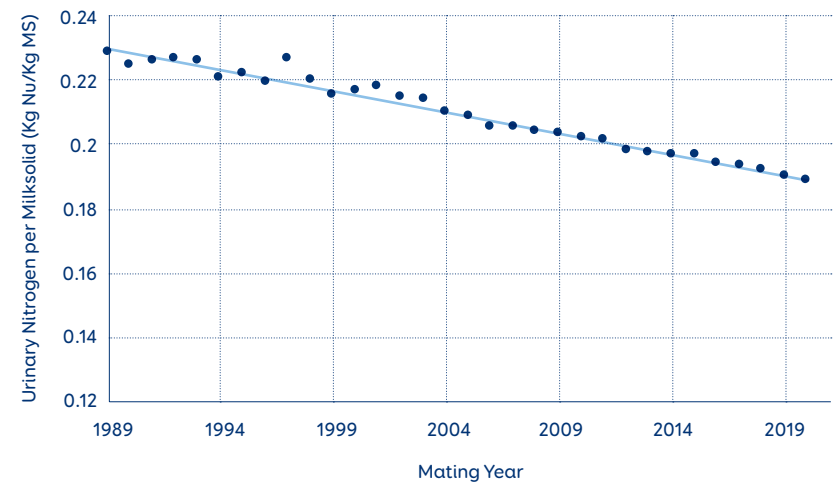
LIC Premier Sires® enteric methane per milksolid



## Enteric methane

Enteric methane is a key emission from ruminant livestock and the main greenhouse emission produced in pastoral dairy farming. Using our genetic data, LIC has been able to model the genetic potential of enteric methane emissions relative to milksolids production over the past 30 years of breeding. Over 30 years from 1990 to 2020 the genetic improvement in our Premier Sires semen delivered on-farm is a 13% reduction in enteric methane emitted per kilogram of milksolid produced.

LIC Premier Sires® urinary nitrogen per milksolid



## Urinary nitrogen

Urinary nitrogen deposited from cattle, particularly lactating cows, is a source of surplus nitrogen which is susceptible to be lost as a contaminant to its surrounding environment either as nitrous oxide, a potent greenhouse gas, or leached from the soil as nitrate. The genetic improvement of our Premier Sires team through breeding for high protein producing animals and high feed efficient animals has resulted in a genetic improvement of 16% less urinary nitrogen per kilogram of milksolid produced over the 30 years from 1990 to 2020.

# Why high genetic merit animals are better for the environment

**High genetic merit animals are more environmentally efficient because they partition a greater proportion of their feed eaten into milksolids and less into waste.**

High genetic merit is more than just milk production traits; these animals need to be well balanced with good fertility, animal health, conformation, longevity as well as milk fat and protein production relative to their liveweight.

LIC originally developed Breeding Worth (BW) in 1996 as a genetic index to compare the efficiency of New Zealand dairy animals. BW has been used to drive animal efficiency, as the metric shows the genetic benefit in dollars of the additional productivity of the animal for a fixed amount of feed eaten. This index has been key to driving production efficiency and this aligns well with environmental efficiency.

For each additional \$10BW advantage an animal has ~2.0g less enteric methane is produced per kilogram of milksolid production. Similarly for each additional \$10BW advantage there is also about 1.7g less urinary nitrogen per kilogram of milksolid.

To ensure we are able to make the best decisions on genetic selection we require a large quantity of high quality data, from animal events, animal traits, milk production, animal health, reproduction and DNA samples to maximise the accuracy of the data used for making decisions. We are grateful for the partnership we have with our farmer shareholders through uptake of our products and in turn the data that becomes available as a result. Our farmer shareholders who are bull breeders are also a critical part of our system in New Zealand.

# Reducing the environmental impact of our national herd

## Genomics

**Increasing genetic gain through breeding the best quality heifer calves has become an even more valued aspect of dairy farmers' seasonal focus, and genomics is one of the critical technologies to help farmers breed more productive and climate-friendly cows.**

The purpose of genomics in animal evaluation is to predict the future. Utilising genomics (DNA information) in animal evaluation is estimated to be worth \$180 million annually to the New Zealand industry as it enables elite young bulls to be used for artificial breeding, effectively fast-tracking genetic gain to breed a more sustainable animal.

Genomic sires feature in our premium artificial breeding offerings, including the Premier Sires® Forward Pack, A2/A2, Alpha® genomic and liquid sexed semen. LIC's premium genetics range accounted for almost half of the total artificial breeding inseminations (41.3%) in the 2020-21 reporting period, up from 18.4% in 2017-18, with genetic gains delivered 2-3 years earlier through the genomic selection of bulls, compared to the historical daughter proven approach.

Genomic bulls are selected using a combination of DNA and ancestry information to predict their future performance, which enables access to the elite genetics from a younger age. LIC genomic science is also about identifying the desirable traits of a cow from its genetic code and breeding for them to generate increased productivity and health traits for dairy cows.

LIC's investment of more than \$78 million over three decades into genomic science and genome sequencing technology is generating markedly increased productivity and health traits for dairy cows and better returns for dairy farmers.



**Utilising genomics (DNA information) in animal evaluation is estimated to be worth \$180 million annually to the New Zealand industry.**

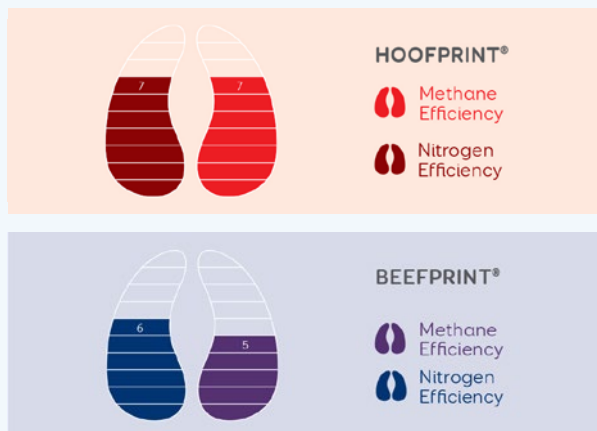


## 1. HoofPrint and BeefPrint

Our new HoofPrint® and BeefPrint® indexes rank our artificial breeding bulls on their environmental efficiency. The 10-point ranking systems enable farmers to select bulls based on their predicted ability to generate offspring with a lower environmental impact – the higher the score, the more environmentally efficient they are.

It is difficult to measure and assess actual enteric methane emissions and urinary nitrogen excretion from cattle in pasture-based systems, two of the major contributors to the environmental impact of our sector. Therefore, a modelling methodology has been used to quantify the expected emissions and excretion in our indexes.

**Launched in 2020, HoofPrint® ranks and compares enteric methane and urinary nitrogen per kilogram of milksolids produced. BeefPrint® was launched this year, based on the same methodology principles, although it ranks beef bulls for their lifetime enteric methane and urinary nitrogen per kilogram of meat produced.**



Lab technician extracting DNA from tissue samples for genotyping as part of parent verification in LIC's GeneMark Laboratory.

## 2. GeneMark®

We have invested over \$10 million into new technology for our GeneMark laboratory over the past couple of years, which means we can provide new and larger scale services to our farmer shareholders and do our own genomic evaluation work for our bull teams.

Last year we transitioned our GeneMark laboratory onto a new platform, which means the potential selection of bulls can now be done in-house. The Illumina platform, a multi-million-dollar genomics analysis technology from the US, enables farmers to better identify their most productive animals and reduce the risk of culling offspring from their top cows.

**All farmers using LIC's GeneMark DNA parentage testing service now also get their animals screened for six genetic variants that have a significant impact on animal health and milk production.**

The newly discovered genetic variants impact animal health and milk production to the tune of up to \$10 million in lost production each year across the national herd. Identifying these animals via GeneMark and removing them from the herd will help ensure that farmers rear only the healthiest, highest performing animals.

### 3. Sexed semen

Our fresh sexed semen is accelerating genetic gain within our dairy herds by enabling farmers to get more high quality replacement heifer (female) calves from their top performing cows.

LIC is the only provider of fresh, liquid sexed semen in New Zealand, which delivers a higher conception rate than frozen sexed semen options. The resulting pregnancy has a 90 per cent chance of producing a heifer, providing more high genetic merit heifer calves to enable the best to be selected and retained.

LIC's sexed semen orders have tripled in the last year with 110,125 sexed semen straws sold, up from 33,804 the previous year.

Farmers are clearly seeing the value of mating their best animals to high genetic merit sires, while generating more beef-cross animals by using a beef sire on their poorer performing animals.

We expect that orders could double again this year as farmers look to drive genetic gain within the herd, and as part of efforts to reduce the number of bobby calves overall.

**LIC's sexed semen orders have tripled in the last year with 110,125 sexed semen straws sold, up from 33,804 the previous year.**

LIC lab technician processing Long Last Liquid (fresh) semen.





## Research and development (R&D)

To best support farmers, we invest around 5-6% of our revenue into R&D compared to the primary industry average of around 1%. We are investing in the areas where LIC has unique capability to maximise the value our customers generate from their livestock and their product; providing technology and services to make farmers' lives easier.

Much of our research work around genomics, analytics, animal health and reproduction will have follow-on benefits to improve the lifetime efficiency of the cow and reduce the impact on the environment.

In the reporting period, LIC invested \$17.124 million into R&D projects, up 15% from the previous year, reaffirming its position as one of the biggest investors in R&D for the primary sector.

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### 1. Methane research project

Thanks to funding from New Zealand Agricultural Greenhouse Gas Research Centre, we are working with CRV on a world-leading methane research programme, investigating the link between methane emissions from bulls and their genetics.

The project hopes to ultimately provide Kiwi dairy farmers with the ability to breed more 'climate-friendly cows' that produce less methane.

Following a promising pilot trial using 20 young bulls in 2020, the research has now progressed to a much larger study where operations have scaled up to collect measurements from 300 young bulls, the full intake from LIC and CRV's Sire Proving Scheme.

The bulls independently visit the Greenfeed machine, a special methane measuring device. They're enticed to visit the machine as they get a small feed of Lucerne hay cubes, which keeps them in the machine for three to five minutes - enough time to get a methane measurement (ruminant animals burp every 1-2 minutes).

It's a long term project that LIC has committed capital investment to, but if a genetic link is confirmed farmers will ultimately be able to breed low methane-emitting cows from low methane-emitting bulls.





## 2. Resilient Dairy: Innovative Breeding for a Sustainable Future

We are leading the 'Resilient Dairy' research programme, with investment and support from MPI and DairyNZ. The seven-year Sustainable Food and Fibres Futures programme, launched in June 2019, seeks to enhance the health and wellbeing of the national dairy herd and drive a step-change in sustainable milk production.

This programme of work involves investing in new disease management technologies and advancements in genomic science to produce better cows with improved health, wellbeing and environmental resilience.

Through Covid-19, we've heard a lot about genomic sequencing which allows scientists to quickly identify where a specific case comes from based on a particular strand and how it has mutated. That's what we've been doing with Resilient Dairy, using the technology we have to find strands and figure out which cows have particular viruses or bacteria.

# Reducing the environmental footprint of our business



LIC is a member of the Sustainable Business Council, the Climate Leaders Coalition and The Aotearoa Circle and has committed to becoming carbon neutral by 2050, in line with the New Zealand Government's Climate Change Response (Zero Carbon) Amendment Act 2019 and in accordance with our pledge as a signatory to the Climate Leaders Coalition.

LIC Chief Executive Wayne McNee was also elected to the Sustainable Business Council advisory board in August 2020.

The latest full report detailing LIC's Greenhouse Gas (GHG) emissions, as required under LIC's commitment to the Climate Leaders Coalition, is available at [lic.co.nz/about/our-emissions-and-energy/](https://lic.co.nz/about/our-emissions-and-energy/)

David Archer, Strategic Procurement Manager, and Devon Samuel, Procurement Sourcing Specialist (L-R) with our latest electric vehicles.



## What we're doing to improve business sustainability

To help reach our targets, we're transitioning our fossil fuel-only company cars to include options of Electric Vehicles (EV), Plug-in hybrid (PHEV) and Hybrid models. We have installed 13 EV Charging Stations at our Head Office in Newstead.

We're also establishing programmes to support our staff and suppliers to reduce their greenhouse gas emissions, including:

- Providing vehicle tracking to all vehicles to improve vehicle efficiency.
- Allowing LIC employees to charge their EV's while at work.
- Soft plastics initiative at Riverlea and Newstead.
- Changing our bulletin to be mailed out in recyclable paper wrapping rather than plastic.

LIC has an ongoing programme of investment to continue to upgrade our waste management infrastructure across our farms, as well as riparian planting, to lessen the impact of our farming activities on the environment.

We manage a number of bull farms and a dairy farm. We will be completing an upgrade of all our animal handling facilities on our bull farms in 2021/22. The new yards incorporate effluent management into their designs, going well beyond our resource consent obligations to protect local water ways.

Our Waikato dairy farm has been using ClearTech in partnership with Ravensdown. ClearTech is an effluent treatment system that recycles water, and increases effluent storage capability. It also reduces the environmental and safety risks associated with dairy farm effluent and ensures that we can meet regional council requirements. We have also upgraded our

silage bunker to mitigate any leeching into waterways during the winter months.

We keep our animals away from waterways and sensitive areas on our farms.

We recycle materials such as silage wrap and plastic drums and are seeking new ways to reduce water and energy use across all our sites.

We encourage video conferencing for meetings involving our people and others to reduce travel.

## Trade-waste consents

LIC has consents to discharge trade-waste from operations at Riverlea in Hamilton and in Christchurch, and has a waste-water treatment plant at Newstead in Hamilton and a number of bore water tanks on farm. The waste water that is being discharged at Riverlea comes from a wash line that cleans and sterilises testing equipment, which contains a small amount of milk residue.

Our current Riverlea consent is based on an annualised target. Since we operate a seasonal business, at peak loads we have breached the annualised limits. This was identified through our own monitoring and did not result in an infringement. We proactively provided the council with this monitoring information and we continue to provide this information on a more regular basis than what our consent requires.

We have been working with the Hamilton City Council very closely on mitigation plans for the intermittent breaches that we experience. Multiple process changes have been made and continue to be made to decrease the contaminant load entering the trade waste system. With all the changes we have put in place we are confident that we will meet the consent conditions at peak volumes moving forward.



**LIC has an ongoing programme of investment to continue to upgrade our waste management infrastructure across our farms, as well as riparian planting, to lessen the impact of our farming activities on the environment.**



## Our emissions

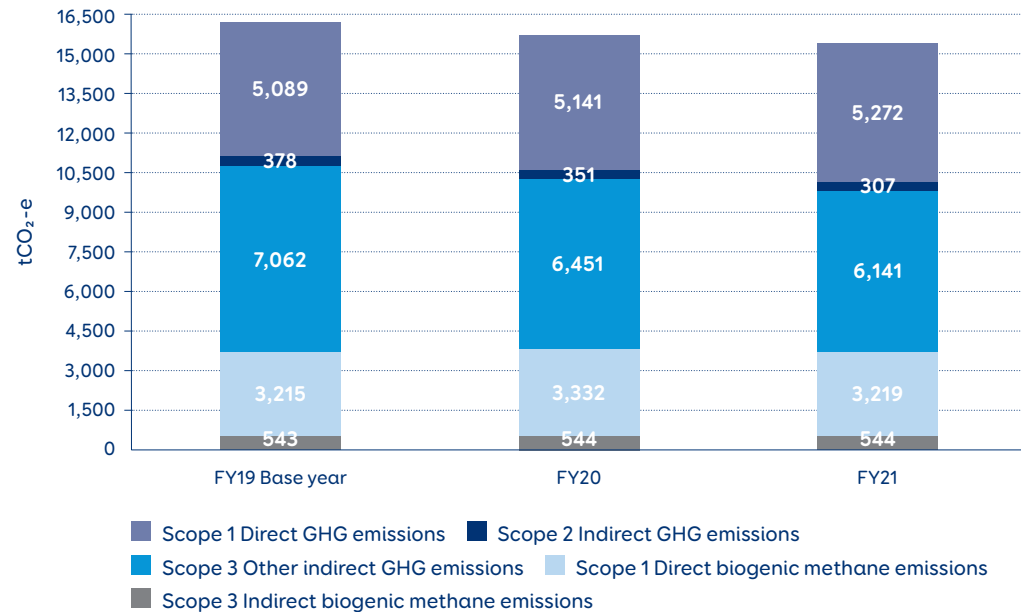
We first measured our emissions in the 2019 financial year (1 June 2018 – 31 May 2019). These measurements serve as our base year for all future emissions to be compared against.

From FY19 to FY21 (1 June 2020 – 31 May 2021), we had an overall reduction in our total CO<sub>2</sub> emissions of 6.45%. Our FY21 biogenic methane rose by 0.14% from base year FY19.

Some of the decreases are likely attributed to the ongoing Covid-19 pandemic and limitations set on New Zealand in regard to travel and working from home.

**From FY19 to FY21 we had an overall reduction in our total CO<sub>2</sub> emissions of 6.45%.**

LIC total GHG emissions



### Emission types

**Scope 1 - Direct GHG emission sources** are generated by sources owned or controlled by us. For example, emissions from our fleet vehicles, air conditioning units and agriculture emissions from our farms.

**Scope 2 - Indirect GHG emission sources** are derived from the generation of purchased electricity that is used by LIC.

**Scope 3 - Other GHG indirect emission sources** are derived from the activities that are carried out by us but from sources not controlled by us. For example, indirect emissions from staff vehicles used to travel to and from work.

**Scope 1 - Direct biogenic methane emissions** are generated from enteric fermentation, manure from our cows and bulls, and from on-site wastewater treatment.

**Scope 3 - Indirect biogenic methane emissions** are generated from municipal wastewater treatment and waste.

## Science-based emissions targets

We have defined the following science-based climate change targets to reduce our greenhouse gas emissions and limit the temperature increase to 1.5°C of pre-industrial levels:

46.2%

Reduction of Scope 1 and 2 emissions\* by 2030 (against our 2018/19 base year)

28.9%

Reduction of Scope 3 emissions\* by 2030 (against our 2018/19 base year)

10.0%

Reduction of biogenic methane by 2030 (against 2017 emissions)

\*Excluding biogenic methane





# Social sustainability – Caring for our people

For LIC, social sustainability is all about caring for our people, ensuring that they have the tools and support they need to continue to drive value for our farmer shareholders. We are focussed on fostering a culture that embraces change, builds capabilities, encourages people and ultimately drives results to deliver greater customer value.

We are committed to investing in our people to develop their talent and ensure they are in a positive and safe working environment.

We have a diverse workforce. Alongside our full-time equivalent employees, in peak season we also employ close to 1,400 seasonal Artificial Breeding Technicians and over 500 other seasonal or casual workers to help in other areas of the business, like Herd Testing.

Each year, our qualified AB technicians (AB techs) visit farms in their local area, artificially inseminating millions of cows between September and January.

Key metrics

840+

full time equivalent  
employees, of which  
500 are women

10,000+

customers



# Our governance structure

**The LIC Board has had a very clear roadmap for transforming LIC into a modern, progressive co-op. This began in 2017 with transformation of the business operations, then in 2019, the Board sought shareholder approval to simplify the Co-operative's share structure. In 2020, the Board and LIC's Shareholder Council also completed a major review of LIC's Governance Structures.**

In October 2020, shareholders voted to update and streamline the governance of the co-operative, based on the recommendations of the Governance review, including changes to the Board and replacing the Shareholder Council with a smaller, more focussed Shareholder Reference Group.

As a result of the Governance Review, LIC's Board must be comprised of at least six elected farmer directors, and up to four independent directors to allow specialist expertise to be added when needed, while balancing the number of Elected Directors between the North and South Island.

LIC's Shareholder Reference Group is solely comprised of farmer shareholders. It is made up of 12 members across four territories. Eight members are elected by shareholders and four appointed by the existing members of the Shareholder Reference Group to ensure diversity and a broad range of skills on the Group.

Our Senior Leadership Team (SLT) consists of a talented group of men and women with a wealth of industry and management experience. The SLT at LIC is tasked with working with the Board to develop, drive and implement our short and long term strategy and deliver against it.

These teams all contribute to driving value for our shareholders.



**Minister for Agriculture Hon Damien O'Connor and LIC Board Chair Murray King at the launch of the methane trial at Chudleigh Farm**

# Board of Directors

LIC's Board is responsible for the overall governance of LIC on behalf of its farmer shareholders.

LIC Directors set the vision and long-term goals of the co-operative. This includes the strategy to achieve that vision, as well as the monitoring of the strategy implementation.



Back row: Sophie Haslem, Ben Dickie, Gray Baldwin, Alison Watters  
Front row: Tim Gibson, Matt Ross, Murray King (chair), Ken Hames, Candace Kinser



# Shareholder Reference Group

Our Shareholder Reference Group is an independent body of shareholders who work collaboratively with our Board and management. The group serves to promote the interests of shareholders and help us deliver our purpose and vision.



**Back row left to right:** David Beuth, Phil Lowe, Wayne Reynolds, Bruce Murphy (deputy chair), David Hands, Michelle Oldham-Smith, Mark Hooper  
**Front row left to right:** Lyna Beehre, Mark Benns, Nathan Keoghan (chair), Christine Macbeth, Melanie Tonkin (SRG secretary)  
**Absent:** Richard Ridd



# Supporting the health and wellbeing of our people

**Creating a supportive and sustainable internal culture within LIC has been vital to achieving the successful results seen in recent years.**

Introduced in 2019, 'Well Aware' is LIC's centralised health and wellness strategy incorporating physical, mental and social wellbeing.

Staff across the business increasingly asked for assistance in the areas of supporting employee resilience and psychological wellbeing. It takes courage to put your hand up and ask for mental health support at work. The creation of the Well Aware Hub has enabled us to provide a one-stop shop for a well body, well mind, and a balanced life for our staff.

'Mental Wellbeing at Work' is the flagship programme of the 'Well Aware' strategy and is compulsory for all permanent and fixed contract staff. It is designed to specifically ensure our employees thrive within a work environment that holistically supports and promotes their health and wellbeing, leading to an engaged, safe and sustainably high-performing workforce. This programme was extremely well received by staff and we are now piloting a version of this programme for manager-specific training.

Through the development of workshops and online resources, the Well Aware Programme has further improved our internal culture. Since launch, we have seen outstanding results and shifts in behaviours,

knowledge and employee engagement across the board, particularly from those who may have been slower or not sought help at all in the past.

Our HR team has received well-deserved recognition for their work over the past year. LIC was named 2020 Employer of Choice through a survey conducted by HRD New Zealand, becoming the only agricultural entity to win an Employer of Choice Award from HRD. HRD focuses on analysis of the HR profession across not only New Zealand but also Australia, Canada, America and Asia.

At the 2021 NZ HR Awards, LIC won excellence awards in the HR Team of the Year >500 employees category and the Employer of Choice >200 employees category.

We are incredibly proud of our Chief People Officer, Roz Urbahn, who was named NZ HR Director of the Year at the 2021 HRD Awards New Zealand. She has led significant changes with her team over the past 12 months, from implementing flexible work practices to creating leadership development programmes and delivering an ever-growing wellbeing programme.



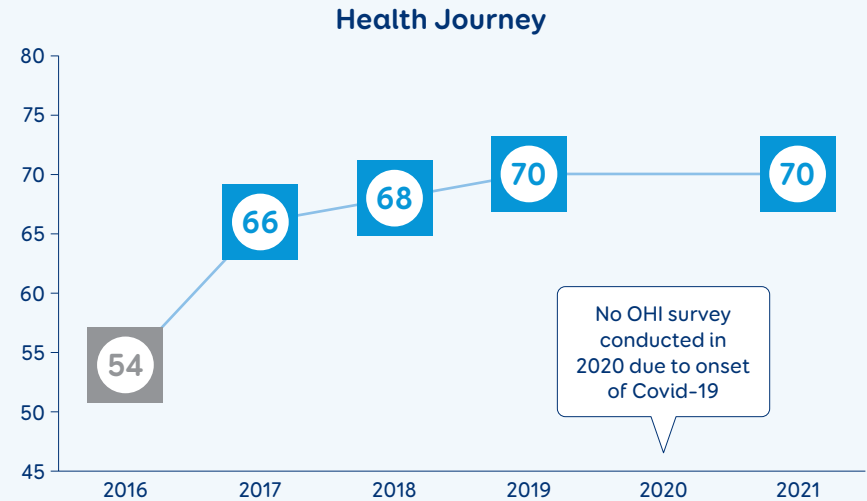
Roz Urbahn

**This programme was extremely well received by staff and we are now piloting a version of this programme for manager-specific training.**

# Organisational health

**For LIC, the focus is always on improving with the support of its 800 staff and around 2,000 seasonal workers.**

We use the McKinsey Organisational Health Index (OHI) methodology to survey employees on the impact of our organisation practices and culture on performance against international benchmarks. For 2021, 2.9 million employees were surveyed by McKinsey through 809 surveys globally. The survey results provide a rich source of data to identify key areas for improvement across the organisation. Our latest survey showed that our OHI score remained stable at 70, in the second quartile of all tested companies during Covid-19.



## Diversity & inclusion

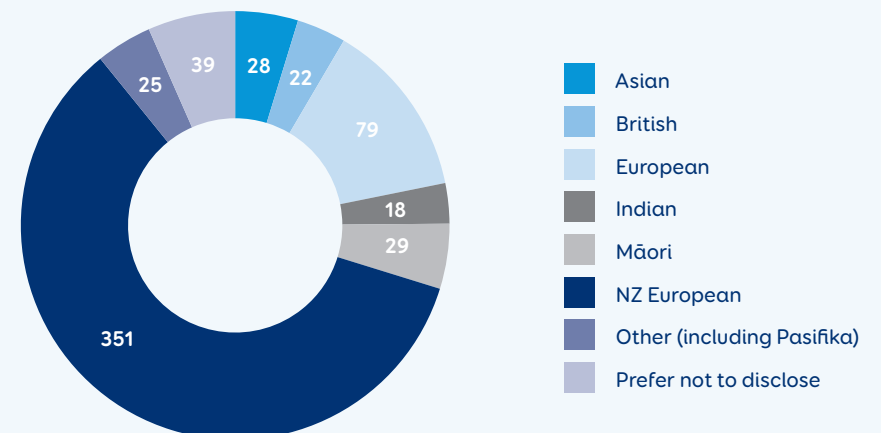
As part of our commitment to recognising diversity in the workplace and creating an inclusive environment, a Diversity and Inclusion Committee has been established to champion these concepts.

The latest OHI survey collected demographic statistics, which will be used in setting further objectives. We have a number of staff from different ethnicities, as well as a larger percentage of women than men.

Focus groups have been conducted to highlight the types of initiatives that staff would like to see. The Diversity and Inclusion Committee have been leading these initiatives, by communicating information about upcoming significant events that celebrate diversity.

The Committee has also attended training on unconscious bias and creating an inclusive environment, and will be developing similar training for our staff.

**Ethnic diversity based on responses to the 2021 OHI survey**



## Health & safety

**The health and safety of our staff, our customers, contractors, and anyone else we come in contact with, remains our highest priority.**

LIC's health and safety system provides the framework to keep our workers healthy and safe, regardless of their location. Our Health, Safety and Wellbeing policy sets out our commitments and reflects our intent to continue the creation of a mature health and safety culture. The focus is on becoming more proactive – where we continue to take personal ownership, learning our safety lessons from our safety events, and anticipate future safety risks and needs.

To help our farmers get the best results from our AB service, we developed a national standard which details the minimum requirements an AB facility must meet for us to provide our AB technician service. Following a check, AB facilities are rated non-compliant, bronze (minimum standard), silver or gold. Providing secure, appropriate AB facilities is not only critical to creating a safe working environment but it also gives our AB technicians the best opportunity to get cows in-calf when first presented. This initiative was launched in 2018 and is ongoing.

### Some of the focus areas this year included:

#### 1. Leadership development

We have reviewed, refreshed and developed our health and safety material to reflect the LIC safety philosophy, and we are in the process of exploring with our people leaders what good safety leadership at LIC looks like. In the last year, 14 new managers have completed the online health and safety leadership module. Training for managers on supporting workers facing mental health challenges is currently being rolled out, and has been well received. The newly implemented Learning Management System will make health and safety leadership development easier.

#### 2. Working together

As part of our focus on improving our staff engagement, we have invested time and energy in improving our workers' voice in health and safety and wellbeing. Our Health & Safety Governance Forum, chaired by the Chief Executive Officer and attended by a range of managers and employee representatives from business units, allows workers and senior leaders to collaborate on health and safety matters. In the last year we have also trained 66 health and safety representatives, emergency wardens and first aiders to better serve the needs of our workers.

#### 3. Critical Risks management

Senior leaders and board members are spending time with workers to understand LIC's critical risk profiles, and gain assurance that the controls are effective. In 2020/21, 23 site visits by senior leaders

and board members were carried out, reviewing all critical risks in a range of locations. The improved understanding of our risk profiles allows us to ensure adequate resources are made available. A number of health and safety site visits by the team provides another layer of assurance that critical risks are identified and controlled. In 2020/21, LIC near miss reporting (as a percentage of all Health and Safety events) has increased to 18%, which continues the steady rise over the last two years.

#### 4. Asking the right questions

We have set specific health and safety objectives designed to focus our attention on improving our systems and practices. Our progress against these objectives is reviewed on a quarterly basis by the Health & Safety Governance Forum. The information contained in health and safety reports to senior leaders and board members have also evolved to include both lag and lead indicators of safety performance.

#### 5. Supporting our injured and ill workers

As a member of the ACC Accredited Employers Programme, LIC 'stands in the shoes of ACC' – we are responsible for the vocational, medical and social rehabilitation of our workers. There has been a steady improvement in rehabilitation and return to work rates for our injured employees over the last two years, and the associated rehabilitation costs has in the last year decreased by 36%, continuing the improvement from the previous year. For the last two years, we have attained secondary level accreditation against ACC audit standards.



# Supporting our people through Covid-19

**Covid-19 has continued to dramatically alter our business practices over the 2020-21 reporting period. Amid global uncertainty, the primary sector has played an important role in continuing to feed us and to keep the economy going.**

Our people have had to overcome significant challenges to ensure business continuity and uninterrupted service for LIC's 10,000+ New Zealand customers and their dedication, resilience and effort is very much appreciated.

To ensure business security and continuity, the majority of staff at LIC's Newstead campus worked remotely between August and December. Our farm, laboratory and scientific staff worked at Newstead, Riverlea Road (both are located in Hamilton) and Christchurch through this period under heightened protocols wearing PPE equipment.

This was significantly longer than required in order to protect our highly seasonal core Artificial Breeding business, herd testing and animal health, and our essential workers adhered to strict health and safety guidelines on farm. Farmers and staff were well equipped to do this, after rapidly implementing

similar world-leading health and safety measures to fight against M. bovis, a disease found in cattle and a biosecurity threat to the national herd, in 2017.

Actions included a heightened focus on hygiene, getting people to and from work safely, physical distancing wherever possible, and enhanced use of technology, while being mindful of on-farm needs.

Our People & Performance (P&P) team also did an exceptional job during this challenging time. They were tasked with supporting a distributed workforce, helping look after employee well-being, finding innovative ways to engage all employees and guide us through a year of uncertainty.

We were able to quickly adapt, in part because of the excellent solutions created by our HR team and their strong and proactive leadership throughout the year. The Well Aware programme was also incredibly valuable to provide our staff with the support they needed. This directly resulted in the business delivering to both its strategy and supporting performance targets.

We also recognise the importance of technology and the role it played in keeping our people connected, with regular online sessions available to all employees which resulted in a higher level of engagement than previous 'in person' meetings.



**Our people have had to overcome significant challenges to ensure business continuity and uninterrupted service for LIC's 10,000+ New Zealand customers and their dedication, resilience and effort is very much appreciated.**

# Employee data

**This employee data relates to the total LIC group and is sourced from our HR system. The data for permanent and fixed-term employees is reported on a full-time equivalent (FTE) basis.**

LIC employs a significant number of seasonal workers during peak season for a relatively short period of time, primarily as artificial insemination technicians: so this data does not include detail of seasonal workers employed during the period.

The reporting period is for the financial year ended 31 May 2021 (FY21), with final permanent and fixed-term employees reported as at 31 May. LIC's only significant location is New Zealand, with less than 5% employed in any other individual country.

There was only one permanent employee (0.1%) covered by a collective bargaining agreement at 31 May 2021, with a further 27 (1.4%) seasonal workers during the period.

There have been no serious incidents of discrimination to report.

## FTEs by employment contract by gender

	Permanent		Fixed term/Casual		Total	
	FY20	FY21	FY20	FY21	FY20	FY21
Female	431.9	421.4	40.1	78.7	472.0	500.1
Male	340.9	325.1	13.5	23.0	354.4	348.1
Gender-diverse/Undisclosed	0	0	0	0	0	0
<b>Total</b>	<b>772.8</b>	<b>746.5</b>	<b>53.6</b>	<b>101.7</b>	<b>826.4</b>	<b>848.2</b>

## FTEs by employment contract by region

Number of FTEs (Permanent and fixed-term/casual)		
	FY20	FY21
New Zealand	781.8	805.5
Australia	19.0	23.7
UK & Ireland	25.6	19.0
<b>Total</b>	<b>826.4</b>	<b>848.2</b>

## FTEs by employment type by gender

	Full-time		Part-time		Total	
	FY20	FY21	FY20	FY21	FY20	FY21
Female	433.2	463.0	38.8	37.1	472.0	500.1
Male	342.4	333.2	12.0	14.9	354.4	348.1
Gender-diverse/Undisclosed	0	0	0	0	0	0
<b>Total</b>	<b>775.6</b>	<b>796.2</b>	<b>50.8</b>	<b>52.0</b>	<b>826.4</b>	<b>848.2</b>

# Economic sustainability

For LIC, economic sustainability means delivering value to our farmer shareholders by investing in initiatives to help them breed the most profitable and sustainable animal.

## Key metrics



**\$22.9m**

Net Profit After Tax (NPAT).  
Up 31% from \$17.5 million last year



**\$249.0m**

Total revenue from continuing operations (excl automation\*).  
Up 3.4% from \$240.9 million last year



**\$22.3m**

Underlying Earnings\*.  
Down 1.9% from \$22.7 million last year after a one-off tax benefit in prior year



**\$382.0m**

Total assets.  
0.5% increase from \$379.9 million last year.  
Strong balance sheet with no debt at year end



**\$17.8m**

Dividend (12.51 c per share).  
Representing 80% of Underlying Earnings



**\$19–25m**

Expected Underlying Earnings for 2021-22  
(assuming no significant climate event or milk price change takes place between now and then, nor any major impacts from M. bovis or Covid-19)



# Delivering a strong result for our farmers

**In FY21, LIC reported Underlying Earnings<sup>1</sup> of \$22.3 million, down 1.9% from \$22.7 million last year after a one-off tax benefit in the prior year.**

The LIC Board was proud to present another strong result to farmer shareholders for the fourth consecutive year, returning \$17.8 million in dividend to shareholders, which equates to 12.51 cents per share.

Underlying Earnings were in line with market guidance and a credit to our shareholders for their support of significant initiatives in the last five years to transform LIC into a modern, progressive co-op. These initiatives have delivered the benefits we said they would, including focussed investment in the business and a better return for our farmers.

We've seen good growth across core business areas this year but particularly in our premium genetics range where young, genomically-selected bulls are used to fast track genetic gain and deliver more value on-farm through increased productivity and efficiency, including improved environmental efficiency.

World leading pastoral dairy genetics and genomics are a much more precise tool for farmers than reducing cow numbers.

That value, combined with a solid dividend, makes this result a win-win for our farmers. It also means we can continue our work to invest in products, services and technology that drive long term and sustainable customer value.

Over the next year, the co-op will be firmly guided by its primary focus of delivering value for farmer shareholders and the three commitments in its refined strategy with operational excellence, faster genetic improvement and software reliability and performance.

For our full financial results, please refer to our **FY21 Annual Report**.



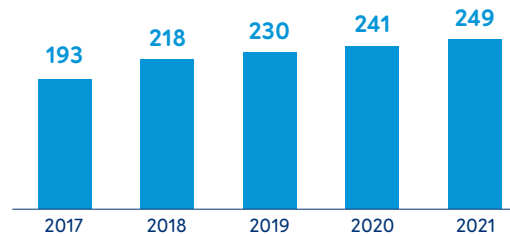
**We've seen good growth across core business areas this year but particularly in our premium genetics range where young, genomically-selected bulls are used to fast track genetic gain and deliver more value on-farm.**

1. For notes to the financial information please reference the **LIC Annual Results 2020-21 Market Announcement**

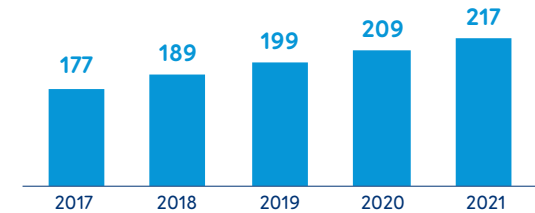
# Financial metrics

These charts have been selected to represent the key financial metrics for LIC, to provide a historical summary of our performance.

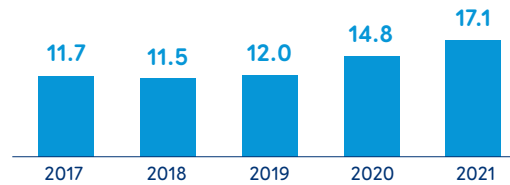
Revenue (\$ millions)\*



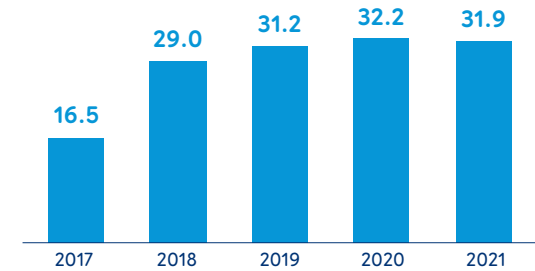
Operating expenses (\$ millions)\*\*



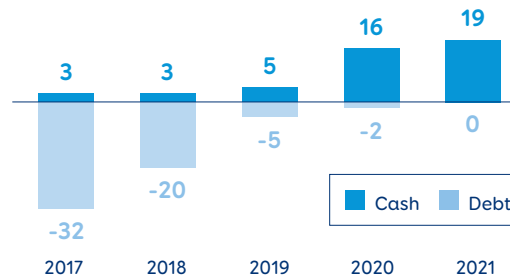
R&D spend (\$ millions)\*



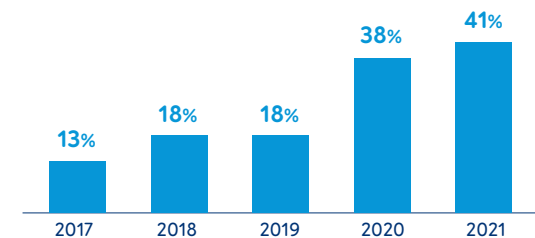
EBIT (\$ millions)\*\*



Funding (\$ millions)\*

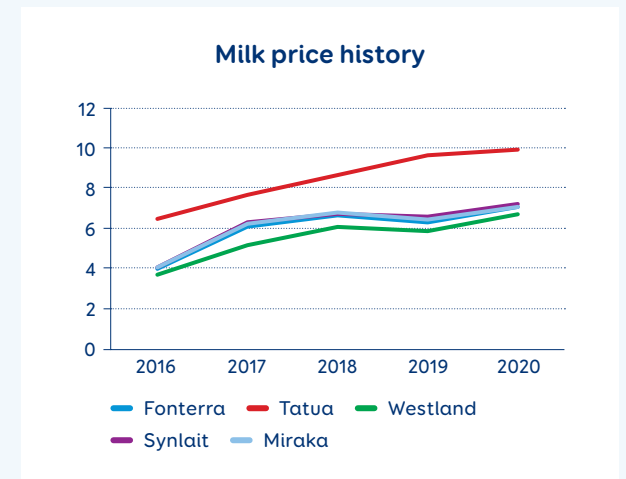
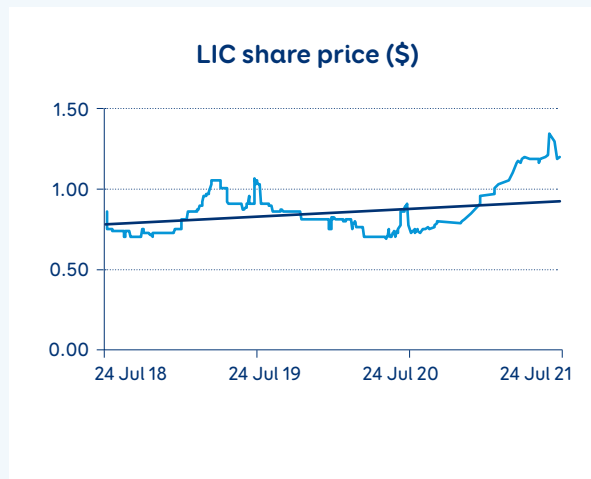
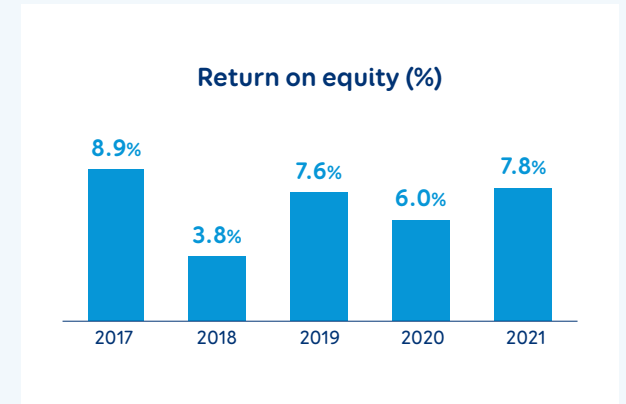
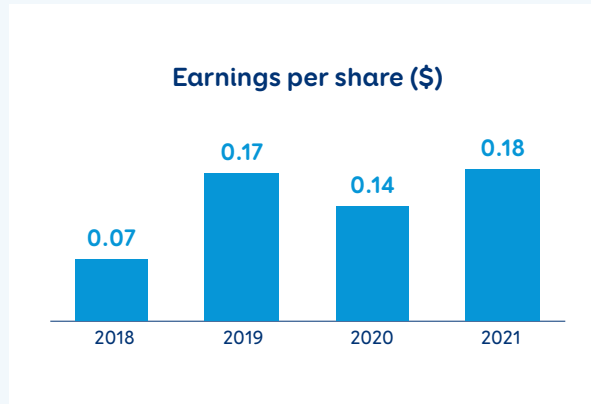


% Premium (incl Genomic) straws



\* Data excludes Discontinued Business operations – Automation was divested in June 2021

\*\* Excludes 2017 & 2018 transformation expenses, bull team & nil paid share revaluations and Discontinued Operations





# Trends

		2017	2018	2019	2020	2021
Revenue *	NZ\$000	193,119	218,296	229,763	240,932	249,013
R&D spend *	NZ\$000	(11,691)	(11,464)	(11,985)	(14,844)	(17,124)
Net profit after tax	NZ\$000	20,800	9,265	22,170	17,487	22,944
EBIT **	NZ\$000	16,543	28,980	31,205	32,224	31,904
Underlying earnings	NZ\$000	3,042	3,049	19,530	22,685	22,261
Dividend declared	NZ\$m		2.4	15.6	18.1	17.8
	Cents per share		1.71	10.98	12.75	12.51
	% Underlying earnings		80%	80%	80%	80%
Operating cashflow	NZ\$000	25,359	37,830	55,167	52,018	40,456
Net capital & investment spend	NZ\$000	(13,289)	(18,418)	(36,810)	(21,401)	(16,115)
Total Assets	NZ\$000	341,484	341,725	380,735	379,940	382,005
Total Equity/Net Assets	NZ\$000	233,413	242,101	291,437	290,242	294,123
<b>Sales data:</b>						
- Premium (incl Genomic) straws		558,277	851,985	847,871	1,666,564	1,792,648
- Other straws		3,907,828	3,772,381	3,816,671	2,772,168	2,551,182
Total straws (NZ)		4,466,105	4,624,366	4,664,542	4,438,732	4,343,830
International straws		946,941	1,031,833	1,013,564	857,427	1,059,777
Herd testing samples		9,157,461	10,914,106	10,955,997	10,407,918	11,170,134
Genemark testing		325,675	613,775	671,892	768,943	629,166
Animal health testing		511,825	651,179	873,389	1,045,487	1,294,996
MINDA animals		6,952,055	6,963,224	7,005,405	6,998,649	7,006,900

For our full financial results please refer to our FY21 Annual Report

\* Excludes Discontinued Business operations – Automation was agreed to be divested in June 2021

\*\* Excludes 2017 & 2018 transformation expenses, bull team & nil paid share revaluations and Discontinued Operations

# Our business

**Where corporates tend to invest today for a return today, LIC invests to fund research and technology which will benefit not only this generation of farmer shareholders, but successive generations.**

**LIC is about solutions which change and improve dairy farming, delivering new levels of prosperity to our farmers and the economy.**

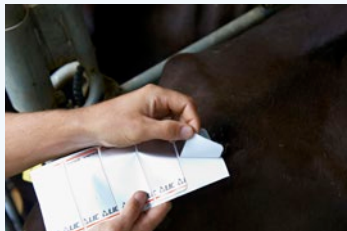
Our primary sector is the New Zealand Dairy sector. Our customers also include veterinarians who support farmers, users of dairy herd data and beef producers.

We're a dairy farmer owned co-operative with a profit motive which is different to that of a corporate because, where corporates tend to invest today for a return today, LIC invests to fund research and technology which will benefit not only this generation of farmer shareholders, but successive generations. This long term and sustained return on investment is the pure essence of what it means to be a co-operative.

## Our products and brands include:



**Artificial Breeding (AB)** dairy and beef genetics and technician services, with products such as Premier Sires®, Sexed Semen, Short Gestation Length, Wagyu Semen through First Light contract, Alpha®, Customate, training of AB and DIY technicians, Deep Freeze storage



**Heat detection products**, such as LIC heat patch, LIC Bulls-i®, Kamar® Heatmount detectors



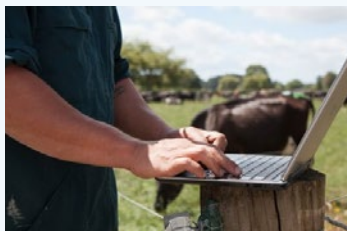
**DNA testing** of dairy cows and calves and dairy goats, A2/A2 genotyping



**Tags** - full range of NAIT approved electronic (EID) tags and management tags from Allflex, Z Tages and Flexa



**Animal health testing**, such as Bovine Viral Diarrhoea (BVD), Johne's disease, milk pregnancy testing, Staph aureus



**MINDA®** herd management software



**Field assist** and weighing service



**Farm accessories**, such as electronic plate meters, EID readers and wands



**Herd Testing** of milk samples, including EZ Link® scanning and herd test assist service



**SPACE™** satellite and pasture cover evaluation reporting



**Farmwise®** consulting service for farm visits and project work



# How we work

LIC is structured to best support farmers and our operational teams to effectively supply products and services to customers, as well as to leverage opportunities to deliver genetic improvements to farmers and better returns to shareholders.



## NZ Markets

Sales operations, contact centre, bull selection, customer training, marketing, communications, pricing and market research, oversight of product development



## Operations & Service

Artificial breeding collection & insemination, herd milk testing, genetic diagnostics, animal health testing, LIC bull and dairy farms, FarmWise consultants, Automation delivery and development



## Research & Development

Genetic, genomic and reproduction research and development and analytics; both inhouse and in collaboration with university and industry partners; animal evaluation



## Commercial

International genetics sales, business development, new ventures, investments and partnerships, leverage of beef opportunities, farm assistance



## Technology

Development and support of customer facing systems such as MINDA® herd management and LIC internal systems and IT infrastructure



## Support Services

Payroll, finance & accounting, procurement, legal, intellectual property, governance, shareholder services, risk management, property management, Business Information Unit



## People & Performance

People & Performance partners; employee experience; organisational development; health, safety and environment



Wayne McNee (CEO) at the launch of the methane trial at Chudleigh farm.

## Our supply chain

The most critical component of LIC's supply chain is our permanent and seasonal employees, as well as our bull team. For our external suppliers our Strategic Procurement team has policies and processes in place to identify and manage critical risks that could impact our supply chain. An example is our New Zealand and International air freight and technology services. Where there is a higher risk to our products and services, particularly during peak season or where components are sourced internationally, at least one year of input components are held in advance of need, such as consumables used for artificial insemination and diagnostics testing. We are working with suppliers to establish reporting on their business practices in relation to sustainability measures.

## Partnerships

Partnerships are critical to our work and are a strategic priority to develop. We work with others to deliver to farmer needs, partnering with other organisations to deliver a seamless service to farmers. We already work closely with other industry participants, such as:

- DairyNZ and NZ Animal Evaluation
- Milk processors such as Fonterra and Miraka
- Specialist beef operations like First Light Farms
- Sexing Technologies, providing the critical technology for our sexed semen product
- Rural professionals, such as vets
- Animal device companies
- Research specialists, such as at Auckland University
- Gates Foundation, project on herd management in Ethiopia

We are focused on building relationships with other sector companies such as processors, fertiliser companies and device companies.

**The most critical component of LIC's supply chain is our permanent and seasonal employees, as well as our bull team.**

LIC supports the industry, rural communities and our farmers by sponsoring a variety of initiatives, events, programmes and organisations. This provides opportunities within the dairy industry and promotes excellence within the sector. Examples include:

- New Zealand Dairy Industry Awards
- Lincoln University
- Southern Dairy Hub
- South Island Dairying Development Centre
- South Island Dairy Event
- Owl Farm at St Peter's school
- Dairy Women's Network
- Kellogg Rural Leadership Programme
- Massey University Dairy #1 Farm
- Ayrshire NZ Conference
- Jersey NZ Conference
- Smaller Milk and Supply Herds Conference
- Once a Day Conference
- Distributing computer equipment no longer needed to schools
- PCR testing for District Health Board during Covid-19
- Support of calf club and pet days in schools
- Rural Support Trusts

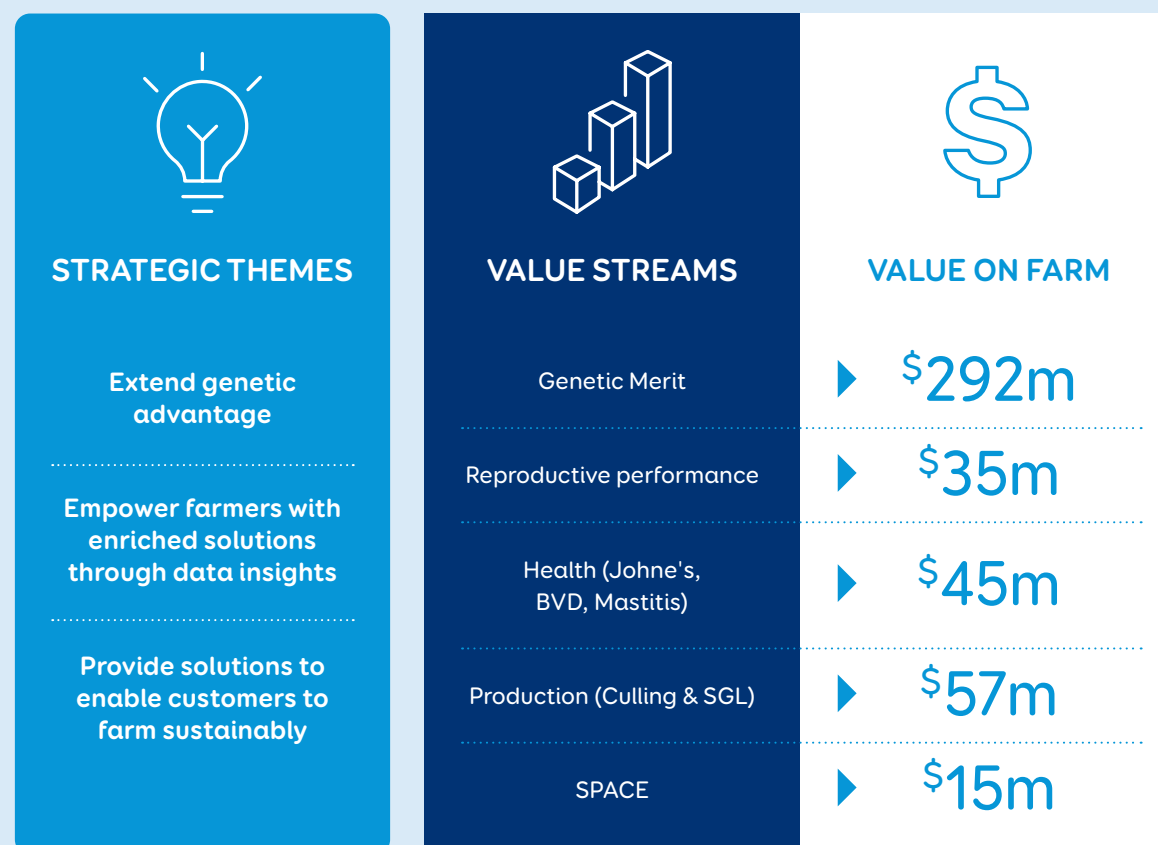
**Refer to our website for further details.**

LIC employees are given time off to do a variety of volunteer activities in the community.

We are also a member of Cooperative New Zealand, the Sustainable Business Council, The Aotearoa Circle and Climate Leaders Coalition.

# How we create value

We will drive value, innovate, and deliver a positive impact for our customers and shareholders by focussing on helping our farmers optimise value from their livestock by helping them to produce the most sustainable and efficient animals and the highest value product.



We estimate that LIC delivers at least \$444 million of value on farm from the products that farmers purchase from LIC:

- Genetic merit improvement of the dairy herd generates the majority of the value, based on the increase in Breeding Worth (BW) over time.
- Increasing the 6-week in-calf rate improves reproductive performance through more days in milk, decreased culling of empty cows and increased value from more calves bred from artificial insemination. Prior improvements in LIC's bull semen have also increased conception rates.
- Health data provided to identify mastitis reduces the costs of treatment and reduces the amount of cows culled due to this issue. Other disease testing identifies cows for farmer culling decision-making, and reduces further spread of disease within a herd.
- Production Worth data is used to identify lower performing cows, enabling informed farmer decision making. Short Gestation Length (SGL) beef inseminations provide an additional 8 days of milk on average.
- SPACE™ provides reporting on accurate pasture cover data.
- We are working towards being able to calculate the value of environmental improvements through genetic improvements reducing enteric methane and nitrogen impacts.



## Value created for our stakeholders



### Shareholders / Customers

Delivering quality products and services, advancing genetic improvement of herds, re-investing profits in further R&D or returning to shareholders through dividends



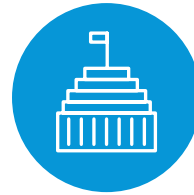
### Employees

Providing a safe workplace with development opportunities and strong engagement



### Industry Partners

Collaborating on research and development, providing quality data inputs



### Government & Regulators

Complying with regulatory and financial reporting requirements, reducing both LIC and herd environmental footprint, responsible taxpayer



### Community

Providing employment, lowering our environmental footprint, support through sponsorship and scholarships

**Value for our farmer shareholders is at the heart of our strategy.**

## The resources we rely on



### Relationships

Positive relationships with shareholders, farmers, vets, government and regulators, industry and research partners, employees and the farming community



### Intellectual capital

Our collective know-how, trade secrets, systems and intellectual property that more than 50 years of R&D has generated



### Financial capital

Our farmers and shareholders create a strong financial base to operate and invest for the future, as well as our banking partner debt facilities



### Assets & infrastructure

Our property, equipment and animals allow us to run our business and distribute products and provide services



### People

We rely on our talented employees, industry partners and suppliers to help deliver our products and services



### Natural environment

New Zealand's natural environment is a key factor, particularly rain, sun and quality soil supporting grass growth for animals

# Engaging with our stakeholders

**Bovine and human diseases, such as *Mycoplasma bovis* and Covid-19, have meant changes to the way LIC has engaged with shareholders and other stakeholders in the last two years.**

To protect farmers, livestock and employees, we have had to implement different processes and ways of working. This has required continued and ongoing engagement with our many stakeholders.

The Board and Senior Leadership Team regularly consider different stakeholders and mechanisms to engage with them, as well as making decisions on when not to engage. This is generally through regular management and Board meetings, with recommendations made to Board, or requests from Board. An example of a decision not to engage was to not run an Organisational Health Index survey with employees in early 2020 given disruption from Covid-19 and to use different mechanisms to support and engage employees at that time.

Over the period our Net Promoter Score (NPS) increased to -7.5, up 70.8% from -25.7 last year. NPS is a measure of customer satisfaction that ranges between -100 and +100. It measures the willingness of customers to recommend our products and services to other dairy farmers and the score represents the percentage of "Promoters" who give us a 9-10 rating out of 10 minus "Detractors" who score us 0-6. This increase is encouraging, however we recognise that LIC must continue to engage effectively with our customers and ensure we are delivering value on farm to continue increasing our NPS.



Lorna McNaughton (LIC Senior Scientist) and Prof Dorian Garrick (Massey University) at the launch of the methane trial at Chudleigh farm.

Our farmer shareholders & customers	Our People	Suppliers & Partners	Regulators & other agencies	Communities
<b>GOAL</b>				
Deepen our understanding of the current and future needs of all our farmers	Develop talent and foster a culture that embraces change, builds capability and drives results	Work with others to deliver farmers' needs, including partnering to deliver a seamless service	Ensure long-term sustainability of our co-operative, farmers, environment and the NZ dairy industry	
<b>HOW WE ENGAGE</b>				
<ul style="list-style-type: none"> <li>• In person with tailored advice</li> <li>• Customer call centre</li> <li>• Net Promoter Score and other surveys</li> <li>• Fielddays, events and training</li> <li>• Feedback groups</li> <li>• AGM, Shareholder Reference Group, Roadshows</li> <li>• Publications (such as The Bulletin)</li> <li>• Digital channels</li> </ul>	<ul style="list-style-type: none"> <li>• Organisational Health Index annual survey</li> <li>• Employee events and in-person/online updates</li> <li>• Wide range of training &amp; development</li> <li>• Internal communication, including Chief Executive email updates</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic procurement team</li> <li>• Supplier evaluations</li> <li>• Partnership relationships</li> <li>• Collaboration with innovators &amp; researchers</li> <li>• R&amp;D investment</li> </ul>	<ul style="list-style-type: none"> <li>• Direct engagement with government and agencies by CE and relevant employees</li> <li>• Submissions on proposed law and regulation</li> </ul>	<ul style="list-style-type: none"> <li>• Support of industry groups</li> <li>• Scholarships and internships</li> <li>• Social media channels</li> </ul>
<b>NEEDS &amp; EXPECTATIONS</b>				
<ul style="list-style-type: none"> <li>• Deep customer relationships</li> <li>• Quality products and services, on time consistently</li> <li>• Reliable MINDA software that is easy to use</li> <li>• Ongoing genetic improvement</li> <li>• Innovation</li> <li>• Prompt issue resolution</li> </ul>	<ul style="list-style-type: none"> <li>• Positive culture</li> <li>• Safe, diverse and inclusive environment, where wellbeing is important</li> <li>• Investment through training and development</li> <li>• Market-comparable remuneration and benefits</li> <li>• Innovative working tools</li> </ul>	<ul style="list-style-type: none"> <li>• Reliable supply chain, providing quality inputs</li> <li>• Strong, productive partnership relationships</li> <li>• Robust science-based R&amp;D projects</li> </ul>	<ul style="list-style-type: none"> <li>• Strong governance and management of legal requirements</li> <li>• Insightful input on issues and proposed change</li> <li>• Appropriate and prompt response to incidents</li> <li>• Positive, proactive relationships</li> <li>• High quality external reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Positive employment and growth opportunities</li> <li>• Responsible organisation (eg as a taxpayer, purchaser)</li> <li>• Respond appropriately to issues raised</li> <li>• Transparent reporting</li> <li>• Key partner to farming community</li> <li>• Respect for diversity</li> </ul>
<b>RESPONSE</b>				
Our primary focus is delivering value for our farmer shareholders and we commit to operational excellence, faster genetic improvement and software reliability and performance	We live our corporate values: "Integrity, Innovation, Spirit of Co-operation, In tune and Passion"; we work on providing a safe and positive environment where our people can thrive	We work with others to build long-term trusted relationships, and will have increasing focus on relationships with other organisations in the agri sector	Collaborative interactions with Government and agencies, respect for our licence to operate, strong focus on compliance	We help farmers to meet the current and future challenges, in particular water quality and methane, through research, investment and tools



# GRI content index

The report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards - core option.

GRI	Disclosure title	Location or reference - in Annual report or links to materials on LIC website
<b>GRI102</b>		
<b>Organisation profile</b>		
102-1	Name of the organisation	Livestock Improvement Corporation Limited (LIC)
102-2	Activities, brands, products and services	How we work - pg 42
102-3	Location of headquarters	Who we are - pg 4
102-4	Location of operations	Who we are - pg 4
102-5	Ownership and legal form	Who we are - pg 4
102-6	Markets served	Who we are - pg 4 Annual Report, Financial Statements note <sup>1</sup> , page 6
102-7	Scale of the organisation	Trends - pg 39
102-8	Information on employees and other workers	Employee data - pg 34
102-9	Supply Chain	Our supply chain - pg 43
102-10	Significant changes to the organisation and its supply chain	There have been no significant changes during the period to the organisation, ownership or supply chain, with the exception of the agreement to divest our Automation business in June 2021

GRI	Disclosure title	Location or reference - in Annual report or links to materials on LIC website
102-11	Precautionary Principle or approach	LIC applies the precautionary approach through its day-to-day decision-making
102-12	External initiatives	Environment - pg 14, Partnerships - pg 43
102-13	Membership of associations	Reducing the environmental footprint of our business - pg 22 Partnerships - pg 43
<b>Strategy</b>		
102-14	Statement from senior decision-maker	Letter from the Chair & Chief Executive - pg 9
<b>Ethics &amp; integrity</b>		
102-16	Values, principles, standards and norms of behaviour	Annual report, corporate governance report Principle 1, pg 23, Code of Conduct & Ethics on LIC website
<b>Governance</b>		
102-18	Governance and structure	Governance and structure - pg 27 Annual report, corporate governance report Principle 2, pg 24
<b>Stakeholder engagement</b>		
102-40	List of stakeholder groups	Value created for our stakeholders - pg 45
102-41	Collective bargaining agreements	Caring for people - pg 34
102-42	Identifying and selecting stakeholders	Engaging with our stakeholders - pg 46
102-43	Approach to stakeholder engagement	Engaging with our stakeholders - pg 46
102-44	Key topics and concerns raised	Engaging with our stakeholders - pg 46
<b>Reporting practice</b>		
102-45	Entities included in the consolidated financial statements	Annual report, Financial statements note 1, pg 6 and corporate governance report pg 43
102-46	Defining report content and topic Boundaries	About this report pg 2
102-47	List of material topics	Refer below
102-48	Restatements of information	None in this period

GRI	Disclosure title	Location or reference - in Annual report or links to materials on LIC website
102-49	Changes in reporting	This is the first Sustainability Report under GRI Standards
102-50	Reporting period	Cover page - pg 1
102-51	Date of most recent report	This is the first Sustainability Report under GRI Standards
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	<b>communications@lic.co.nz</b>
102-54	Claims of reporting in accordance with the GRI Standards	About this report - pg 2 GRI content index - pg 48
102-55	GRI content index	GRI content index - pg 48
102-56	External assurance	None in this period
<b>Material topics</b>		
<i>Economic topic disclosures</i>		
201-1	Direct economic value generated and distributed	Trend data, pg 39, Annual Report, Financial statements pgs 2-16
<i>Environmental topic disclosures</i>		
		Reducing the environmental footprint of our business - pg 22 GHG Inventory report
302-1	Energy consumption within the organisation	Our emissions - pg 24
302-3	Energy intensity	Our emissions - pg 24
302-4	Reduction of energy consumption	Our emissions - pg 24
303-4	Water discharge	Our emissions - pg 24
305-1	Direct (Scope 1) GHG emissions	Our emissions - pg 24
305-2	Energy indirect (Scope 2) GHG emissions	Our emissions - pg 24
305-3	Other indirect (Scope 3) GHG emissions	Our emissions - pg 24
305-4	GHG emissions intensity	Our emissions - pg 24
305-5	Reduction of GHG emissions	Our emissions - pg 24



GRI	Disclosure title	Location or reference - in Annual report or links to materials on LIC website
305-6	Emissions of ozone-depleting substances (ODS)	Our emissions - pg 24
306-3	Waste generated	Reducing the environmental footprint of our business - pg 23
307-1	Non-compliance with environmental laws and regulations	Reducing the environmental footprint of our business - pg 23
<i>Social topic disclosures</i>		
403-2	Hazard identification, risk assessment, and incident investigation	Health & safety - pg 32
406-1	Incidents of discrimination and corrective actions taken	Employee data - pg 34
415-1	Political contributions	Annual Report, corporate governance report - donations pg 48