

## 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 SKYCITY Convention Centre, Auckland Room 4, 88 Federal St, Auckland, on Friday, 4 December 2015 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 2015.

#### 2 Re-election of Ann Christine Lady Hill as a director – Resolution 1.

To consider, and if thought fit, to re-elect Ann Christine Lady Hill as a director of the Company by passing the following ordinary resolution:

1. "That Ann Christine Lady Hill be re-elected as a director of the Company."

Michael Robin Parsell retires by rotation as a director but does not seek re-election at the Annual Meeting.

*See Explanatory Notes.*

#### 3 Auditors – Resolution 2

To record that the Company's auditors EY are automatically reappointed as auditors pursuant to section 207T of the Companies Act 1993 and to consider, and if thought fit, to pass the following ordinary resolution:

"That the directors be authorised to fix the remuneration of the auditors for the ensuing year pursuant to section 207S(a) of the Companies Act 1993."

#### 4 Amendment to the Company's Constitution for creation of Founder President office – Resolution 3

To consider, and if thought fit, to approve amendments to the Company's constitution pursuant to section 106(1)(a) of the Companies Act 1993 for the creation of a Founder President office for Sir Richard Michael Hill ('Michael Hill') by passing the following special resolution:

"That approval is given for amendments to the Company's constitution, in the form and manner described in the Explanatory Notes to the Notice of Annual Meeting dated 18 November 2015."

*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 Wednesday, 2 December 2015).

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.

**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

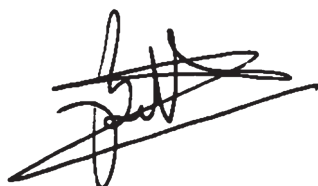
In order for an **ordinary** resolution to be passed, an affirmative vote of a simple majority of more than 50% of the votes cast by those entitled to vote and who vote in person or by proxy is required. Resolutions 1 and 2 are **ordinary** resolutions.

In order for a **special** resolution to be passed, an affirmative vote of at least 75% of the votes cast by those entitled to vote and who vote in person or proxy is required. Resolution 3 is a **special** resolution, and no shareholder is precluded from voting on this resolution.

## NZX approval

This Notice of Annual Meeting has been approved by NZX Limited. NZX Limited takes no responsibility for any statement contained in this Notice of Annual Meeting or any of the Explanatory Notes accompanying this Notice of Annual Meeting.

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 18 November 2015

## Explanatory Notes

### **Business Item 1 (Resolution 1) - Re-election of Ann Christine Lady Hill as a director.**

Ann Christine Lady Hill is currently a director of the Company and retires by rotation in accordance with Main Board/Debt Market Listing Rule ('Rule') 3.3.11. Ann Christine Lady Hill, being eligible, offers herself for re-election.

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.

Ann Christine Lady Hill was first appointed a director in 2001. She was last appointed to the Board on 2 November 2012.

Further details regarding Ann Christine Lady 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 does not consider Ann Christine Lady Hill to be an independent director.

#### *Director Recommendations*

The other directors support the re-election of Ann Christine Lady Hill and recommend that shareholders vote to approve Resolution 1.

#### *Why is Mike Parsell not seeking re-election at this year's Annual Meeting?*

Michael Robin Parsell ('Mike Parsell') is currently a director of the Company and will retire at this year's Annual Meeting in accordance with Rule 3.3.11. Mike also holds office as the Company's Chief Executive Officer ('CEO') and, following a Board review of the Company's governance practices, is not offering himself for re-election at this year's Annual Meeting.

The review determined, with Mike Parsell's full support, that the CEO being a member of the Board creates a potential conflict and ambiguity as to the distinct roles of governance and management. The governance role of the Board includes the review of the strategic direction, operating performance, and the risk profile of the business as proposed by the CEO and management team. If the CEO is also a director, there is an implicit element of self-review which the Board has concluded should be avoided.

Mike Parsell's contribution to the business is highly valued by the Board and he will continue to hold office as CEO and participate actively in Board meetings representing the views and recommendations of the management team and enabling the Board to have full understanding of the operating and financial performance of the business.

### **Business Item 4 (Resolution 3) - Amendment to the Company's Constitution for creation of Founder President role**

The Company's existing constitution was adopted on 5 November 2004. This special resolution seeks shareholder approval to amendments to the Company's constitution for the creation of a Founder President office for Michael Hill.

#### *Why does the Board want to appoint Michael Hill as Founder President?*

The creation of a Founder President office for Michael Hill is seen as fitting recognition of Michael's special connection with the Company over a period of more than 35 years and his role as founder of the Company.

Michael Hill has held office as a director of the Company since its founding, having opened the first Michael Hill jewellery store more than 35 years ago, in 1979. By 1987 Michael and Christine had established 10 stores and took the Company public – listing it on the New Zealand Stock Exchange (as it then was).

Since listing, the business has expanded rapidly (both in New Zealand and internationally) and currently has retail jewellery stores in New Zealand, Australia, Canada, and the United States. In recent times a new business line, Emma & Roe, has been added and an on-line shopping channel established.

During the 35 years of his leadership Michael Hill has acquired wide public recognition in Australia and New Zealand for his involvement in the Company, providing its public face for its advertising for many years, and supporting the Company's reputation through his separate personal support for the 'Michael Hill International Violin Competition' and international golf events at 'The Hills' course in Arrowtown.

Michael's contributions to the Company and the community were recognised by the award of the Companion New Zealand Order of Merit in 2001 for services to business and the arts. This was followed by an appointment in 2011 as a Knight Companion of the New Zealand Order of Merit for services to business and the arts. In 2008 he was recognised as Ernst Young 'Entrepreneur of the Year'.

### *Key features of the Founder President office*

The key features of the proposed Founder President office are as follows:

- The directors of the Company (other than Michael Hill) may unanimously resolve to appoint Michael Hill as Founder President of the Company.
- No additional powers will be conferred on Michael Hill by virtue of his appointment as Founder President.
- Michael Hill will be the only person capable of being appointed to the Founder President office.
- Michael Hill's appointment will cease on his ceasing to also be a director or following the passing of a Board resolution by all directors other than Michael.
- Except as modified by the Rules (see 'Changes to rotation requirements' below) all of the provisions of the Rules, the Companies Act 1993, and the Company's constitution that relate to directors will continue to apply to Michael Hill while he continues to hold office as a director of the Company.

If shareholders approve the proposed amendments to the Company's constitution, the directors of the Company intend to appoint Michael Hill as Founder President shortly thereafter. A copy of the proposed amended constitution is available from the Company free of charge by contacting the Company's Secretary, Wayne Butler at [waynebutler@yahoo.co.nz](mailto:waynebutler@yahoo.co.nz).

### *Changes to rotation requirements*

If Michael Hill is appointed as Founder President, he will no longer be subject to retirement by rotation under Rule 3.3.11. Instead, (under Rule 3.3.15) he will be:

- required to retire every fifth year following his appointment as Founder President.
- included in the number of directors upon which the calculation for the purposes of Rule 3.3.11 is based.

Clause 16 of the Company's existing constitution already permits the Company's directors to appoint one of their body to the office of Managing Director for a fixed term not exceeding five years, with that Managing Director being exempt from retirement by rotation under Rule 3.3.11. As at the date of this Notice of Annual Meeting, no Managing Director has been appointed under this clause.

However, because the Rules only permit one director to be exempt from retirement by rotation at any one time, Michael Hill will become subject to retirement by rotation under Rule 3.3.11 if a Managing Director is subsequently appointed under clause 16 of the Company's constitution.

### *Proposed amendments to the Company's constitution*

It is proposed to insert the following clause (to be inserted as a new clause 17) in the Company's constitution giving effect to the terms set out above under the above heading 'Key features of the Founder President office':

#### **17 Founder President**

##### **17.1 Appointment of Founder President**

*Subject to the prior resolution of all Directors other than Richard Michael Hill ('Michael Hill'), the said Michael Hill may be appointed by the Directors as 'Founder President' of the Company.*

##### **17.2 Consequences of appointment of Founder President**

*The title 'Founder President':*

- Is personal to, and is only capable of being conferred on, Michael Hill in special recognition of his special connection with the Company and his very significant and outstanding contribution to the Company over a period of more than 35 years, and the public reputation he has acquired in that regard;*
- Confers no additional powers on Michael Hill;*
- Will cease on Michael Hill also ceasing to be a Director of the Company, or upon all other Directors passing a resolution that he shall cease to have the title.*

##### **17.3 Continued application of the Rules**

*Except as modified by the Rules, all of the provisions of the Rules, the Act, and the Constitution as to Directors shall continue to apply to Michael Hill for so long as he holds office as a Director of the Company.*

In addition, given the enactment of the Financial Markets Conduct Act 2013, the Company has taken the opportunity to update its constitution by replacing references to the Securities Act 1978 with references to the Financial Markets Conduct Act 2013.

The proposed amended form of constitution has been approved by NZX pursuant to Rules 6.1.1 and 6.1.2(c).

*Why is shareholder approval required?*

The special resolution to amend the Company's constitution is required by section 106(1)(a) of the Companies Act 1993.

The proposed amendments do not impose or remove a restriction on the Company's activities. Accordingly, shareholders who vote against Resolution 3 will not, if Resolution 3 is passed, have the right under section 110 of the Companies Act 1993 to require the Company to purchase their shares in accordance with section 111 of that Act.

*Director Recommendation*

The directors of the Company (excluding Michael Hill) consider the creation of a Founder President office is fitting recognition of Michael's special connection with the Company. Accordingly, they all recommend that shareholders vote to approve Resolution 3.