



New Zealand Meat Board 2024 Resolutions and Consultation

Basis of voting

The Board has determined under section 58(3) of the Meat Board Act 2004 that the voting entitlement will be on the same basis as the Beef + Lamb New Zealand (B+LNZ) constitution, which is one farmer one vote for ordinary resolutions.

The definition of a farmer in the B+LNZ Constitution is the owner of livestock above the minimum thresholds of 250 sheep, 50 beef or 100 dairy cows at 30 June 2023.

RESOLUTION ONE

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

That the director fees pool for farmer and industry (Processor-Exporter) directors be increased to \$156,000 per annum from \$147,500, a total increase of \$8,500.

This increase represents a fee increase for the Chair to \$30,000 (currently \$29,900) and for seven farmer and industry directors to \$18,000 (currently \$16,800).

Explanatory note

The NZMB reinstated the Director Independent Remuneration Committee (DIRC) this year. The DIRC conduct an independent evaluation of NZMB's Directors' remuneration and recommend any Director remuneration adjustments to the Board. Any adjustments to fees will require farmer approval.

Director Independent Remuneration Committee Report to livestock farmers and meat exporters for the 2024 Annual Meeting

The New Zealand Meat Board (NZMB) Board announced in October 2023 that it was reestablishing a Director Independent Remuneration Committee (DIRC) to provide independent consideration of market conditions and benchmarking. Applications for two positions on the DIRC, in addition to one position nominated by the Meat Industry Association, were advertised to levy payers in October and candidates were appointed in November.

The Director Independent Remuneration Committee (DIRC) comprises Murray Donald (Chair), Sarah von Dadelszen and Tony Egan, with Cros Spooner, B+LNZ Chief Operating Officer, as Secretary.

The Committee operates under a Terms of Reference found at www.nzmeatboard.org/assets/NZMB-Directors-Independent-Remuneration-Committee-1.pdf

When reviewing director fees, the DIRC considered the following.

1. Consideration of market information including benchmarking for NZMB provided to DIRC by Strategic Pay and the Institute of Directors. Both surveys reference types of industries e.g. statutory body, public sector and similar-sized organisations.
2. The NZMB Board role and time commitment required is more in line with a governance-only role without the representation requirements an industry good organisation has with its farmers.
3. The DIRC considered the complexity and risk involved in the role with respect to quota management and administration responsibilities. The reserve management function, while significant in size, is supported by an independent advisor and a professional investment manager guided by a Statement of Investment Policies and Objectives reviewed approximately every three years. Reserve management activities fall into quarterly investment monitoring reporting and industry good funding reporting, which does have synergies with the B+LNZ industry good activities.
4. The benchmarking identified that current NZMB Chair and directors' remuneration are in the lower quartile of both Chair and Director remuneration benchmarks and outside that quartile with respect to time commitments.
5. DIRC considers the NZMB director fees should be in the lower quartile range, however there is a need to ensure the fee is competitive to attract the expertise for complex quota management, trade requirements allocation and verification.
6. The DIRC also notes there is an element of public good as well as industry good in this role.
7. Director fees were last increased at the 2022 annual meeting by 2.3% for the 2021-22 financial year.
8. The DIRC recommends Director fees be reviewed and adjusted annually to ensure these do not fall behind benchmarks.
9. DIRC notes the fee for Government appointed directors is approved by the Crown and is not included in this assessment. Government appointed director fees have been consistent with farmer-approved fees in past years.

Recommendation for 2023-24 Director Fees

After this consideration, DIRC recommends to livestock farmers the following.

	Current Remuneration 2022-23	Recommended Remuneration 2023-24	% change since last increase per annum
Chair	29,900	30,000	0.3%
Director (each)	16,800	18,000	7%
Total Director Fees Pool	147,500	156,000	5.7%

The DIRC considers that director fees remain competitive to attract and retain suitable skills to governance roles noting that the Government director fees are benchmarked against farmer approved fees for the NZMB.

Murray Donald
Chair
Director Independent Remuneration Committee

RESOLUTION TWO

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

That KPMG be appointed as the NZMB's auditor for the year ending 30 September 2024.

Explanatory note

The Board recommends that KPMG continue in the role of auditor for the NZMB for the 2024 financial year.

The Audit & Risk Committee undertook a tender process with potential audit service providers in 2021. After evaluating the proposals, the Committee agreed that KPMG offered a robust audit process and offered development opportunities to NZMB with respect to future reporting trends (Service Reporting and Sustainability Reporting). The fee movements had been agreed in the tender process and the 2024 financial year is the last year.

A new KPMG partner is now responsible for the annual audit and completed his first year on the audit. The External Reporting Board (XRB) is the Crown Entity responsible for accounting and auditing and assurance standards in New Zealand and their maximum prescribed rotation period for large not for profit Public Benefit Entities is seven years.

ANNUAL MEETING 2024 CONSULTATION: INDUSTRY GOOD FUNDING

The NZMB is presenting the annual industry good funding proposal for consultation in conjunction with the 2024 annual meeting. This year, it is proposed to fund two projects: Informing New Zealand Beef (INZB), which is a continuation from prior years, and a new Eliminating the Impact of Facial Eczema programme (EFEI).

The NZMB, as part of its purpose under the Meat Board Act 2004, provides funding from investment income less reserves management expenditure to B+LNZ for an industry good activity. The NZMB's **Reserves Policy** www.nzmeatboard.org/assets/Documents/NZMB-Reserves-Policy-August-2022-2.pdf sets out the purpose and process for the management of the Board's reserves.

1. Informing New Zealand Beef (INZB)

This is a continuation of a programme that farmers have endorsed NZMB funding in previous years. The NZMB is proposing that it will continue to be a funding partner and provide up to \$700,000 from investment income in the 2024 financial year. INZB is a seven-year research project (now in year three) designed to generate more income for beef producers from the development and application of new genetic tools specific to New Zealand's farming conditions and markets. This project is co-funded through the Ministry for Primary Industries' (MPI) Sustainable Food & Fibre Futures (SFFF) programme.

The project has tracked to milestones in the 2023 financial year. This included 720 breeder and commercial farmers prioritising trait development, across breed progeny test sites established and run at Pāmu's Kepler Farm and Lochinver Station and additional commercial farmers joining the programme with a waiting list for others. The beef progeny test is complementary to the dairy beef progeny test run by B+LNZ.

Key deliverables for 2024 include developing economic models for traits to be included in selection indexes and commencing the development for novel traits, beginning with body condition score. The team will start work on getting the nProve tool set up for beef and continue to develop the across breed beef genetic evaluation system.

Further detail including deliverables for 2023-24 of B+LNZ Genetics' INZB project can be found on page 10 of the annual report on the NZMB website.

2. Eliminating the Impact of Facial Eczema (EFEI)

The NZMB is proposing to fund this programme to ensure all levy payers (sheep, beef and dairy) are beneficiaries. Funding of up to \$1 million from investment income is proposed.

The EFEI programme is proposed to be a \$20.763 million, seven-year partnership between Beef + Lamb New Zealand (B+LNZ) and multiple industry partners, providing both cash and in-kind support to eliminate the impacts of facial eczema (FE) as a livestock disease in New Zealand. This bold goal will make a significant difference for New Zealand's farmers as it is estimated that FE costs the sector around \$332 million per year. The programme will further understand the basics and impacts of FE, building on previous research and using new science to solve an old problem. The programme will utilise leading researchers from within and beyond the agricultural research space to develop new tools and solutions for farmers to manage FE. Central to the programme will be a farmer community of practice change, ensuring that the farmer's voice is heard from the start of the programme to ensure that any tools and solutions developed are practical behind the farm gate.

Initial modelling indicates an annual saving to farmers of over \$100m/year, five years after the end of the programme. Testing indicates the traditional facial eczema areas are extending southward into the South Island.

The programme commenced in October 2023, with the first year of the programme running through to September 2024.

For more information on FE – see www.beeflambnz.com/knowledge-hub/PDF/facial-eczema.pdf on the B+LNZ Knowledge Hub.

Summary

NZMB grant funding from investment income (less reserve management expenses) for 2022-23 was \$1.4 million for delivered milestones and is proposed to be up to \$1.7 million in total for both programmes in the 2023-24 financial year, subject to income being available from investment returns.

If you have a comment to make, please visit bit.ly/48Zm7ha or complete the attached feedback form at the end of these explanatory notes.

We welcome your feedback. Once the consultation closes, the Board will consider all the points raised by submitters at its April 2024 meeting.

Submissions close 13 March 2024.

NZMB RESERVES POLICY

The Board is consulting on the following matters to future-proof the reserves policy:

Quantifying a target for a maximum reserves balance.

The Board is proposing a target for maximum level of reserves at \$100 million in 2022 dollars. After this level is reached, investment returns are better applied to industry good initiatives, reducing the financial burden of levy payers at that time rather than continually building reserves.

The ability to fund multi-year projects without ongoing consultation but subject to annual milestone review.

This change is to clarify that multi-year projects funded by NZMB, once approved, do not require ongoing consultation and will only be subject to annual milestone reviews with updated progress reported annually. If milestones are not being met, then NZMB funding may not continue.

Building future flexibility to access reserve funding through drawing upon increasing reserves balances (capital drawdown).

This allows industry good funding to be available from accumulated gains on the investment portfolio and would allow for funding in excess of the interest and dividend income received.

A marked-up amendment to the reserves policy can be found in the annual meeting material or at www.nzmeatboard.org/annual-meeting-2024

During the year, the Board and the Investment Advisor Cambridge Partners reviewed the Statement of Investment Policies and Objectives (SIPO). The targeted rate of return was reviewed, and this has increased to 4.00 percent per annum after fees, tax and inflation and subject to the consultation on Reserves Policy changes for the maximum level of reserves held to be no more than \$100 million in 2022 dollars. The SIPO can be found in the annual meeting material or at www.nzmeatboard.org/annual-meeting-2024

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