

## Notice of Annual Meeting

Notice is hereby given that the Annual Meeting of shareholders of Michael Hill International Limited (the 'Company') will be held at the Stamford Plaza Hotel, 22 Albert St, Auckland, on Wednesday, 30 October 2013 commencing at 10.30 am.

### Business

The business of the Annual Meeting will be:

**1 Financial statements and reports**

To receive and consider the Annual Report including the financial statements and the auditor's report for the year ended 30 June 2013.

**2 Re-election of Gary John Gwynne and Emma Jane Hill as directors - Resolutions 1 and 2**

To consider, and if thought fit, to re-elect Gary John Gwynne and Emma Jane Hill as directors of the Company by passing the following separate ordinary resolutions:

- a. "That Gary John Gwynne be re-elected as a director of the Company."
- b. "That Emma Jane Hill be re-elected as a director of the Company."

*See Explanatory Notes.*

**3 Auditors – Resolution 3**

To record that the Company's auditors Ernst & Young are automatically reappointed as auditors pursuant to section 200 of the Companies Act 1993 and to consider, and if thought fit, to pass the following resolution:

"That the Directors be authorised to fix the remuneration of the auditors for the ensuing year"

**4 Non – Executive Directors' Remuneration – Resolution 4**

To consider, and if thought fit, to pass the following ordinary resolution setting the maximum level of non-executive directors' annual remuneration, which will apply until altered by a further ordinary resolution of shareholders:

"For the purposes of Listing Rule 3.5.1, the maximum aggregate remuneration payable to the company's directors will be increased from NZD570,000 to AUD650,000 per annum, being an increase of approximately NZD161,158 (using an exchange rate of 0.8890, being the latest available rate prior to printing and despatch of this Notice of Meeting), which amount may be divided between the directors as the Board deems appropriate."

*See Explanatory Notes.*

**5 Other business**

To consider any other ordinary business that may be properly brought before the meeting.

## **Proxies**

All shareholders are entitled to attend and vote at the Annual Meeting or to appoint a proxy to attend and vote in their place. A proxy need not be a shareholder of the Company. Individuals who are disqualified from voting on any resolution are unable to vote a discretionary proxy.

Enclosed with this Notice of Annual Meeting is a Proxy/Corporate Representative Form. For the appointment of a proxy to be valid, the form must be deposited at the offices of the Company's share registrar, Computershare Investor Services Limited, at either Private Bag 92119, Auckland 1142 or at Level 2, 159 Hurstmere Road, Takapuna, Auckland, or faxed to +64 9 488 8787 so as to be received no later than 48 hours before the start of the Annual Meeting (being no later than 10.30 am on Monday, 28 October 2013).

All of the Directors offer themselves as proxy to shareholders and, subject to the restriction that they cannot vote a discretionary proxy on a resolution if they themselves are disqualified from voting, will vote in favour of each of the resolutions put to the Annual Meeting unless otherwise directed.

By virtue of NZSX Listing Rule 9.3.1, all of the non-executive directors and their associated persons are precluded from voting on Resolution 4.

**For those shareholders appointing proxies, you are encouraged to appoint a proxy using Computershare's on line proxy system. See the on line Proxy form and instructions enclosed.**

Postal voting is not permitted.

## **Corporate representatives**

A corporation which is a shareholder may appoint a person to attend the Annual Meeting on its behalf in the same manner as that in which it could appoint a proxy. The Proxy/Corporate Representative Form must be signed on behalf of the company by a person acting under the company's express or implied authority.

## **Requisite majorities**

In order for an ordinary resolution to be passed, an affirmative vote of a simple majority of more than 50% of the votes cast by those entitled to vote and who vote in person or by proxy is required. Each of the resolutions to be voted on by shareholders at the Annual Meeting is an ordinary resolution.

By order of the board of directors

A handwritten signature in black ink, appearing to be 'W. K. Butler', written over a horizontal line.

W. K. Butler  
*Company Secretary* 4 October 2013

## **Explanatory Notes**

### **Business Item 2 (Resolutions 1 and 2) – Re-election of Gary John Gwynne and Emma Jane Hill as directors**

Gary John Gwynne and Emma Jane Hill are currently directors of the Company and retire by rotation in accordance with NZSX Listing Rule 3.3.11.

Each of the above directors, being eligible, offers himself/herself for re-election.

NZSX Listing Rule 3.3.11 requires a specified number of the Company's directors to retire from office on a rotational basis each year at the Company's Annual Meeting. The retiring directors are eligible for re-election at that same Annual Meeting. Those required to retire are those who have been longest in office since they were last elected or deemed elected.

Gary John Gwynne is currently a director of the Company and was first appointed a director in 1998. He was last appointed to the Board on 5 November 2010.

Emma Jane Hill is currently a director of the Company and was first appointed a director in 2007. She was last appointed to the Board on 5 November 2010.

Further details regarding Gary John Gwynne and Emma Jane Hill are contained in the Company's Annual Report which can be viewed in the Investor Centre at the Company's website: [www.michaelhill.com](http://www.michaelhill.com). The Board considers Gary John Gwynne to be an independent director. The Board does not consider Emma Jane Hill to be an independent director.

#### *Director Recommendations*

The other directors support the re-election of Gary John Gwynne and Emma Jane Hill as directors and recommend that shareholders vote to approve Resolutions 1 and 2.

### **Business Item 4 (Resolution 4) - Non Executive Directors' Remuneration**

Resolution 4 relates to a proposed increase in the total amount of remuneration which can be paid to directors.

The reasons for the increase are explained below, but shareholders will also note that the total amount of remuneration is now proposed to be expressed in Australian dollars rather than New Zealand dollars. This particular aspect is a consequence of the change in the Company's presentation currency announced to the market in early October 2013, which will result in the annual financial statements disclosing directors' remuneration in Australian dollars. This will be reflected in the financial statements for the current and subsequent financial years.

If resolution 4 is passed, the total amount of remuneration payable to directors will be increased from NZD570,000 to AUD650,000 per annum, being an increase of approximately NZD 161,158 (using an exchange rate of 0.8890, being the latest available rate prior to printing and despatch of this Notice of Meeting),

This pool is paid to the non-executive directors. The executive directors do not receive fees for acting as directors.

At present our New Zealand resident non-executive directors are paid NZD85,000 per annum and our Australian resident directors are paid AUD85,000 per annum. If the increase is approved, it is proposed to increase the amount paid to New Zealand non-executive directors to NZD95,000 and the amount paid to our Australian non-executive directors to AUD95,000.

It is also proposed to pay an additional fee of 10% of the base fee to the chairs of the Audit sub-committee and the People Development and Remuneration sub-committee and an additional fee of 33% of the base fee

to the deputy chair to reflect their increased responsibilities. Historically these roles have not been paid any extra remuneration.

There is currently one fewer directors than when shareholders last approved directors' fees in 2011, but the board anticipates appointing another director within the next six months, thereby restoring director numbers to that level. The proposed pool anticipates that appointment.

The proposed increase reflects a number of matters.

The primary reason relates to the increased workloads and expectations of non-executive directors, both generally and arising specifically in the context of the Company's growth. Shareholders will be aware of the Company's continued progress towards becoming a truly global company since the shareholders last considered the matter of directors' fees in 2011. We have now grown to 267 stores in Australia, New Zealand, Canada and the USA. Growth is anticipated to continue in the foreseeable future with a further 20 new stores planned for the current financial year.

We also need to build in an allowance for fluctuations in the exchange rate between the New Zealand and Australian dollars. In the recent past the fluctuations have been significant with exchange rates varying by well in excess of 10%.

Finally it is inevitable that some portion of the proposed increase is attributable to the general movement in costs of living.

The proposed pool takes into account anticipated increases over the next two financial years, and the Board does not anticipate seeking a review of remuneration prior to the meeting in late 2015.