



DISTILLED SPIRITS AOTEAROA (NZ) INCORPORATED

Special General Meeting Minutes

Date: 27 February 2024

Time: 9.30am

Venue: Zoom

1. **Welcome:** Richard Wilson welcomed all those in attendance to the SGM to specially discuss the ratification of the proposed Constitution and By-laws.
2. **Apologies:**
 - Enceladus Distilling Company (Proxy vote submitted)
 - Dr Beak
 - The Spirits Workshop (Proxy vote submitted)
3. **Quorum:**

(A quorum is 4 members of the Committee, or if due to resignation or termination of membership there exist 3 or less Committee members, the existing committee members and 5 other members.)

 - A quorum has been reached.
 - See list of attendees as end of document
4. **Discussion:**

The purpose of this SGM is to introduce, discuss and vote on the adoption of a new Constitution and By-Laws for DSA. This significant change has been prioritised to ensure that DSA complies with the amended Incorporated Societies Act 2022, acknowledge that DSA is changing and growing and that the proposed changes will support this and finally, the changes update the current constitution which was not fully fit-for purpose.

The proposed constitution was developed using the MBIE Constitution Builder and now includes the following which are required to be included in the Constitution:

- At least one contact person (no more than 3)
- Registered office address
- Email address for communications
- The Governing body of at least three people
- A Governing body with more elected members than co-opted or non-members
- New members consent to being a member of your society
- How a member ceases to be a member of your society
- Have 10 members
- Balance Date (and....
 - 6 months of each balance date your society must
 - prepare its annual financial statements.
 - hold its Annual General Meeting (AGM)
 - present its financial statements at the AGM, and
 - file an annual return with us, along with its annual financial statements.
- Constitution that complies with the 2022 Act

The terms around the compilation of the Board members, mainly:

- Minimum of 4 and maximum of 9 Board members
- The term of a Board member is 2 years with the ability to be voted back on or off by the membership.
- Only 2 non-voting members (associate members) may volunteer on the Board
- That the Chair, Secretary & Treasurer are voted by the Board at the first meeting after the AGM.

Alongside the Constitution is the introduction of the proposed By-Laws – these would replace the current DSA rules.

A reminder that the Constitution is DSA's agreement with the Government via the Incorporated Societies Act. It includes such things as our legal responsibilities, clarity and purpose, governance structure, membership rights and responsibilities, conflict resolution, financial management and amendment procedure.

The By-laws, on the other hand, are supplemental rules that provide more detailed information on specific operational aspects not covered in the constitution. They often deal with day-to-day matters and can be more easily amended than the constitution. It is the Board's agreement with and between the members.

There are significant changes in these as well. These By-laws are a culmination of the current DSA rules and items that are either important additions for the association or are items that don't have to be included in the constitution but should be mentioned somewhere in the associations 'rules'.

The two most significant changes are the inclusion of a dispute's resolution process and changes to the membership structure and fees. The structural changes are proposed to make it fairer between the smaller and larger distilleries, whereas the proposed fee changes are the most significant and so I would like to speak about the reasoning behind these.

These changes to the cost structure will enable DSA to move forward on several strategic projects that have been identified in the three-year plan. The most important of these are to investigate and retain a part time CE to assist predominantly with advocacy, funding and promoting the DSA into the future. The employment of a qualified CE does not come cheaply, but the proposed benefits will be immense.

The Board have identified that a CE would bring expertise and experience in organisational management & leadership, will have the time to commit to the association's strategic direction and projects, whereas the Board and volunteers have limited time. Additionally, they will minimise risk management and compliance through governance on best practices and ethical standards to maintain DSA's integrity and reputation. And finally, a CE can bring all their skills and knowledge in strategic planning and execution of identified projects.

The current important advocacy projects identified are ones around Excise costs and the perceived harm of alcohol and spirits. A risk has been identified of large excise increases, within New Zealand and this will impact all New Zealand Distillers. Additionally, one underlying cause of excise rates being driven up is the national discussion on the harm caused by alcohol and so along with a focus on Excise, Health is the one critical discussion DSA must join and equip our members to join. Additional advocacy and projects around Spirit normalisation, Industry standards, press exposure, public submissions, education and learning, membership benefits all form part of the strategic direction that the Board is moving in.

But this giant step forward for DSA is not a cheap exercise and will not occur immediately as the funds must be raised first prior to the confirmation of additional staff. The fee increase is just one of the funding methods that have been identified to support future projects and the retention of a CE. Other support may come from the conference, negotiations with suppliers etc. In the meantime, the Board is dedicated to working on the future of DSA via the strategic initiatives and projects. If you would like to assist the Board by joining a Board Committee, please let Lynda Booth (administrator) know.

5. Questions and Answers:

Pre-submitted Questions

Q. A Commercial Member will be categorised into one of three levels based on the litres of Alcohol (LALs) sold in their brands

o Small – 0 – 2,000 LAL's

o Medium – 2,001– 20,000 LAL's

o Large – greater than 20,000 LAL's

A. This helps bring our association in line with similar industry bodies (Australian Distillers Ass, American Craft Distillers Ass, Scotch Whisky Ass) by proportioning the fees alongside scale, this allows the association to raise the required funds to grow and meet strategic goals while ensuring smaller distilleries are not disadvantaged, and larger distilleries carry more of the financial cost.

This is the stock sold – including exports in a calendar year and does not penalise anyone for stock stored.

Q. How will this be measured – i.e. will it be the previous year's volumes? Will it be a Financial year or calendar year...

A. This will be measured on a calendar year bases Jan – Dec. The DSA will reach out end of Jan / Early Feb to obtain updated info.

Q. How will you collect this information from the distillers, in time to send out the invoices early April?

A. TBC – Mailchimp, email, 365 form etc

Q. What happens if they don't reply, will you guess what they are and they can dispute it if it's incorrect?

A. If a distillery chooses not to reply they will be contacted 3 times by email & 1 by phone if they choose not to supply information their membership will be charged at the next higher level.

Q. Should there be a specific note in the Register of Members to say you will collect their previous year's LAL and any other spirits information data which may be useful to the running of the society, and which will be kept private?

A. The information collected will be kept private and not released on a per distillery basis. The information will be used to help lobby (knowing the state of the industry will help with lobbying), and broken down into regions, where less than 3 distilleries are located in a region it will not be released by region.

Q. We have certainly collected info on their brands and what they make, number of staff etc, when they fill in the Membership Application form

A. Would make this part of yearly data but not mandatory

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Questions from the floor

Q. Will the data collection questions be sent out for consultation?

A. Making sure the questions aren't onerous and that the questions are targeted to the project underway will be paramount. As specific future projects haven't been identified, the dataset haven't been developed

Q. (Nate) There is assumption that businesses with larger LAL's can afford a larger membership fee. This is a significant increase in fee. IS there consideration that there will be a loss of membership? What benefit are we getting from DSA?

A. The advantages to successful lobbying with impact the larger organisations more and the consideration discussion around the fee increases was an option between increases every year for the foreseeable future or increasing on one go to make more of an immediate impact. When other professional body fees were looked into, the proposed DSA's fee was fair and reasonable.

Q. (Nate) What is the proposed income from the proposed fees and what is the current balance of the bank account? What sum of money is needed for the future?

A. Balance in bank account is approx. \$50K. Basic modelling was completed on the proposed fees, including a wash for membership cancellations -

The modelling shows around \$70.00K annually however this is based on the level of LAL's. The immediate expenditure is not expected to change significantly as the plan is to boost the bank account to fund future projects. As an example of future costs – a 0.5FTE CE will be approximately \$100K.

This fee increase would not cover all future anticipated costs e.g. the salary of a CE and the association would need to look for additional streams of income such as the conference, sponsorship and member benefits.

Q. What are the current income streams?

A. At the moment advertising is the only other funding stream, though are looking towards streams through member benefits and the conference.

Member benefits (the value of membership). The board is currently in discussion with a range of suppliers to provide savings to our members. Additionally a discussion is underway with the Restaurant Association to see if there is anywhere that we can provide support and assistance to our members.

Q. (Sue James) Any progress with the discussion with Spirits NZ on their support for a DSA CE?

A. This was presented to Spirits NZ late 2023 and their response to our request was not this year, The suggested DSA needed to find their own funding in the first instance and then they may consider assisting in the future. They have not discounted supporting DSA in the future.

DSA has to show that they are willing to stand up and take the steps necessary to move forward before being given the support by Spirits NZ – otherwise they could be funding an organisation that is wasting money. DSA must show that we are professional, organised and dedicated.

Q. Has there been consideration about the fees for the Associate membership.

A. Yes this has been taken into account when the fee structure was developed. An individual is \$250.00+ and the Corporate is \$500.00+. We recognise that there are two main groups – the smaller consultant or individual and the larger corporate organisation who we believe may have greater spending power. We also recognise that they have limitations on voting at the AGM/SGM, but are able to volunteer for the Board.

(Tash) For comment - that Associate members can leverage their membership is a generous viewpoint. There is room to be more thoughtful/and prescriptive around what are the true benefits for Associate members. Currently the membership is more of a support for the association and the industry it represents – as donation, as there have been no tangible/direct benefits recognised. There is also an additional cost to services e.g. advertising. Need to be clear on the benefits of membership and how these are communicated.

Q. (Jenny): A question on the membership categories – how can you differentiate between a corporate and/or individual Commercial member.

A. Membership can either be by an organisation and have staff listed under as contacts or you can have a membership of an individual. Either scenario will be required to confirm the number of LAL's sold each calendar year. If there are more than 1 individual membership from an organisation, there will only be 1 vote available at the SGM/AGM for each organisation.

Description of the description of commercial membership to be updated in the By-Laws.

Amendment to constitution: A distillery may have only 1 vote at a SGM/AGM no matter how many commercial members (individual or corporate) they have.

Q. (Sarah Bonoma) If the changes are approved, when are the expected strategies expected to be in place?

A. The appointment of the CE won't happen immediately. There are a couple of things that need to occur prior to this. The first is to build the funds that DSA hold in the bank and to ensure there are appropriate funds available for a CE, without stripping the bank account entirely. The time it will take to build this will also allow time to further develop other funding streams. Secondly, this will allow more funding for operation expenses such as the administrator. The costs associated with operations is very important due to the Board being volunteers (and having limited time to help with the strategic direction) the administration of the continues to be required to build better relationships.

Comment: (Angela Davis) recently joined the Board and would like to echo the conversation around the large amount of time required for any great initiative takes to visualise, develop and operationalise. The operational team is vital to this development and the future plan for a CE to support DSA will see many more benefits at a quicker pace.

Q. (Tash McGill) What is the provision over the coming years for the hiring of the CE – managing transition, stability, succession and a strong adherence to the strategic plan that would allow for changes in Board positions, consistency in the current direction of the DSA to support role through hiring to establishment.

A. Currently there is no hard plan for when this will occur, hopefully within 24 months This will give time to plan and develop a pathway and also confirm the succession planning for the Board. One of the current changes to the constitution goes some way to assisting with this goal by ensure that not all Board members can be voted off all at the same time (currently all Board members have a single year term).

Q. (Tash McGill) With the changes to the Associate membership fee changes, does this nullify the risk by having the associate members not being able to participate – also recognising that the proposed changes will allow Associate members to volunteer on the Board, but are still unable to vote. Associate members are now being able to participate more fully.

A. We recognise that DSA is a young association and there is a need for a range of skills sets to help us grow. Associate members will help with the diversity on the Board via knowledge and skills. Re voting, at its heart, DSA is an association for craft distillers and so the voice of the association should be by the craft distillers, rather than the overall industry.

Q. (Tash McGill) Anyone who is a producer of the brand, but is providing that product through contract distilling would not be able to vote?

A. This is a challenge as NZ does not stipulate the difference between craft brewer and producer/brand owner. When the DSA was setup the distinction was around the brand and that is how we have moved forward.

Q: (Dave James) If the fee increase is accepted, is there an opportunity to pay in instalments?

A. One of the things we recognise is that the industry is going through a challenging period at this time. Though invoice are for one amount, if a member reaches our instalment payments could be agreed upon which would be fair and reasonable.

Q. (Jo James) One of the things I really liked about DSA and the work that we've done together is building this sense of community across our distillers in the North and South islands. Unfortunately, members may drop out who are commercially challenged, who are deeply cynical or just wish to ride the DSA coattails and who will reap the benefits of what DSA is achieving and as a result this could create a rift as there are distilleries who are prepared to accept that bigger price to have a strong lead. Just wondering how we're going to manage that kind of feeling or attitude?

A. This is something we are really conscious of and are working towards, however it is not a easy task, not will it ever end. A two-pronged approach is required. We all have the responsibility as members of making the association a success – an association run by members for members. It is all our responsibility to chat to new and existing distilleries about the merits of the association. Additionally, we all have a role in advocating for the industry – an individual distillery could not achieve as much as a collective of voices. As members, the more we can advocate for ourselves including those that are not members, the better. Hopefully through our communications and our conversations with our Members and external parties,

we're able to portray this. Unfortunately, if the industry decides that this is not what they want, they all this will stop.

Q. (Sue James) With the new membership fee pricing structure, if this is voted in, would it be possible to provide the strategy overlaid with the budget. Just to make it clear to the membership where the money is being spent. This should satisfy members worries about the purpose of the fees.

A. Yes, no problem at all. This information will be available in the member portal.

6. DSA Constitution 2024

Distributed with SGM notice and taken as read.

- **Proposed resolution:** Acceptance of DSA Constitution 2024
- **Moved by:** Richard Wilson
- **Seconded by:** Soren Crabb
- **Decision:** All in favour, 2 abstains, none against

7. DSA By-Laws 2024

Distributed with AGM notice and taken as read.

- **Proposed resolution:** Acceptance of DSA By- Laws 2024
- **Moved by:** Richard Wilson
- **Seconded by:** Angela Davies
- **Decision:** All in favour, no abstains, none against

8. SGM Close – 11.08am

Attendance List

First Name	Surname	Organisation	Membership	Vote
Soren	Crabb	1919 Distilling Limited	Full	
Scott	Forsythe	5 Mile Distilling	Full	1
Dave	James	Juno	Full	1
Sue	James	Juno	Full	0
Henry	Caulton	Cardrona	Full	1
Tim	Davis	Distil NZ/ Glorious Lands	Full	0
Angela	Davis	Distil NZ/ Glorious Lands	Full	1
Julien	D	Dancing Sands	Full	1
Sarah	Bonoma	Dancing Sands	Full	0
Jenny	MacDonald	Dunedin Craft Brewery	Full	1
Tom	Finn	Herrick Creek Ltd	Full	1
Conrad	Morley	Kākāpō Distillery Limited.	Full	1
Matt	Bridge	Lunatic & Lover Ltd	Full	1
Peter	Hall	Lyttelton Distillery Company Ltd	Full	1
Julien	Delavoie	Mutts Nuts LTD/No.8 Distillery	Full	1
Cristian	Hossack	National Distillers	Full	1
Blair	Nicoll	National Distillers	Full	0
Richard	Wilson	Sandymount Distillery	Full	1
Anthony	Michalik	The Spirits Workshop Distillery	Full	1
Adrian		Papaiti Gin	Full	1
Nikki		Papaiti Gin	Full	0
Rachel	Thomson	Thomson Whisky New Zealand Ltd	Full	1
Liz	Scott	Waiheke Distilling Co	Full	1
Amanda	Nally	WRITE ANSWERS LTD	Pre-Comm	0
		Lady H	Full	1
David	Hawke	Parched	Assoc	0
Tash	McGill		Assoc	0
Proxy Vote Received				
		Enceladus Distilling Company Limited	Full	1
		The Spirits Workshop Distillery	Full	1