

12 March 2020

Dear Shareholder,

**PROVISION OF FINANCIAL ASSISTANCE IN CONNECTION WITH THE REFINING NZ EMPLOYEE SHARE PURCHASE SCHEME FOR 2019**

The New Zealand Refining Company Limited (“the Company”) is required to provide the following disclosure to all shareholders pursuant to sections 78(5) and 79 of the Companies Act 1993 (“the Act”) in respect of financial assistance to be provided by the Company in relation to the Refining NZ Employee Share Purchase Scheme (“the Scheme”).

The Company established the Scheme which qualifies as an “Exempt ESS” under section CW26C of the Income Tax Act 2007 (as amended).

Under the Scheme, employees will be issued an offer letter headed “Offer to Participate in the Refining NZ Employee Share Purchase Scheme”, inviting them to invest in the Company’s shares through participation in the Scheme.

The Scheme recognises the important contribution that the Company’s employees make to its future. By implementing the Scheme, the Board considers that the interests of the employees will be aligned with those of the Company’s and with yours, as shareholders. The intention is that the Scheme will enable and assist the Company in retaining and motivating employees.

Under the Scheme:

- ▶ Participating employees will be able to acquire **\$981** worth of shares in the Company in respect of the 2019 financial year. The BPF is a Business Performance Factor that is approved by the Board for the relevant financial year. For the 2019 financial year, a BPF of **\$981** has been approved by the Board noting the requirement not to exceed 1 million dollars of financial assistance in a three year period.
- ▶ The employee will make an employee contribution of \$1 (deducted from their pre-tax salary or wages) towards the **\$981** offer amount.
- ▶ The Company will contribute the rest of the cost up to the **\$981** offer amount. The Company’s contribution will be **\$980** (“**the Contribution**”).
- ▶ A trust has been created under the Scheme (“**the Scheme Trust**”) for the purpose of purchasing the Company’s shares on the New Zealand Stock Exchange (“**the NZX**”) and holding those shares until they are allocated to each participating employee.

**Refining NZ**

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- ▶ The **\$981** value of the shares for each participating employee is calculated as at the date that the employee's shares are acquired. Following this, the value of the employee's shares may increase or decrease over time.
- ▶ The Company will also pay any broking and other costs associated with the Scheme. The Company estimates the annual operating costs of the Scheme will be approximately **\$11,126** and the cost of the Contribution will be approximately **\$313,600** per year.

The Contribution may constitute the giving of "financial assistance" for the purposes of section 76 of the Companies Act 1993 ("**the Act**").

It is the Company's intention to seek approval for the Contribution that it will make under the Scheme for the relevant financial year. The resolution below and this disclosure document are in respect of the Contribution relating to the 2019 financial year.

### **Board Resolutions**

The text of the Company's resolutions passed on 26 February 2020 approving the giving of the financial assistance is set out below in so far as it addresses the consideration of the shareholders rights:

#### ***"Provision of financial assistance – Shareholder considerations***

- 2.7 That to the extent the Company's Contribution may be considered to be financial assistance the giving of it is contingent upon compliance with one of the relevant procedures for providing financial assistance under the NZX Main Board Listing Rules;
- 2.8 For the purpose of providing financial assistance in respect of the purchase of shares in relation to the 2019 financial year, the Company will adhere to rule 7.6.4 of the NZX Main Board Listing Rules and has satisfied itself that it satisfies the criteria to provide financial assistance under this rule (referred to as Procedure 1);
- 2.9 That to the extent the Company's Contribution constitutes financial assistance, the giving of the financial assistance is of benefit to those shareholders not receiving such financial assistance;
- 2.10 That the terms and conditions under which the financial assistance is to be provided are fair and reasonable to those shareholders not receiving such financial assistance; and
- 2.11 That each shareholder will be sent a disclosure document that complies with section 79 of the Companies Act 1993 before the provision of the financial assistance.

### **GROUNDS FOR CONCLUSION**

#### ***Provision of financial assistance – Shareholder considerations***

The grounds for the Directors' conclusions under Resolutions 2.7 to 2.11 are that:

- 1.1. The amount of the financial assistance being given in relation to the 2019 financial year will, at the time the assistance is given, fall below the applicable thresholds for Procedure 1 of the NZX Main Board Listing Rules, this being:

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- ▶ less than 1 million dollars during a three year period;
- ▶ less than 5% of the Average Market Capitalisation of the Company during a three year period; and
- ▶ the Scheme is not available to any director of the Company or a person associated with a Director of the Company.

1.2. The provision of the proposed financial assistance in the manner outlined above is of benefit to those shareholders not receiving the financial assistance because it:

- ▶ will increase the alignment of the employees' interests with those of the shareholders and in doing so, incentivise the participating employees to ensure that the Company performs for the benefit of all of its shareholders; and
- ▶ will assist the Company in retaining and motivating its employees.

1.3. The terms and conditions under which the proposed financial assistance is to be provided are fair and reasonable to those shareholders not receiving the financial assistance because the cost to the Company in providing such financial assistance is relatively small compared with the benefits to be gained under the Scheme."

### **Shareholder Rights**

Section 78(7) of the Act confers certain rights on shareholders to apply to the court to restrain the giving of the proposed financial assistance.

The financial assistance is to be given by the Company not less than 10 working days and not more than 12 months after this disclosure document has been sent to each shareholder.

Yours sincerely,



**Simon Allen**

**Chairman**

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