



March 8<sup>th</sup> 2024

**Information relating to recent announcements from PGG Wrightson in relation to Agria (Singapore) Pte Limited**

The purpose of this letter is to set out NZSA concern with proposals made Agria (Singapore) Pte Limited (“Agria”), a 44.3% shareholder of PGG Wrightson (“PGW”), and the potential impact on your investment.

The NZ Shareholders’ Association (NZSA) is a non-profit organisation that has been advocating for the interests of investors in New Zealand’s capital markets since 2001.

We have your interests as shareholders at heart.

NZSA’s concern relates to the action by Agria in requesting a special meeting of shareholders, as per the announcement made by PGW on [February 13<sup>th</sup>](#), to consider the following resolutions:

- The removal of three (out of four) existing independent directors.
- The replacement of these independent directors with three independent directors nominated by Agria.
- A return to the Board for former PGW Chair Guanglin (‘Alan’) Lai.

A successful vote in favour of these proposed resolutions will result in an increase to the size of PGW’s Board from the current five directors to six – comprising two directors as direct representatives of Agria and four additional directors, three of whom will have been nominated by Agria.

NZSA discussed this situation in a [blog article](#) on its website (and sent to NZSA members) on February 16<sup>th</sup>.

We see the current situation at PGW as one of the worst cases of board interference by a majority shareholder in the last few years. Consequently, we have taken the rare action of contacting individual and corporate shareholders.

**NZSA believes that these changes will have a detrimental effect on future outcomes for smaller PGW shareholders.**

**We intend to vote any shares for which we hold an undirected proxy AGAINST these (or similar) resolutions.**

**Your vote matters. If you can’t vote at the meeting, please complete [this form](#) and email to PGW’s share registrar, Computershare at [corporateactions@computershare.co.nz](mailto:corporateactions@computershare.co.nz) - this will allow NZSA to vote on your behalf.**

## NZSA Proposed Resolutions

Should a special meeting be called, NZSA has instructed the PGW Board to also include further ordinary resolutions to be proposed at the meeting, as set out below.

1. That the Board determine the constitutional settings required for PGG Wrightson to include a **minority investors voting regime** within its Constitution, whereby a controlling shareholder with greater than 30% of shares would not be able to vote on the election or re-election of independent directors.
2. That a revised Constitution, including any amendments determined by the Board under Resolution (1), is tabled for consideration by shareholders as a special resolution at the next Annual Shareholders Meeting of PGG Wrightson.
3. That **Meng Foon** be removed as a Director of PGG Wrightson.

Further information relating to the rationale, definition and benefits of a minority interests regime is shown in our [supporting commentary](#). We also discuss our position on the current Board [below](#).

### Why is NZSA voting against the resolutions proposed by Agria?

**Independence.** We believe the proposals will reduce board independence. The proposed directors will have been nominated by Agria and would likely serve on the Board under the ongoing patronage of Agria. See our [supporting commentary](#) as to why independence matters for minority shareholders.

**No Reason.** Shareholders have been given no reason for the proposed board changes. While PGW is currently enduring a cyclical downturn, NZSA retains confidence in most of the current independent directors on the Board for the reasons set out in our [supporting commentary](#).

**Conduct and Quality.** NZSA is concerned about the history of conduct and quality issues associated with Agria representatives – including allegations made against former Chair Lee Joo Hai in Singapore that resulted in his arrest in 2023 and the settlements reached by Alan Lai with the US Securities and Exchange Commission and NZ Overseas Investment Office (OIO) in 2018.

We note Alan Lai's interest in resuming his directorship of PGW comes less than 45 days after the expiry of the court-approved settlement reached with the OIO in late 2018 (see [Additional Resources](#)).

We understand that Alan Lai has insisted to current Directors that he be appointed as PGG Wrightson's Chair. NZSA notes that the appointment of Chair is a matter for the Board, not the nominated Director. We speculate that this insistence is likely to reflect Alan Lai's state of mind in relation to PGG Wrightson, in that he regards PGW as his own private company.

**Long-term interests of PGW.** PGW appears to have increased debt in recent years to maintain support for dividend payments. NZSA is concerned at the influence of Agria in Board decisions related to dividend payments. Following the appointment of new Chair, Garry Moore, announced on [February 16<sup>th</sup>](#), we note the following in the subsequent release of PGW's interim results on [February 27<sup>th</sup>](#):

*"The PGW Board has by a majority determined PGW will reinvest capital back into growing the business by suspending the interim dividend in order to avoid adding debt in the face of rising interest costs."*

For further information on NZSA's position, please contact [ceo@nzshareholders.co.nz](mailto:ceo@nzshareholders.co.nz).

**Oliver Mander**

CEO, NZ Shareholders Association

## SUPPORTING COMMENTARY

### **Minority Interests Voting Regime**

Should a special meeting proceed, NZSA will propose resolutions binding the Board to determine the amendments required to PGG Wrightson's constitution to enable the introduction of a minority interests voting regime and to present a revised constitution for consideration at the company's next Annual Shareholder Meeting.

Advocacy for the introduction of a minority interests regime into New Zealand's listed environment has been a feature of NZSA's work over the last two years, including submissions to NZX Limited.

Were such a regime currently in place, it is unlikely that Agria would have the ability to implement the changes to the Board proposed in their resolutions.

### ***Why does NZSA advocate for a minority interests regime?***

1. Improve confidence of investors in NZ's capital markets. NZSA notes that 33% of NZX-listed companies have a controlling shareholder as defined by a 30% threshold ([see data](#)). A minority interests voting regime would be a fit-for-purpose policy that suits the nature of our local listed market.
2. Improved perceptions by all shareholders that directors are working in the best interests of the company, as required under the Companies Act.
3. Improved valuation metrics for listed companies with a controlling shareholder – these are often subject to higher risk assessments by minority investors.

### ***What does NZSA mean by a minority interest regime?***

1. NZSA's proposal stipulates that where a company has 30% or more of its shares owned by a single shareholder (or shareholders acting in concert), that shareholder (or shareholders) is/are unable to vote on the election or re-election of independent directors.
2. We believe support for the introduction of such a regime to our public capital markets is growing amongst investment professionals.

### ***What are the benefits of a minority interests voting regime?***

1. NZSA believes that in practical terms, a minority interests voting regime is likely to result in greater collaboration between different shareholder groups to identify and nominate independent directors considered appropriate by all shareholders.
2. Further, we believe that such a regime would improve the credibility of both independent and non-independent directors.

## Why does 'independence' matter?

NZSA believes there are three key objectives of maintaining director independence on a Board:

1. **Independent judgement:** Ensuring that directors are able to apply an unfettered mind to make decisions that are in the best interests of the company.
2. **Conflicts of interest:** Conflicts between the interests of the company and individual directors are identified and managed.

Conflicts between different shareholder interests, and the inherent risk that presents to minority shareholder, are identified and mitigated. *We believe this is a particularly important factor in examining the relationships between PGG Wrightson and Agria.*

3. **Market confidence:** Director independence instils confidence in investors.

## Current Board and Management

NZSA is supportive of the skills and capabilities brought to PGW by three of the existing Independent Directors: Garry Moore, Sarah Brown and Charlotte Severne.

We note that Agria is **not** proposing the removal of current Independent Director, Meng Foon. While we recognise that it is the role of the Board to determine the independence status of directors, NZSA considers this offers a signal as to his potential patronage by Agria. NZSA is therefore concerned as to the degree of Mr. Foon's independence. We understand that Meng Foon was originally nominated as a Director by Agria.

NZSA is supportive of the Board's actions on [February 16<sup>th</sup>](#) to elect Garry Moore, a Christchurch-based Independent Director, as Chair.

We remain supportive of PGW's long-term future and the capability of its staff.

## Additional Resources

1. Announcement made by PGW [February 13<sup>th</sup>](#), including the seven resolutions proposed by Agria
2. Announcement of [February 16<sup>th</sup>](#) detailing the appointment of Garry Moore as Chair
3. NZSA [blog article](#) (published the morning of Feb 16<sup>th</sup>)
4. [2018 OIO judgment](#) and [Settlement Agreement](#)