



Beef + Lamb New Zealand Company Resolutions

RESOLUTION ONE [FARMERS' ORDINARY RESOLUTION]:

That Farmers consider and, if thought fit, pass the following ordinary resolution:

- That the increase proposed to the total aggregate amount payable by way of directors' fees from \$342,000 per annum to \$370,240 per annum (being an increase of \$28,240 per annum), to give effect to the recommendations of the Directors Independent Remuneration Committee, be approved.

This increase represents an annual increase of:

- \$2,800 (4%) for the Chairman;
- \$680 (2%) for each director, and
- A pool of \$20,000 (to be reviewed annually by DIRC) to be allocated amongst directors based on additional workloads by the Chairman and Honorary, Remuneration and Expenses Committee.

Explanatory Note

Background

The Board has established the Directors Independent Remuneration Committee (DIRC) with membership of David Nelson (Chair), Derrick Millton and Bruce Wills.

The Committee's role is to provide an annual review, adhering to the Terms of Reference established by the B+LNZ Board and where appropriate recommend changes to Directors' remuneration, to ensure that it is at an appropriate level, and objectively and independently assessed.

Directors Independent Remuneration Committee report

At its meeting on 28 November 2019 the DIRC discussed Director workload with the following discussions with B+LNZ Chairman and Directors and Management and reviewed independent advice in director fee increases across other organisations.

DIRC considered the significant workload for directors over the year which included climate change consultation, legislation, fresh water policy, biodiversity and continuing *M. bovis* and biosecurity activities.

DIRC made the following recommendations on its review of director remuneration for Beef + Lamb New Zealand Ltd for the financial year ending 30 September 2020:

Recommendation one

It is recommended that the B+LNZ Chairman's remuneration is increased from \$70,000 to \$72,800 an increase of \$2,800 or 4%

Recommendation two

It is recommended that the B+LNZ Director fees are increased from \$34,000 to \$34,680 an increase of 2% or \$680.00

Recommendation three

It is recommended that a pool of \$20,000 is established to aid and reflect the differing workloads due to the current industry operating environment. This pool should be reviewed annually by the DIRC as the pool is deemed to reflect current change and challenge that the industry faces adding to increased Director work load currently and this work load may vary in the future. The chair of B+LNZ will make a recommendation to the B+LNZ remuneration committee with regards to which board members receive a pool payment.

Beef + Lamb New Zealand comment

The Board has supported the DIRC recommendations and in particular the establishment of the \$20,000 pool.

The Board continues to be challenged by the increasing pace of policy change within New Zealand (Climate, water, biodiversity, animal welfare and biosecurity for example, trade policy issues (BREXIT and world trade uncertainty) and the increasing pace of changing consumer preferences.

Understanding if this is a one-off series of events or are these issues the new normal and should be reflected in ongoing industry governance roles is a question that is not easily resolved.

An industry good governance role has a wider scope than pure governance and directors are required to be present at regional and community farming events. This representation aspect of the role is often unrecognised.

Over the last twelve months the Chairman has spent some 900 hours (2.5 days per week averaged across the year) in his role and an average director commitment has been around 500 hours (1.2 days per week on average) which is double the benchmarks compared against.

The Board will commission from an independent party an analysis and benchmarking of governance requirements, industry representation and then the time commitments. The Board's view is that directors must be appropriately remunerated for an industry good governance role that will attract the best possible farmer directors and enable them to employ backfill for their own farming operation.

NZ Meat Board

It is noted for farmer's information that DIRC has recommended that there is no increase for New Zealand Meat Board directors which remain at \$29,050 for the Chairman and \$16,300 for each director.

The NZMB Board did not support this recommendation and is proposing an increase of 2% being \$580 for the Chairman and \$330 for each director. The NZMB's decision is reached after considering the separate role and responsibilities of the NZMB and that director fees have not been reviewed since 2018 for the Chairman and 2016 for directors.

RESOLUTION TWO [FARMERS' ORDINARY RESOLUTION]:

That Farmers consider and, if thought fit, pass the following ordinary resolution:

- That KPMG be appointed as Beef + Lamb New Zealand Ltd's auditor for the year ending 30 September 2020.

Explanatory Note

The Board recommends that KPMG continue in the role of auditor for Beef + Lamb New Zealand Ltd.

The continuity of auditor allows KPMG to build a deeper understanding of Beef + Lamb New Zealand Ltd and its operations which enhances the audit focus.

The KPMG partner responsible for the annual audit is rotated every seven years. The current partner is five years into his rotation. The External Reporting Board (XRB) is an independent Crown Entity responsible for accounting and auditing & assurance standards in New Zealand and their maximum prescribed rotation period for audit partners is seven years for Public Benefit Entities.

The Board benchmarks audit fees against similar organisations and consider the fees charged continue to provide value. A more detailed benchmarking process will be undertaken during the 2019-20 financial year ahead of the 2020-21 auditor appointment.