

# Director Independence

**APPROVAL** ■

**AUTHOR:** MARISE WINTHROP  
**GROUP:** SUPPORT SERVICES  
**DATED:** 27 OCTOBER 2022

**RECOMMENDATION**

**THAT the Board determine that Corrigan George Sowman is an independent director having considered all of the relevant factors and interests as described in the NZX Corporate Governance Code.**

<p><b>1. Introduction</b></p>	<p>The NZX Rules require the Board to identify which Directors it has determined to be independent after considering the factors described in the NZX Corporate Governance Code. The outcome of the Board's determination must be released to the NZX within 10 business days of the director's initial appointment.</p> <p>The purpose of this paper is to provide information to the Board to enable it to make a determination in respect of newly elected farmer director Corrigan George Sowman.</p> <p>In 2019 Simpson Grierson confirmed that farmer elected Directors should, in the ordinary course, be able to be treated as Independent Directors although the particular circumstances of each Director should be assessed to ensure this default position is applicable. They further advised that it would be for the Board to determine on a case by case basis whether a farmer elected Director is independent.</p> <p>The materiality of any interest, position, association or relationship is assessed to determine whether it might interfere, or might reasonably be seen to interfere, with the Director's capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of the company and to represent the interests of its shareholders generally.</p>
<p><b>2. C Sowman: Independence</b></p>	<p>Following his election to the Board at the Annual Meeting, C Sowman has completed a self-assessment of his independence. <b>Refer Attachment 1.</b></p> <p>There is nothing indicated in the self-assessment to suggest that C Sowman is not an independent director. The noted business relationship between LIC and Uruwhenua Farms Limited does not meet the materiality threshold (broadly it would need to be of an aggregate net value of 1% of LIC's average market capitalisation).</p>
<p><b>3. C Sowman: Other interests</b></p>	<p>C Sowman's farming interests are as a director and shareholder of Uruwhenua Farms Limited which currently holds 80,488 LIC shares.</p> <p>In addition, he is a member of Fonterra's Sustainability Advisory Panel.</p>
<p><b>4. Recommendation</b></p>	<p>On the basis of C Sowman's self-assessment and his notified interest, it is recommended that the Board resolve that the CG Sowman be determined to be an independent director.</p>

DATED the 2nd day of November 2022

SIGNED by all the Directors who voted in favour of the resolution:

DocuSigned by:

*Sophie Haslem*

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Sophie HASLEM

DocuSigned by:

*Benjamin Dickie*

52BC491D703D400...

Benjamin John DICKIE

DocuSigned by:

*Timothy Gibson*

4D2FE39A2ABA489...

Timothy Dunlop GIBSON

DocuSigned by:

*Kenneth Hames*

994C64246E52428...

Kenneth Charles HAMES

Murray Grant KING

DocuSigned by:

*Candace Kinser*

6F9FD5EC18B84F4...

Candace Nicole KINSER

DocuSigned by:

*Matthew Ross*

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Matthew Fraser ROSS

DocuSigned by:

*Ailsa Jane Watters*

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Ailsa Jane WATTERS

Corrigan George SOWMAN

LIC Directors – self assessment for independence (October 2022)

Name: Corrigan Sowman

Date: 25<sup>th</sup> October 2022

Question	Response (include further details if necessary)
Are you currently, or in the last three years have you been, employed in an executive role by LIC or any of its subsidiaries? If yes, has there been a period of less than three years between ceasing such employment and serving on the Board?	No
Are you currently, or in the last 12 months have you, held a senior role in a provider of material professional services <sup>1</sup> to LIC or any of its subsidiaries? If yes, please provide further details.	No
Do you currently, or in the last three years have you had, a material business relationship <sup>2</sup> (e.g. as a supplier or customer) with LIC or any of its subsidiaries? If yes, please provide further details.	No, although through herd code BQNV we have been purchasers of a range of LIC products and services for our dairy farm. Currently I have a cow contracted with LIC.
Are you a substantial product holder <sup>3</sup> of LIC, or a senior manager, or person otherwise associated with a substantial product holder of LIC? If yes, please provide further details.	No

<sup>1</sup> NZX Rules, Definitions: Material Transaction, paragraph (e) applies. Material professional services are considered those where LIC provides or obtains any services (including the underwriting of financial products or services as an employee) where the gross cost to LIC in any financial year is likely to exceed an amount equal to 1% of LIC's Average Market Capitalisation (as an indication, LIC's market cap as at 31/05/22 was \$215.6M)

<sup>2</sup> NZX Rules, Definitions: Material Transaction, paragraphs (a) and (d) apply.

Paragraph a: Material business relationship is considered that where LIC buys, acquires, gains, leases, sells or otherwise disposes of assets having an Aggregate Net Value above 10% of LIC's average market capitalisation.

Paragraph d: Material business relationship is considered that where LIC enters into any guarantee, indemnity, underwriting or similar obligation, or gives any security, which could expose LIC to liability above 10% of LIC's Average Market Capitalisation

<sup>3</sup> The definition for Substantial Product Holder set out in the Financial Markets Conduct Act 2013 applies.

s274 of the FMC Act states:

(1) A person is a substantial product holder in a listed issuer for the purposes of this Act if that person has a substantial holding in that listed issuer

Do you have, or in the last three years, have you had a material contract <sup>4</sup> with LIC or its subsidiaries, other than as a director? If yes, please provide further details.	No
Do you have close family ties with anyone in the categories listed above? Family ties include parents, spouse/significant other and dependents. If yes, please provide further details.	No
Have you been a director of LIC for a length of time <sup>5</sup> that may compromise independence?	No
Do you have an accounting or financial background? If yes, please provide further details.	No
Is there anything else you wish to disclose that you feel may affect your independence; or has the perception of affecting your independence? If yes, please provide further details.	No

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- (2) A person has a substantial holding in a listed issuer for the purposes of this Act if the person has a relevant interest in quoted voting products that comprise 5% or more of a class of voting products of the listed issuer
- (3) A person has a substantial holding for the purposes of this Act for each class in respect of which the person has a substantial holding under subsection (2)

<sup>4</sup> NZX Rules, Definitions: Material Transaction, paragraphs (a), (c), (d) and (e) apply. Paragraphs (a), (d) and (e) are set out above. Paragraph (c), Material contract means borrows, lends, pays or receives money or incurs an obligation of an amount above 10% of LIC's Average Market Capitalisation

<sup>5</sup> When considering tenure, consider:

- (a) Best practice sets tenure at three, three year terms.
- (b) Common practice among NZ co-operatives recommends that:
- A director who has served a term of nine years should consult with the Chairman and fellow Directors before seeking re-election or re-appointment for a further term
  - A director who has served a term of 12 years must seek formal guidance from the Board before seeking re-election or re-appointment
  - The Board may request that a director serve for an additional period of time where the Board considers that appropriate (such as to achieve the right balance of experience, or to take advantage or particular skills or expertise)
  - If a director seeks re-election or re-appointment for a term that exceeds a 12 year term, then that should be disclosed to farmer shareholders together with the reasons for an extension of tenure prior to the election or appointment that would result in the extension