

## Notice of Annual Shareholders' Meeting

SLI Systems Limited (the *Company*)

### Notice

We hereby invite you to join us for the annual shareholders' meeting which will be held at Link Market Services, Level 11, Deloitte House, 80 Queen Street, Auckland on Friday, 7 December 2018 at 9.00am (NZT).

### Business

#### A CHAIR'S WELCOME AND OVERVIEW

#### B REPORTS FROM THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

Reports from the Chief Executive Officer and the Chief Financial Officer on the financial year ended 30 June 2018, including consideration of the financial statements of the Company for the year ended 30 June 2018, and the auditors' report (See Explanatory Note 1).

#### C ORDINARY RESOLUTIONS

The following resolutions will be voted on at the meeting as ordinary resolutions.

##### • Resolution 1 – Re-Election of Andrew Lark as a Director

That Andrew Lark, who retires by rotation in accordance with clause 25 of the Company's constitution and in accordance with NZX Main Board Listing Rule 3.3.11, and, who being eligible, offers himself for re-election as a director of the Company, be re-elected a director of the Company.

##### • Resolution 2 – Re-Election of Steven Marder as a Director

That Steven Marder, who retires by rotation in accordance with clause 25 of the Company's constitution and in accordance with NZX Main Board Listing Rule 3.3.11, and, who being eligible, offers himself for re-election as a director of the Company, be re-elected a director of the Company.

##### • Resolution 3 – Re-appointment and remuneration of Auditor

To record the reappointment of PricewaterhouseCoopers as the Company's auditor and to authorise the Directors to fix the remuneration of the auditor for the ensuing year.

##### • Resolution 4 – Issue of share options to employees under Share Option Plan

That for the purposes of Listing Rule 7.3.1(a) to approve the issue by the Board of up to 4,900,000 options to the Company's employees (including directors that are employees) to acquire ordinary shares in the Company in accordance with, and on the terms and conditions of, the existing SLI Systems Share Option Plan, provided that not more than 50% of the options issued pursuant to this resolution are issued to directors or their associated persons (each as defined in the Listing Rules).

##### • Resolution 5 – Amendment of Binding Protocol for SLI Systems Share Option Plan

To approve the amendment of the binding protocol in respect of the SLI Systems Share Option Plan by increasing the maximum number of options that may in the future be granted under the Plan in the ten year period commencing on 1 June 2013 from 9,283,155 options to 20,000,000 options.

Further information on each resolution set out above is contained in the Explanatory Notes.

#### D GENERAL BUSINESS

To consider such other business as may properly be raised at the meeting.

By order of the Board



**Greg Cross**  
Chairman  
November 2018

## Explanatory Notes

### Ordinary Business

#### Financial Statements

This item is intended to provide an opportunity for shareholders to raise questions on the financial statements and auditors' report.

#### Resolutions 1 and 2 - Re-election of Directors

Under the NZX Main Board Listing Rules and in accordance with the Company's constitution one-third of the Company's directors ("Directors") must retire by rotation at the annual shareholders' meeting. If the Directors are eligible they may offer themselves for re-election or election (as relevant) by shareholders at the meeting. Andrew Lark and Steven Marder have agreed to offer themselves for re-election. As at the date of this notice, Andrew Lark is an Independent Director and Steven Marder is a Non-Executive Director (Steven Marder is not an Independent Director for the purposes of the NZX Main Board Listing Rules).

Set out below are brief profiles of each candidate for re-election:

#### Andrew Lark

Independent Director

Andrew is an internationally renowned marketer and entrepreneur with 30-plus years of experience as a chief executive, marketing and digital officer. He has run multi-billion dollar e-commerce businesses, launched applications used by millions, and won accolades for his brand and business building. He has held senior executive roles at Xero, Commonwealth Bank of Australia, Dell, LogLogic, Sun Microsystems and Nortel Networks, and is a former Senior Vice President and Partner at Fleishman-Hillard. Today he chairs Group Lark, accelerating digital and marketing strategies for leading brands. He is a Non Executive Director of Mercury NZ. Andrew has received accolades for his contributions to New Zealand businesses including the Government's prestigious Worldclass New Zealander Award.

#### Steven Marder JD/BA

Non-Executive Director

Silicon Valley-based Steven Marder has over 25 years executive, advisory, and investment experience in the global technology, media and communications sectors. In addition to serving as a Co-Founder and Director at SLI, Steven currently serves as a Managing Director, Investment Banking & Capital Markets for global financial services firm BTIG, LLC. and on the Board of Directors for Next Minute Ltd. and Ingenious Ventures. Previously he served as an Operating Partner for the Technology, Media & Telco Group at merchant bank, Morgan Joseph TriArtisan. Prior, serving as an Operating Partner for New York-based private equity firm Avista Capital Partners, Steven served as Director for portfolio companies WideOpenWest (WOW!) and InvestorPlace Media in addition to serving as Director/co-founder of social search company Eurekster. Steven also co-founded and served as Managing Director, North America for Gramercy Venture Advisors, co-founded and served as Chairman/CEO of eMemberDirect, Inc. (FKA PetPlanet.com), served as a Director for New Zealand based technology company GlobalBrain and as a senior executive at major media companies EMI Music and Tribune Company (Compton's NewMedia). A graduate of St. John's School of Law, Columbia College/Columbia University and Horace Mann School, Steven is also an attorney and member of the State Bar of New York and California and an investment banker holding FINRA Series 79, 62 and 63 licenses.

#### Resolution 3 – Appointment and Remuneration of Auditor

If passed by shareholders, the proposed resolution will authorise the Directors to fix the remuneration of the Company's auditor for the ensuing year.

#### Resolution 4 - Issue of share options to employees under Share Option Plan

##### Overview

The Company has in place a share option plan adopted as of 1 June 2013 (the *Plan*) that governs the granting of options to employees of the Company (including directors that are employees) (together the *Employees*). Non-executive directors are not eligible to participate in the plan.

The purpose of the Plan is to attract, retain and reward Employees and to motivate Employees to contribute to the growth and profitability of the Company.

The Company has to date relied on Listing Rule 7.3.6 to issue options to Employees under the Plan. Listing Rule 7.3.6 limits the number of equity securities that can be issued to Employees under the Plan to 3% of the total number of shares on issue in the Company measured over a rolling 12 month period (plus the total number of shares issued by the Company during that rolling 12 month period under certain listing rules). Any issues of options exceeding 3% require shareholder approval by ordinary resolution.

To continue attracting, retaining and incentivising its Employees, particularly in the USA where the Company is competing with many other technology companies for talent, the Company wishes to be able to issue further options to its Employees under the Plan. This may result in the Company exceeding the 3% threshold under Listing Rule 7.3.6.

Accordingly, for the purposes of Listing Rule 7.3.1(a) the Company is seeking the approval, by way of ordinary resolution, from its shareholders to pass resolution 4. This resolution, if approved, would enable the Board to issue options to Employees, up to a cap of 4,900,000 options, to acquire ordinary shares in the Company pursuant to the existing SLI Systems Share Option Plan. Under Listing Rule 7.3.1(a) any issues of options pursuant to this resolution are required to be issued to Employees within 36 months of the passing of this resolution.

These 4,900,000 options are in addition to any options that can be issued to Employees under the Plan in reliance on Listing Rule 7.3.6.

No more than 50% of the 4,900,000 options will be granted to Directors or their Associated persons (as defined in the Listing Rules) as otherwise an Appraisal Report (as defined in the Listing Rules) will be required under Listing Rule 6.2.2. If the Board determines that options should be offered to Directors or their Associated persons which would exceed this 50% threshold, then options may be issued to Directors who are employees under Listing Rule 7.3.6, but only if the 3% threshold has not and will not be exceeded by the issue of such options.

#### **Terms of options**

Any options granted pursuant to this resolution 4 would be granted on the same terms and conditions as options previously issued under the Plan and would also be subject to the binding protocol in respect of the Plan that SLI adopted in October 2015 (see the Explanatory Note for resolution 5 below which discusses the binding protocol in more detail).

The key terms of options granted under the Plan (as restricted by the binding protocol) are as follows:

- The options become exercisable by the holder as follows:
  - ◊ ¼ of the options become exercisable on the one year anniversary of the grant date,
  - ◊ then an additional 1/36th of the remaining options become exercisable on each subsequent month, meaning that all options are fully exercisable on the fourth anniversary of the grant date.
- The final exercise date of the options is the first to occur of (i) the 10th anniversary of the grant date; or (ii) the last date for exercising the options following termination of the optionee's service; or (iii) a date determined by the Board of directors.
- The exercise price for any options granted under the Plan will be the last closing price of the Company's shares quoted on the NZX Main Board on the day of grant (or if that day is not a day on which the NZX is open for trading, the next such trading day).
- The maximum number of options that may be granted under the Plan in the ten year period is 9,283,155 options, subject to any shareholder approval by ordinary resolution. Please note that should this resolution be passed, the Company is seeking approval from shareholders in resolution 5 to increase this cap to 20,000,000.
- The Directors are able to amend the essential terms of the Plan, such as the vesting period and expiry terms, should special circumstances arise, such as the employment or retention of a senior employee.

A copy of the Plan and the binding protocol are available for review on SLI's website at <http://sli-systems.com/about/investors>.

#### **Dilution effect**

Passing this resolution would have the following dilution effects on the shareholdings of the Company's existing shareholders:

- if all of the 4,900,000 options are issued to Employees, and those options are exercised in full with 4,900,000 ordinary shares being issued to Employees, then the total number of ordinary shares on issue in the Company would be 67,160,816 (based on the current total number of ordinary shares in the Company being 62,260,816 as at 24 October 2018); and
- consequently the dilution effect on the Company's current shareholdings would be approximately 7% meaning the original shareholding would dilute to approximately 93%. For example a shareholder owning 10% of all the ordinary shares in the Company prior to the date of this resolution would own approximately 9.3% of the ordinary shares in the Company if all of the options issued under this resolution were exercised.

#### **Voting**

In accordance with Listing Rule 9.3.1 the Company will disregard any votes cast on resolution 4 by any employees of the Company (including Directors that are employees) and their associated persons (the "Disqualified Persons").

Associated persons is defined in Rule 1.8 of the Listing Rules.

However, pursuant to Listing Rule 9.3.3, the Company need not disregard a vote if it is cast by a Disqualified Person as proxy for a person who is entitled to vote, provided it is made in accordance with that person's express directions (i.e. instructions to vote for or against the resolution) on the Proxy Form. Where any Disqualified Person is proxy for a person who is entitled to vote, they will not be entitled to vote if the Proxy Form gives the proxy discretion as to how to vote (i.e. enables the proxy to vote as the proxy sees fit).

#### **Resolution 5 – Amendment of Binding Protocol for SLI Systems Share Option Plan**

In October 2015 SLI adopted a binding protocol in respect of the Plan restricting its power to grant further options under the Plan and formalising its practice for setting the exercise price of options granted under the Plan. The binding protocol limits the Board's power to grant further options under the Plan, at a maximum amount of 9,283,155 options (unless shareholder approval is obtained) (the *Cap*).

To enable the Company to attract, retain and incentivise its Employees (particularly in the USA) the Company wishes to increase the Cap to enable it to continue issuing options in the future under the Plan to Employees when it considers it desirable to do so.

Accordingly, the Company is seeking approval from its shareholders, by way of ordinary resolution, to increase the Cap on the binding protocol in respect of the Plan to 20,000,000 options.

## Procedural Notes

### Ordinary Resolution

An ordinary resolution is a resolution passed by a simple majority (i.e. over 50% of the votes of shareholders of the Company entitled to vote and voting). All resolutions set out in this notice of meeting are ordinary resolutions.

### Quorum

A quorum for a meeting of shareholders is three (3) or more shareholders having the right to vote being present at the meeting.

### Eligibility to vote

Any shareholder whose name was recorded in the Company's share register at 5:00pm on Wednesday, 5 December 2018 is entitled to attend the meeting and vote on the resolutions either in person or by proxy.

### Proxies

You may exercise your right to vote at the meeting either by being present in person or by appointing a proxy to attend and vote in your place. A proxy need not be a shareholder of the Company. You may appoint more than one proxy, provided more than one proxy is not appointed to exercise the rights attached to a particular share. An appointed proxy will have the right to vote as he/she thinks fit on any resolutions to amend any of the resolutions, or any resolution so amended, and on any other resolution proposed at the annual shareholders' meeting (or any adjournment thereof) so as to give effect to your intention.

A proxy form is enclosed with this notice. If you wish to vote by proxy you must complete the form and produce it to the Company or appoint your proxy online no later than 9:00am on Wednesday, 5 December 2018. Details of how to do this are as follows.

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<b>Online:</b>	To appoint your proxy online, please go to the Link Market Services website: <a href="https://investorcentre.linkmarketservices.co.nz/voting/SLI">https://investorcentre.linkmarketservices.co.nz/voting/SLI</a> You will be required to enter your CSN/Holder number and FIN to securely access the website, and then follow the prompts to appoint your proxy and exercise your vote.
<b>Mail:</b>	If mailing a Proxy Form please post to Link Market Services, PO Box 91976, Victoria Street West, Auckland 1142, New Zealand.
<b>Deliver:</b>	Link Market Services, Level 11, Deloitte House, 80 Queen Street, Auckland, New Zealand.
<b>Fax:</b>	+ 64 9 375 5990
<b>Scan &amp; email:</b>	<a href="mailto:meetings@linkmarketservices.co.nz">meetings@linkmarketservices.co.nz</a> (please put the words "SLI Proxy Form" in the subject line for easy identification)

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As an alternative to a proxy, a shareholder may appoint an authorised representative to attend the meeting.

The Chairman and the Directors intend to vote all discretionary proxies in favour of each resolution. However, where the Chairman or any Director is a Disqualified person and is appointed as a proxy for a person who is entitled to vote, they will not be entitled to vote if the Proxy Form gives the proxy discretion as to how to vote (i.e. enables the proxy to vote as the proxy sees fit).

While NZX has reviewed and approved this notice under Listing Rule 6.1.1 of the Listing Rules, NZX accepts no responsibility for any statements in this notice.