



Policy Documents

Market Gardeners Limited trading as MG

Policy: Treasury Stock Policy
 Department / division: MG - General
 Version number: 1
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Treasury Stock Policy

INTRODUCTION

Shares in MG that are surrendered are cancelled on surrender unless the Board decides to hold those shares as “Treasury Stock”. Shares held as Treasury Stock may be offered to shareholders of MG that are Current Producers (as defined in the Constitution).¹

The following sets out the Board’s policy on Treasury Stock. The policy may be changed by the Board. The Board will give effect to the policy in effect at any relevant time.

Nothing in this policy affects MG’s Surrender Policy² in effect at any relevant time. That policy currently provides restrictions on the number and timing of the surrender of shares which will also apply to shares acquired by shareholders from an offer of Treasury Stock.

ACTIONS TO HOLD SHARES AS TREASURY STOCK

Limit on the number of shares that can be held as Treasury Stock

The Co-operative Companies Act³ limits the number of shares that can be surrendered and held as Treasury Stock.

- The number of shares to be held must not, when combined with other shares already held, exceed 20% of the number of shares of that class on issue.
- Any shares to be held in excess of 5% of the number of shares of that class on issue must be surrendered only on grounds related to:
 - the capacity of the shareholder to enter into transactions with MG;
 - the level of transactions between the shareholder and MG; and

¹ A copy of the definition is at 1 June 2023 is set out in the Appendix to this policy.

² Sections 24(a)(c) and (d).

³ The current policy can be found at <https://www.mggroup.co.nz/about-mg/shareholders/> under the heading “Board Policies”. A copy of the policy as at 1 June 2023 is set out in the Appendix of this policy.

³ Sections 24(a)(c) and (d).

- the terms of any contract relating to transactions between the shareholder and MG.

What shares may be held as Treasury Stock

Shares of any class can be held as Treasury Stock.

The Board will usually decide to hold only A shares as Treasury Stock.

The Board will normally not hold as Treasury Stock shares issued in the previous 12 months. This is to avoid the potential for debate over whether those shares can be offered without a PDS⁴.

The Board will usually decide to hold all of the A Shares issued more than 12 months earlier that are being surrendered provided MG can do so under the limits set by the Co-operative Companies Act (referred to above).

Process

To hold shares that are being surrendered the Board must resolve to hold the shares and to not cancel them on surrender.

Before passing the resolutions, the Board should obtain confirmation from the Company Secretary that the requirements of the Co-operative Companies Act (referred to above) would be met.

ACTIONS TO OFFER TREASURY STOCK

Requirements

The Co-operative Companies Act⁵ and the Constitution⁶ provide for the process by which Treasury Stock must be offered.

- The Shares may only be offered to Current Producer Shareholders (as defined in the Constitution).
- The shares must be offered for their nominal value (\$1 per share).
- The process in clause 15.2 of the Constitution must be followed.
- The Board may determine additional aspects of the offer process that are not inconsistent with the process set out in clause 15.2.

A copy of relevant definitions in the Constitution, the relevant Minimum Business requirements to be a Current Producer, and clause 15.2, as at 1 June 2023, is set out in the Appendix to this policy.

⁴ Section 31 of Schedule 1 to the Financial Markets Conduct Act.

⁵ Section 26.

⁶ Clause 15.

Following this process allows MG to rely on an exception in the Financial Markets Conduct Act under which the offer can be made without a product disclosure statement (the equivalent of a prospectus under the former regime).⁷

Total number of shares to be offered

While there is a limit on the total number of shares of a class that can be held as Treasury Stock there is no minimum or maximum number of shares of Treasury Stock that can be offered to shareholders on any occasion.

To minimise costs relative to the number of shares being offered the Board will normally not make an offer of less than 1,000,000 shares.

Time offers will be made

So that shareholders can make a decision about whether to accept an offer and apply for additional shares with current financial information the Board will normally make an offer at a time when financial statements of MG are provided to shareholders.

Number of shares a shareholder is offered and can apply for

Shareholders must be offered their pro rata entitlement of the Treasury Stock being offered. The pro rata entitlement is calculated on the number of shares of the class being offered held by a shareholder and the total number of shares of the class being offered held by all shareholders receiving the offer.

Shareholders can elect to take up all or only some of their entitlement.

Shares not taken up by shareholders under their entitlement are available to other shareholders who would like those shares. Shareholders can choose to apply for shares in excess of their entitlement specifying the maximum number of shares in excess of the share entitlement the shareholder wants to take. The shares will be allocated on a pro rata basis calculated on the current number of shares of the class being offered held by a shareholder wanting additional shares and the total number of shares of the class being offered held by all shareholders wanting additional shares.

Time for acceptance

The Board will determine the length of time an offer of Treasury Stock will be open for acceptance and within which a shareholder can apply for shares in excess of the shareholder's share entitlement. This will not normally be greater than 6 weeks after the offer is made.

All communications from a shareholder must be by email to an email address advised by MG in the offer.

Payment

Shareholders accepting an offer of Treasury Stock must make payment for the number of shares of their share entitlement they accept on or before the closing date for acceptance of the offer.

⁷ Section 32 of Schedule 1 to the Financial Markets Conduct Act.

Shareholders applying for Treasury Stock in excess of the shareholder's share entitlement must pay for any shares in excess of the share entitlement allocated to the shareholder within 5 working days (as defined in the Companies Act) of being advised of the allocation.

All payments for shares must be made by payment to the bank account of MG advised in the offer.

If a payment is not received by MG within the period required, or a payment received by MG is reversed after the period, the shareholder's entitlement to shares and allocation of shares will be cancelled and the shares will not be transferred to the shareholder.

Any payment for shares received by MG after the period required or in excess of any actual allocation will be returned to the shareholder without interest.

Entitlement to distributions

The distributions made by MG at the time of the annual meeting are worded to be made to the holders of shares at a specified time before the annual meeting. Treasury Stock offered at the time of the annual meeting will normally be transferred to shareholders after the specified time without an entitlement to the distribution.

Other rights attached to shares

Treasury Stock offered to shareholders will have the same rights, and are subject to the same restrictions, as other shares of the same class. In particular:

- the amount payable on the surrender of a share acquired under an offer of Treasury Stock is the same as the amount payable on any share of the same class (\$1.00)
- restrictions in MG's Surrender Policy⁸ on the number and timing of the surrender of shares will also apply to shares acquired under an offer of Treasury Stock.

Process

To effect the offer:

- the Board will obtain from the Company Secretary a recommendation of the number of shares to be offered and of any particular aspects of the offer that the Board is entitled to determine under clause 15.2 including the closing date for receipt of a shareholder's election in relation to the share entitlement and application for shares in excess of the share entitlement
- after considering any recommendations from the Company Secretary the Board will determine
 - how many shares will be offered
 - the closing date for receipt of a shareholder's election in relation to the share entitlement and application for shares in excess of the share entitlement

⁸ The current policy can be found as <https://www.mggroup.co.nz/about-mg/shareholders/> under the heading "Board Policies". A copy of the policy as at 1 June 2023 is set out in the Appendix to this policy.

- any other terms of the process by which the offer will be made.
- the Board will pass a resolution resolving to offer the shares in accordance with the process and to issue the shares accepted, and applied for and allocated, and paid for within the required period
 - the offer made to each shareholder will set out:
 - the total number of shares of each class being offered with the shareholder’s entitlement
 - a closing date by which the shareholder can accept the offer and specify what number of shares offered to the shareholder the shareholder wants to accept and whether the shareholder wants shares not taken up by other shareholders and the number of additional shares the shareholder would take if allocated
 - any other terms the Board has determined will apply to the offer
 - MG will allocate the shares in accordance with clause 15.2 and the process determined by the Board on the basis of the acceptances and applications received from shareholders
 - MG will advise shareholders who applied for shares in excess of their share entitlement the outcome of the allocation
 - Shareholders who accepted the offer for all or some of their share entitlement and who have paid for those shares within the required period will have the shares transferred to them by MG.
 - Shareholders who applied for shares in excess of their share entitlement and who have paid for the shares allocated to them within the required period will have the shares transferred to them by MG.
 - MG will return payments for shares received after the required period, or the amount of any payment received in excess of the amount payable, without interest.

RELATED DOCUMENTS

- MG Constitution
- MG Surrender Policy

CONTACTS

Position	Name	Direct Dial
Company Secretary	Duncan Pryor	(021) 221 6007
Chief Financial Officer	David Bennett	(027) 352 5253

Chief Executive Officer	Peter Hendry	(021) 221 7252
Chair of Board	Bruce Irvine	(021) 392 329

APPENDIX – COPY OF RELEVANT DEFINITIONS, MINIMUM BUSINESS, SURRENDER POLICY AND CLAUSE 15.2 OF THE CONSTITUTION AS AT 1 JUNE 2023

Definitions

Current Producer means a Producer who has transacted more than the Minimum Business;

Current Producer Shareholder means a Shareholder who is a Current Producer;

Minimum Business means any minimum value and/or amount and/or volume of transactions:

- (a) between the Company and/or an Associated Company and the Shareholder; and
- (b) over a period, and over such lines and/or types of Produce or Services, determined by the Board under clause 13.12;

Minimum Business policy

Constitution provision	Minimum Business determined by the Board
Minimum Business determined by the Board under clause 13.12	<p>\$10,000 of Produce sold to MG and/or supplied to MG and sold on consignment either:</p> <ul style="list-style-type: none"> • in any one year in a rolling three year period; or • on average over a rolling three year period. <p>Amount is calculated excluding GST and hire equipment (crates and bins etc.)</p> <p>Applies to all Produce.</p> <p>Periods for the purposes of an annual meeting or determining a rebate to be a 1 July to 30 June year (being MG's financial year). Periods for the purposes of a special meeting shall be the 12 month period ending on the 40th working day before the date of the meeting in accordance with clause 21.32 of the constitution.</p>

Surrender Policy

Constitution provision	Surrender Policy determined by the Board
<p>Surrender Policy determined by the Board under clause 12.1.</p>	<p>Shareholdings under 100,000 shares to be surrendered in total after Board approval.</p> <p>Shareholdings between 100,000 and 1,000,000 shares shall be surrendered in instalments of 100,000 shares, and then any balance that is less than 100,000, on Board approval and then on each anniversary of the Board approval (for example: a holding of 350,000 shares would be surrendered in instalments of 100,000 on Board approval, 100,000 on the first anniversary of the Board approval, 100,000 on the second anniversary of the Board approval, and 50,000 on the third anniversary of the Board approval);</p> <p>Shareholdings over 1,000,000 shares shall be surrendered in 10 equal instalments, on Board approval and then on each of the first to the ninth anniversaries of the Board approval (for example a: a holding of 1,500,000 shares would be surrendered in instalments of 150,000 shares on Board approval and 150,000 shares on each of the first to the ninth anniversaries of Board approval);</p> <p>All surrenders are subject to Companies Act 1993, Co-operative Companies Act 1996 and any banking requirements / limitations / solvency tests.</p> <p>The Board may accelerate any of the above payment programmes at its discretion.</p> <p>Note that the shareholder remains a shareholder until the full amount is paid out (albeit with a reducing shareholding i.e. part of the shareholding surrendered each time).</p> <p>An exception to this policy can be given where the Board considers it to be in the best interests of the company given the particular circumstances that have arisen.</p>

Clause 15.2

15.2 If the Company wishes to transfer any Shares which it has acquired and held it must do so in accordance with the following process.

- (a) The Shares must be offered only to Current Producer Shareholders.
- (b) The Company must give each Current Producer Shareholder a written notice:
 - (i) specifying that Shareholder's Share entitlement and offering those Shares to the Shareholder together with the opportunity to take up Shares not accepted by other Shareholders; and
 - (ii) inviting that Shareholder to:
 - accept the offer in respect of all or part of that Shareholder's Share entitlement; and
 - specify a maximum number of additional Shares the Shareholder would accept to the extent available and offered to the Shareholder; and
 - (iii) specifying a closing date for receipt of the Shareholder's election.
- (c) The Company will determine the Share entitlement of each Shareholder according to the following formula:

$$(A \div B) \times C$$

where:

- A is the number of Shares of the same class as the Shares being offered which the Shareholder holds at the date of the offer;
- B is the total number of Shares of the same class as the Shares being offered held by all Shareholders being made the offer at the date of the offer; and
- C is the total number of Shares of the class of Shares being offered.

- (d) The Company will allocate any Shares not taken up to those Shareholders who specified they would take additional Shares. The number of Shares to be allocated to each of those Shareholders will be the lesser of:
- (i) the maximum number of additional Shares specified by the Shareholder; and
 - (ii) the number of Shares calculated according to the formula:
$$(A \div B) \times C$$
where:
 - A is the number of Shares of the same class as the Shares being offered which the Shareholder holds at the date of the offer;
 - B is the total number of Shares of the same class as the Shares being offered held by all Shareholders being made the offer who specified they would take additional Shares; and
 - C is the total number of Shares of the class of Shares being offered as additional Shares.
- (e) If additional Shares remain unallocated after the initial application of clause 15.2(d) the Company will allocate the unallocated additional shares by applying the formula in clause 15.2(d) to them as many times as the Board determines to reduce the number of unallocated additional shares.
- (f) If an application of clause 15.2(c), 15.2(d) and 15.2(e) results in a fraction rather than a whole number the Board shall round that fraction down to the next whole number.
- (g) The Board shall otherwise determine the process by which the Shares are offered.

EXAMPLE BOARD RESOLUTIONS

Resolutions to surrender and hold shares as treasury stock

The following are resolutions that could be amended and completed as appropriate to hold as Treasury Stock shares being surrendered:

“The applications for the surrender of shares detailed on the attached schedule are approved and the shares are surrendered subject to and in accordance with the following provision.

The Board determines that the Company holding the following shares surrendered in accordance with the above provision instead of the shares being cancelled would meet the requirements of section 24(1)(c) and (d) of the Co-operative Companies Act 1996, and the shares are held by the Company and are not cancelled

[describe shares to be surrendered and held as Treasury Stock]”

Resolutions to offer treasury stock and issue shares taken up

The following are resolutions that could be amended and completed as appropriate and passed to offer Treasury Stock and issue the shares taken up:

“The Board approves the following offer of Treasury Stock to Current Producer Shareholders and the transfer of the shares accepted, and applied for and allocated, under the offer, in accordance with the Co-operative Companies Act and clause 15.2 of the constitution of the Company:

Number and class of shares offered: *[number and class]*

Closing date by which the shareholder can accept the offer and specify whether the shareholder wants additional shares: *[date]*

Other terms of offer: *[specify any other terms]*

EXAMPLE STATEMENT TO BE INCLUDED IN THE OFFER

The shares offered under this offer of Treasury Stock have the same rights, and are subject to the same restrictions, as the other shares of the same class on issue. In particular:

- the amount payable on the surrender of a share acquired under this offer is the same as the amount payable on any share of the same class (\$1.00)
- restrictions in MG's Surrender Policy⁹ on the number and timing of the surrender of shares will also apply to shares acquired under this offer.

⁹ The current policy can be found at <https://www.mggroup.co.nz/about-mg/shareholders/> under the heading "Board Policies". A copy of the policy as at the date of this offer is attached.