



Dairy for life

Fonterra Annual Meeting 2021

Notice of Annual Meeting of Shareholders and Explanatory Notes

10.30am on Thursday, 9 December 2021
ILT Stadium Southland
Surrey Park Sports Centre
18 Surrey Park Road
Invercargill



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Fonterra Co-operative Group Limited Annual Meeting for 2021

Fonterra's Annual Meeting will be held as a hybrid meeting so that Shareholders may either attend at the ILT Stadium Southland, Surrey Park Sports Centre, 18 Surrey Park Road, Invercargill at **10.30am on Thursday, 9 December 2021** or virtually using the instructions set out below under the heading 'Virtual Meeting'.

COVID-19 Implications

Fonterra intends to hold this Annual Meeting as a hybrid meeting so that Shareholders can attend either:

- in person at the ILT Stadium Southland, Surrey Park Sports Centre, 18 Surrey Park Road, Invercargill; or
- virtually, using the instructions set out below under the heading 'Virtual Meeting'.

However, due to the current uncertainty relating to the COVID-19 pandemic, Fonterra may elect to hold this Annual Meeting as an online only meeting, depending on the COVID-19 restrictions that are in place for Thursday, 9 December 2021. Fonterra will provide Shareholders with as much notice as is reasonably practicable, by way of an announcement to the NZX and an email to Shareholders, if the meeting is to be held as an online only meeting.

This Annual Meeting will follow the Ministry of Health COVID-19 guidelines. This means that everyone attending the meeting in person will need to comply with the current government requirements in relation to the hosting of meetings. These are presently to scan in using the COVID-19 tracer app and to follow all requirements around wearing face coverings and social distancing. If you are feeling unwell or have been to any COVID-19 locations of interest, we strongly recommend you join the meeting virtually.

Virtual Meeting

To attend the meeting and participate online use the following link to the virtual meeting platform:
<https://edge.media-server.com/mmc/go/Fonterra-Meeting>

Shareholders attending and participating in the meeting virtually via the online platform will be able to watch the Annual Meeting, vote and ask questions during the meeting. Shareholders participating online will be required to enter their name, contact number and supply number(s) for verification purposes.

More information regarding virtual attendance at the meeting (including how to vote and ask questions virtually during the meeting) is available here:
www.fonterra.com/online-meeting-guide

Annual Meeting Documents

Each Shareholder has been sent:

- This Notice of Meeting booklet, which includes:
 - Letter from the Chairman
 - Notice of Meeting (including the text of the matters to be voted on by Shareholders) (Part One)
 - Explanatory Notes regarding each of the matters to be voted on by Shareholders (Part Two)
 - Governance and Representation Review related Amendments to the Co-operative Council By-laws (Part Three)
 - 2020 Review of Council related Amendments to the Constitution and Explanatory Notes (Part Four)
- A Fonterra Board of Directors Election Voting Paper
- A Fonterra Board of Directors Candidate booklet
- A Fonterra Co-operative Council Voting Paper (for Shareholders in Wards 10, 13 and 19 only)
- A Fonterra Co-operative Council Candidate booklet (for Shareholders in Wards 10, 13 and 19 only)
- A Fonterra Directors' Remuneration Committee Voting Paper
- A Fonterra Directors' Remuneration Committee Candidate booklet
- A combined Annual Meeting Voting Paper/Proxy Form. Use this Voting Paper/Proxy Form:
 - To vote online or by post by 1pm on Tuesday, 7 December 2021.
 - If you are attending the Annual Meeting to vote in person.
 - If you are unable to attend the Annual Meeting, and you do not wish to vote online or by post, you can appoint a proxy to attend and vote on your behalf by completing the Proxy Form and returning it to the address specified on the freepost envelope included in the voting pack or otherwise set out on the form, so that the Returning Officer receives it no later than **10.30am on Tuesday, 7 December 2021**.
 - If you are a company or other body corporate, you can appoint a representative to attend and vote on your behalf by completing the Proxy Form.

Further instructions are on the back of the Annual Meeting Voting Paper/Proxy Form and on page 2 of this Notice of Meeting.

Voting

Shareholders can vote on the matters to be considered at the Annual Meeting **online** or by **post**. The instructions on how to vote in this manner can be found on the Annual Meeting Voting Paper/Proxy Form.

electionz.com Limited has been authorised by the Board to receive, at the address specified on the freepost envelope included in the voting pack or otherwise set out on the Voting Paper, and count, all **online** and **postal votes**.

For the Annual Meeting Shareholders can also vote by attending the meeting in person or virtually, or by appointing a proxy or representative (who can attend the meeting in person or online to vote on their behalf).

All online and postal votes must be received by the Returning Officer by **1.00pm on Tuesday, 7 December 2021**.

Voting Entitlements

A Shareholder's voting entitlement is based on their milksolids production. Shareholders will receive one vote for every 1,000 kilograms of milksolids supplied to Fonterra during the season ended **31 May 2021**.

If a Shareholder did not supply last season but now owns an existing farm that supplied last season, the voting entitlement will be based on that farm's supply last season or on the Board's estimate of milksolids production for this season. In the case of a dry farm conversion and farm amalgamations/ divisions, voting entitlement is based on one vote for every estimated 1,000 kilograms of milksolids to be supplied during the season ended 31 May 2022. Milk supplied on Contract Supply and milk which is not backed by shares or counting vouchers is excluded from milksolids production when calculating voting entitlements.

In accordance with the Companies Act 1993, the Board has fixed **5.00pm on 11 November 2021** as the date for determining voting entitlements of Shareholders for this meeting.

Accordingly, those persons who are, at **5.00pm on 11 November 2021**, registered as Shareholders will be entitled to vote at the Annual Meeting in respect of the shares registered in their name on that date backed by production.

A Shareholder's voting entitlement for a farm is shown on the Voting Paper enclosed for that farm with this pack. If a Shareholder appoints a proxy or representative, the proxy or representative will exercise that Shareholder's voting entitlement as described above.

Proxies or Representatives

Instructions to appoint a proxy or representative are outlined in this Notice of Meeting and the Combined Annual Meeting Voting/Proxy Paper. The Returning Officer will contact each proxy or representative ahead of the Annual Meeting to provide them with the necessary information required to enable them to participate in and vote during the Annual Meeting.

You may appoint the Chairman of the meeting or any director, or any other person, as your proxy (a proxy need not be a Shareholder). Where a Shareholder does not name a person as their proxy but otherwise completes the proxy form in full, or where a Shareholder's named proxy does not attend the meeting, the Chairman of the meeting will act as that Shareholder's proxy and will vote in accordance with that Shareholder's express direction.

The Chairman intends to vote any discretionary proxies, for which they have authority to vote, in favour of the resolutions.

All proxy or representative appointments must be received by the Returning Officer by **10.30am on Tuesday, 7 December 2021**.

Questions

Shareholders will be able to ask questions in person or, for those attending online, via the online platform during the Annual Meeting. We encourage Shareholders to submit questions as early as possible to ensure that as many questions as possible are received and addressed at the appropriate time during the meeting.

Votes Required and Quorum

The ordinary resolutions will be passed if they are approved by a simple majority of the votes of those Shareholders entitled to vote and voting on the resolutions.

The special resolutions will be passed if they are approved by a majority of 75% or more of the votes of those Shareholders entitled to vote and voting on the resolutions.

The quorum for the meeting is present if not fewer than 50 Shareholders have cast postal votes (including by electronic means) or are present in person or by a representative, who between them hold or represent the holder or holders of not less than two per cent of the voting rights entitled to be exercised on the resolutions to be considered at the meeting.

There are no voting restrictions on the resolutions to be considered at the meeting.

Results of Voting

The results of voting at the Annual Meeting will be posted on NZX, the Farm Source website and our My Co-op app as soon as vote counting is complete and the Chairman has declared the results.

Meeting Attendees

The Annual Meeting is held for the benefit of Shareholders and their authorised proxies and representatives. Fonterra management will also be in attendance, as well as the auditors and invited members of the media.

Chairman's Letter

Dear farmers,

Our 2021 Annual Meeting will be held at the ILT Stadium Southland, Surrey Park Sports Centre, 18 Surrey Park Road, Invercargill on Thursday 9 December 2021. Due to the current COVID-19 restrictions, this meeting will be held as a hybrid meeting and Shareholders will be able to attend the meeting online.

At this year's meeting Miles and I will review the Co-operative's performance and direction, including our long-term strategy to 2030 which we announced in September. Shareholders are also being asked to vote on six ordinary business resolutions to:

1. approve the remuneration of Shareholder Elected Directors;
2. approve the remuneration of Co-operative Councillors;
3. approve the remuneration of the Directors' Remuneration Committee members;
4. approve the appointment of the Auditor;
5. ratify the appointment of an Appointed Director, Mr Clinton Dines; and
6. approve the Co-operative Council programme and budget.

Each of these ordinary resolutions require more than 50 per cent votes cast in favour on it to be passed.

There are also three special resolutions which Shareholders will be asked to vote on, to:

1. approve Milk Price Panel related amendments to the Constitution;
2. approve Governance and Representation Review related amendments to the Constitution and the Co-operative Council By-laws; and
3. approve 2020 Council Review related amendments to the Constitution and Co-operative Council By-laws.

Each of these special resolutions require at least 75 per cent votes cast in favour on them to be passed.

Immediately following the conclusion of the Annual Meeting, we will begin the Special Meeting to consider changes to our Capital Structure. A separate booklet containing the Notice of Special Meeting is also enclosed. It includes an overview of the recommended changes and details of the associated special resolution that Shareholders are being asked to vote on at the Special Meeting.

If you can't attend the Annual Meeting or Special Meeting in person or online, you can cast your vote online, by post, or by way of proxy. Further instructions on how to vote by all of these methods can be found on the respective voting papers in your voting pack.

I look forward to seeing as many of you as possible in Invercargill and online.



Peter McBride
Chairman

Fonterra Co-operative Group Limited

Annual Meeting Agenda

Below is the proposed programme for the Annual Meeting. Shareholders should note that the order may change at the discretion of the Chairman. Shareholders should allow sufficient time to register their attendance upon arrival, or to login to the virtual meeting platform, prior to the start of the meeting.

| |
|--|
| 10.00am - Registration |
| 10.30am - Welcome Welcome / Introduction – Peter McBride, Chairman of the Board |
| Annual Meeting Proceedings Chairman's Review Chief Executive Officer's Presentation |
| Approval of Remuneration of Directors, Co-operative Councillors and Directors' Remuneration Committee Members Directors' Remuneration Committee Review – Glenn Holmes, Chair of the Directors' Remuneration Committee Resolution 1: Approval of remuneration of Shareholder Elected Directors Resolution 2: Approval of remuneration of Co-operative Councillors Resolution 3: Approval of remuneration of Members of Directors' Remuneration Committee |
| Appointment of Auditor Resolution 4: Appointment of KPMG as auditor and authorisation of the Directors to fix the auditor's remuneration |
| Ratification of Appointment of Director Resolution 5: Ratification of appointment of Clinton Dines |
| Approval of Milk Price Panel related Amendments to the Constitution Resolution 6: Approval of Milk Price Panel related amendments to the Constitution |
| Approval of Governance and Representation Review related Amendments to the Constitution and the Co-operative Council By-laws Resolution 7: Approval of Governance and Representation Review related amendments to the Constitution and the Co-operative Council By-laws |
| Approval of 2020 Review of Council related Amendments to the Constitution and the Co-operative Council By-laws Resolution 8: Approval of 2020 Review of Council related amendments to the Constitution and the Co-operative Council By-laws |
| Co-operative Council Report Chairman's Review – James Barron Approval of Co-operative Council Programme and Budget Resolution 9: Approval of the Co-operative Council programme and budget |
| Voting Paper Collection |
| General Business |
| 1.00pm - Closing (approximately) |

Notice of Annual Meeting of Shareholders of Fonterra Co-operative Group Limited

Notice is given that the Annual Meeting of the Shareholders of Fonterra Co-operative Group Limited (“Company”) will be held on **Thursday, 9 December 2021** at the ILT Stadium Southland, Surrey Park Sports Centre, 18 Surrey Park Road, Invercargill. Shareholders can also attend the meeting virtually using the instructions set out under the heading ‘Virtual Meeting’.

Peter McBride

Chairman, on behalf of the Board

Notice of Meeting dated 16 November 2021

Business

Welcome/Introduction

Annual Meeting Proceedings

Chairman’s Review

Chief Executive Officer’s Presentation

Remuneration of Directors, Co-operative Councillors and Directors’ Remuneration Committee Members

Directors’ Remuneration Committee Review

Resolution 1: Approval of remuneration of Shareholder Elected Directors

To consider the remuneration of Shareholder Elected Directors recommended by the Directors’ Remuneration Committee and, if thought fit, to resolve:

“To approve the remuneration of Shareholder Elected Directors, as recommended by the Directors’ Remuneration Committee.”

Resolution 2: Approval of remuneration of Co-operative Councillors

To consider the remuneration of Co-operative Councillors recommended by the Directors’ Remuneration Committee and, if thought fit, to resolve:

“To approve the remuneration of Co-operative Councillors, as recommended by the Directors’ Remuneration Committee.”

Resolution 3: Approval of remuneration of members of the Directors’ Remuneration Committee

To consider the remuneration of members of the Directors’ Remuneration Committee recommended by the Board and, if thought fit, to resolve:

“To approve the remuneration of members of the Directors’ Remuneration Committee, as recommended by the Board.”

Appointment of Auditor

Resolution 4: Appointment of KPMG as auditor and authorisation of the Directors to fix the auditor’s remuneration

To consider the appointment of KPMG as auditor of the Company and authorisation of the Directors to fix the auditor’s remuneration and, if thought fit, to resolve:

“To appoint KPMG as auditor of the Company until the conclusion of the Company’s next Annual Meeting and authorise the Directors to fix the auditor’s remuneration.”

Ratification of Appointment of Director

Resolution 5: Ratification of appointment of Mr Clinton Dines

To consider and, if thought fit, to resolve:

“To ratify the appointment by the Board of Mr Clinton Dines as a Director of the Company, under clause 12.4 of the Constitution.”

Approval of Milk Price Panel related Amendments to the Constitution

Resolution 6: Approval of Milk Price Panel related amendments to the Constitution

To consider and, if thought fit, to resolve as a special resolution which, if passed, will be effective on and from the date that the corresponding amendments have been made to the Fonterra Shareholders’ Market Rules:

“To approve the proposed amendments to the Constitution of the Company, as set out in the section headed ‘Resolution 6’ of Part Two of the Notice of Meeting.”

Approval of Governance and Representation Review related Amendments to the Constitution and the Co-operative Council By-laws

Resolution 7: Approval of Governance and Representation Review related amendments to the Constitution and the Co-operative Council By-laws

To consider and, if thought fit, to resolve as a special resolution:

“To approve:

- (a) the proposed amendments to the Constitution of the Company, as set out in the section headed ‘Resolution 7’ of Part Two of the Notice of Meeting; and*
- (b) the proposed amendments to the By-laws of the Co-operative Council, as set out in Part Three of the Notice of Meeting.”*

Approval of 2020 Review of Council related Amendments to the Constitution and the Co-operative Council By-laws

Resolution 8: Approval of 2020 Review of Council related amendments to the Constitution and the Co-operative Council By-laws

To consider and, if thought fit, to resolve as a special resolution:

“To approve:

- (a) the proposed amendments to the Constitution of the Company, as set out in Part Four of the Notice of Meeting; and*
- (b) the proposed amendments to the By-laws of the Co-operative Council, as set out the section headed ‘Resolution 8’ of Part Two of the Notice of Meeting.”*

Co-operative Council Report

Chairman’s Review

Approval of Co-operative Council Programme and Budget

Resolution 9: Approval of Co-operative Council programme and budget

To receive and discuss the Co-operative Council report (including the Milk Commissioner’s report) for 2020/21 (contained in the Co-operative Council’s 2021 Annual Report to Shareholders) and the Co-operative Council’s programme and budget for the current financial year and, if thought fit, to resolve:

“To approve the Fonterra Co-operative Council’s programme and budget for the financial year ending 31 July 2022.”

Explanatory Notes to Notice of Annual Meeting

Welcome

The Chairman will welcome Shareholders.

Annual Meeting Proceedings

Remuneration of Directors, Co-operative Councillors and Directors' Remuneration Committee Members

Resolution 1: Approval of remuneration of Shareholder Elected Directors

In accordance with clause 34.1 of the Company's Constitution, the Directors' Remuneration Committee ("Committee") met in July 2021 to consider, and recommend to Shareholders, the form and amount of the Shareholder Elected Directors' remuneration. The Committee comprises six elected Shareholders and is chaired by Mr Glenn Holmes.

In 2017 the Committee noted that market data showed that remuneration levels for Directors had increased significantly since the Fonterra Directors' remuneration was last increased in 2013, and recommended an increase to the remuneration level for Directors. The Committee also recommended that a discretionary pool of \$75,000 be available for remunerating Directors for additional workload, to be allocated at the discretion of the Appointments and Remuneration Committee of the Board and the Chairman of the Board.

In 2018 and 2019 the Committee considered workload expectations and market trends and recommended no change to Director remuneration. In 2019 the Committee noted that the discretionary pool of fees put in place in 2017 had been used for the first time to remunerate a Director \$25,000 for additional workload.

In 2020 the Committee recommended no change to Director remuneration due to the significant economic uncertainty as a result of the COVID-19 pandemic. The Committee noted that the \$75,000 discretionary pool of fees had been utilised for the second time, and recommended removal of the limit of \$25,000 per Director.

In 2021 the Committee reviewed remuneration practices in New Zealand and Australia. The Committee noted that Director remuneration had not been increased since 2017. The Committee considered whether current remuneration levels were appropriate, given the substantial Director workload, to ensure highly skilled directors were attracted and retained on the Board.

The Committee noted that a number of companies paid different fee amounts to the Chairs of Board Committees, to remunerate for differing workload expectations, and also remunerated Directors for membership of Board Committees. The Committee acknowledged that workloads varied between

the Board Committees. They also observed that Directors' workloads were often also increased by other activities such as stakeholder engagement, noting the current example of the Capital Structure consultation. The Committee noted the challenge in determining Director workload, given the varying activities undertaken by Appointed Directors and Shareholder Elected Directors, and Directors based in New Zealand versus those based offshore.

The Committee discussed the discretionary fund and considered whether an increase would be appropriate. The Committee determined that an increase in the discretionary fund was preferable to the implementation of Committee membership fees, as the fund allowed the Appointments and Remuneration Committee of the Board and the Chairman of the Board the flexibility to remunerate Directors based on their particular duties, workload and responsibilities.

Given that the last increase to Director remuneration had been in 2017, the need to attract and retain high quality governors and the substantial Director workload, the Committee determined that a larger one off adjustment was appropriate. The Committee noted that smaller annual incremental increases in remuneration would be the Committee's recommended approach going forward, subject to unique events such as those that had been experienced by Fonterra in the preceding years.

The Committee's recommendation to Shareholders in relation to the remuneration of Shareholder Elected Directors is:

That the remuneration for the Shareholder Elected Directors be approved at the following amounts from the date of this Annual Meeting:

- Chairman **\$455,000** p.a. (increase of \$25,000)
- Director **\$185,000** p.a. (increase of \$10,000)

In addition, at the discretion of the Appointments and Remuneration Committee of the Board and the Chairman of the Board, the Chair of each permanent Board Committee may be paid an additional **\$35,000** p.a., unless that person is the Chairman of the Board or already in receipt of a Committee Chair allowance (no change).

- Discretionary Pool

Up to **\$150,000** per annum (in aggregate), be provided for fees for Directors to be remunerated for additional duties, workload and responsibilities; such fees to be allocated at the discretion of the Appointments and Remuneration Committee of the Board and the Chairman of the Board and the tabling of details of such fee payments to the Directors' Remuneration Committee annually (increase of \$75,000).

The Committee has also approved the expense reimbursement policy for both Directors and Co-operative Councillors, whereby actual and reasonable expenses associated with their positions are reimbursed. It has also approved, and regularly monitors, the reimbursement of reasonable travel expenses for Directors' spouses/partners.

Resolution 2: Approval of remuneration of Co-operative Councillors

In accordance with By-law 3.1 of the Co-operative Council By-laws, the Directors' Remuneration Committee met in July 2021 to consider, and recommend to Shareholders, the form and amount of the remuneration to be paid to Co-operative Councillors.

In 2017 the Committee recommended an increase to the Co-operative Councillor honoraria, which had remained unchanged since 2013. The Committee noted that the number of Council wards had been reduced to 25 from the date of the 2017 Annual Meeting.

In 2018 and 2019 the Committee recommended that the Co-operative Councillor honoraria remained unchanged. The Committee noted that the role of Deputy Chair had been disestablished in 2019.

The Committee recommended no change to Co-operative Councillor remuneration in 2020, given the significant economic uncertainty as a result of the COVID-19 pandemic and the review of the Co-operative Council that was underway at the time.

The Committee considers the Councillor's representative role to be an important one for the Co-operative, and that the level of the honoraria needs to be sufficient to attract and recognise Shareholders of a high calibre serving in that capacity.

The Committee noted the 2020 review of the Co-operative Council, and in particular, the recommendation regarding the remuneration of the Council Chair.

Given that the last increase to Co-operative Councillor remuneration had been in 2017, the Committee determined that a larger one off adjustment was appropriate. The Committee noted that smaller annual incremental increases in remuneration would be the Committee's recommended approach going forward, subject to unique events such as those that had been experienced by Fonterra in the preceding years.

The Committee reviews with the Chair of the Co-operative Council the allocations made from the discretionary pool in the prior year, and is comfortable that the pool was utilised in a reasonable manner consistent with the intent of the recommendation.

The Committee's recommendation to Shareholders in relation to the remuneration of Co-operative Councillors is:

That the honoraria for the Co-operative Councillors and the Chairman of the Council be approved at the following amounts from the date of this Annual Meeting:

- Chair **\$110,000** p.a. (increase of \$10,000)
- Councillors **\$37,500** p.a. (increase of \$2,500)
- Discretionary Pool

Up to **\$100,000** per annum (in aggregate), be provided for additional honoraria of Co-operative Councillors (excluding the Chairman of the Co-operative Council) who have additional responsibilities including as Council committee chairpersons, project leaders for Council workstreams, observers on Board committees, or representing the Council at its request on external committees (in each case not to exceed \$17,500 per annum per person); such provisions to be allocated in whole or part at the discretion of the Chairman of the Co-operative

Council and the tabling of details of such honoraria payments to the Directors' Remuneration Committee annually (no change to the amount of the current pool arrangement).

Resolution 3: Approval of remuneration of members of the Directors' Remuneration Committee

In accordance with clause 34.1 of the Company's Constitution, the Board met to consider, and recommend to Shareholders, the form and amount of the remuneration to be paid to members of the Directors' Remuneration Committee. The Directors' Remuneration Committee comprises six elected Shareholders.

The Board noted that the Directors' Remuneration Committee members' honoraria had not been increased since 2017.

The Board's recommendation to Shareholders in relation to the remuneration of members of the Directors' Remuneration Committee is that the remuneration be set at the following amounts from the date of this Annual Meeting:

- Chairman **\$2,500** p.a. (an increase from \$2,000 p.a.)
- Member **\$1,500** p.a. (an increase from \$1,000 p.a.)

Furthermore, members of the Directors' Remuneration Committee are entitled to be paid for reasonable expenses incurred in connection with the business of the Committee, in line with the policy for remuneration of Directors and Co-operative Councillors.

Appointment of Auditor

Resolution 4: Appointment of KPMG as auditor and authorisation of the Directors to fix the auditor's remuneration

The Companies Act 1993 requires the Company to appoint an auditor. Section 207S of the Companies Act 1993 provides that the fees and expenses of an auditor appointed at an Annual Meeting can be fixed in the manner determined at that meeting.

KPMG has audited the Company's financial statements for the year ended 31 July 2021.

The Directors recommend that KPMG be appointed as auditor for the coming year. The Directors recommend that Shareholders authorise the Board to fix the auditor's remuneration.

Ratification of Appointment of Director

Resolution 5: Ratification of appointment of Mr Clinton Dines

The Company's Constitution requires that the Shareholders of the Company ratify the appointment of each Director appointed by the Board in accordance with clause 12.4 of the Constitution. This is to take place at the first Annual Meeting of the Company following that Director's appointment and, where the appointment is for a term exceeding three years, shall be ratified by Shareholders every three years.

Mr Clinton Dines was appointed by the Board in accordance with clause 12.4 of the Constitution and his appointment is required to be ratified by Shareholders at the 2021 Annual Meeting.

The Fonterra Board has determined that Mr Clinton Dines qualifies as an independent Director.

Mr Dines' remuneration and benefits, as with all of the Appointed Directors, are determined by the Board in accordance with section 161 of the Companies Act and are not subject to Resolution 1. However, the Fonterra Board remunerates Appointed Directors at the same level as Shareholder Elected Directors.

Details of his qualifications and experience are set out below.

Mr Clinton Dines

Mr Dines was appointed to the Fonterra Board in 2015.

Mr Dines lived and worked in China for 36 years, 21 of which as President of BHP Billiton's China business. He has extensive experience as an executive in China and Asia businesses and has had an active career as a Non-Executive Director, currently serving on the Boards of the Port of Newcastle, Sky Renewables Pty Limited and Zanaga Iron Ore Company Limited.

Mr Dines was Executive Chairman of Caledonia Asia from 2010 to 2013, an investment group in Asia, and is a Partner in Moreton Bay Partners, a strategic advisory firm based in Brisbane. He is an Adjunct Professor at Griffith University's Asia Institute and is a Member of the Griffith University Council. Mr Dines has extensive experience as a senior executive in China and Asia businesses, including global manufacturing and commodity businesses.

Approval of Milk Price Panel related Amendments to the Constitution

Resolution 6: Approval of Milk Price Panel related amendments to the Constitution

Resolution 6 is a special resolution required by section 106(1)(a) of the Companies Act 1993.

The Dairy Industry Restructuring Amendment Act 2020 amended the Dairy Industry Restructuring Act 2001 ("DIRA"), among other things, to require Fonterra to appoint one member of the Milk Price Panel ("Panel") who is nominated by the responsible Minister under the DIRA (currently the Minister of Agriculture) on the same terms and conditions as the other Panel members, effective from 1 June 2021. The Minister's nominee must be "independent" for the purposes of DIRA.

The Company's Constitution (clause 10.3) and the Fonterra Shareholders' Market ("FSM") Rules (Rule 1.8.2) set out certain requirements applying to the Panel, including that:

- it must comprise five members;
- not less than 50% must be "independent";
- the Co-operative Council is entitled to appoint up to two members (at least one of whom must be independent); and
- the remaining members are appointed by the Board.

Currently the Panel has five members:

- Mr Scott St John, an independent Appointed Director (appointed to the Panel in 2017)
- Mr Bruce Hassall, an independent Appointed Director (appointed to the Panel in 2017)
- Mr Brent Goldsack, a Shareholder Elected Director (appointed to the Panel in 2017)

- Mr Andrew Wallace, a nominee of the Co-operative Council who is independent (appointed to the Panel in 2016)
- Mr Bill Donaldson, a nominee of the Co-operative Council (appointed to the Panel in 2014)

The Board recommends that the Company's Constitution is amended to increase the size of the Panel to six members to accommodate the Minister of Agriculture's nominee as an additional member to the Panel in order that the number of Panel positions held by the Fonterra Directors and Co-operative Council nominees remain unchanged.

The proposed amendment to clause 10.3(c) of the Constitution to give effect to this is set out below. The changes being made are those in mark up. That is, where a matter is deleted it is shown as being struck out and where a matter is inserted it is shown as being underlined.

10.3(c) The Panel must at all times comply with the following requirements:

- (i) it must comprise ~~five~~ six members;
- (ii) ~~not less than 50%~~ a majority of the members must qualify for appointment as "independent" ("independent") members (within the meaning of any applicable enactment or, if there is no applicable enactment, as determined by the Board from time to time);
- (iii) the Shareholders' Council is entitled to appoint up to two members (at least one of whom must be independent); ~~and the remaining members shall be appointed by the Board; and~~
- (iv) one member of the Panel must be the person (who must be independent) nominated by the responsible Minister for appointment as a member of the Panel under subsection 150E(1A) of the Dairy Industry Restructuring Act 2001 so long as such provision remains in force;
- (v) the remaining members shall be appointed by the Board; and
- (iv)(vi) the chairman of the Panel must be independent and shall have no casting vote.

Resolution 8 (discussed below) separately proposes, amongst other things, an amendment to the Constitution that would change all references to "Shareholders' Council" in the Constitution to "Co-operative Council". Upon approval of such amendment, the reference in clause 10.3(c)(iii) to "Shareholders' Council" will change to "Co-operative Council".

Fonterra has requested NZX that the corresponding FSM Rule 1.8.2 that sets out the size and membership composition of the Panel also be amended, subject to Shareholder approval of the proposed amendments to clause 10.3(c) of the Constitution.

A solicitor's opinion regarding the Constitution of the Company, as required under Rule 1.11.1 of the FSM Rules, has been provided to NZX. As the proposed amendment will alter Part A of the Company's Constitution, the approval of the amendment by a majority of 50 per cent or more of members of the Co-operative Council is required under clause 18.1 of the Constitution. This approval was received on 7 October 2021 and had the unanimous support of the Co-operative Council.

On 22 September 2021 the Board of Fonterra approved the changes to the Constitution of the Company as outlined in Resolution 6, subject to Shareholders' approval. The Board recommends that Shareholders vote to support the amendments proposed in Resolution 6.

If Resolution 6 is passed by the requisite majority of 75 per cent or more of votes cast by Shareholders entitled to vote and voting on the resolution, the Constitution will be amended as set out above only upon the FSM Rules being amended to be consistent with this change.

If Resolution 6 is not passed then the recommended changes will not take effect. Voting against Resolution 6 will not prevent the Fonterra Board from having to appoint the Minister's nominee to the Panel (as this requirement is mandated under DIRA). The Board will formally appoint the Minister's nominee to the Panel following the Annual Meeting and the Company will announce this appointment once it has occurred. If Resolution 6 is not passed the Board of Fonterra will either have to appoint the Minister's nominee in place of one of the Fonterra independent Appointed Directors or, with the approval of the Co-operative Council, the independent appointee of the Co-operative Council on the Panel.

Approval of Governance and Representation Review related Amendments to the Constitution and the Co-operative Council By-laws

Resolution 7: Approval of Governance and Representation Review related amendments to the Constitution and the Co-operative Council By-laws

Resolution 7 is a special resolution required by section 106(1)(a) of the Companies Act 1993 and clause 16.7 of the Constitution of the Company.

In February 2021 a joint Committee of the Board and Co-operative Council was established to undertake the five year review of the 2016 Governance and Representation changes. After consideration of farmer feedback, and consultation with the Fonterra Board, the Co-operative Council, the Independent Selection Panel and the Returning Officer, the Committee put forward a number of recommendations.

The recommendations included:

- Giving the Co-operative Council the ability to appoint up to three additional Councillors with full voting rights, who do not have to be qualified under the Constitution to be a Councillor, if the breadth of diversity across the Co-operative is not represented around the Co-operative Council table – whether by skill set, farm size, supply relationship (e.g. Shareholder, sharemilker, MyMilk supplier), generation (e.g. young farmers or those new to the industry), gender (e.g. female farmers), ethnicity (e.g. Māori farmers) or otherwise.
- The removal of the current requirement for Co-operative Council endorsement of re-standing Councillors, to be consistent with the Director election process.

To take effect, these recommendations require changes to the Constitution of the Company and the By-laws of the Co-operative Council.

Constitution of the Company

The proposed amendments to the Constitution to give effect to these recommendations are set out below. The changes being made are those in mark up. That is, where a matter is deleted it is shown as being struck out and where a matter is inserted it is shown as being underlined:

16.1 Establishment of Shareholders' Council: Subject to casual vacancies there shall be a Shareholders' Council of not fewer than 25 Ward Councillors and up to three Appointed Councillors, which shall be elected or appointed in accordance with the by-laws of the Shareholders' Council. The Shareholders' Council shall have the following functions:

Please note that no amendments are proposed to the Shareholders' Council functions listed in clause 16.1(a) to (q) in this Resolution 7. Proposed amendments to clause 16.1(a) to (q) are the subject of Resolution 8.

16.4 Election and Appointment of Councillors: Subject to the provisions of this clause 16, the manner in which Councillors are nominated, elected, appointed and removed ~~by the respective Wards~~ shall be governed by the by-laws of the Shareholders' Council. Every election of Councillors shall be held, and every appointment of Councillors shall be made, in the manner for the time being approved pursuant to this clause. The Shareholders' Council at the date of this Constitution shall continue in office.

16.5 Qualifications of Councillors: No person may be elected or hold office as a Councillor unless he or she:

- (a) is a person who would be qualified for election as a Director in terms of clause 12.3, provided that this requirement shall not apply to persons who are appointed by the Shareholders' Council to hold office as an Appointed Councillor pursuant to the by-laws of the Shareholders' Council;
- (b) is not during their tenure as a Councillor, a Director or executive of the Company or the Milk Commissioner; and
- (c) has signed a Confidentiality Deed and Indemnity in the form determined by the Board relating to information he or she receives in his or her capacity as a Councillor.

Inclusion of the following definitions in clause 48.1:

"Appointed Councillor" has the meaning set out in the by-laws of the Shareholders' Council.

"Ward Councillor" has the meaning set out in the by-laws of the Shareholders' Council.

Resolution 8 (discussed below) separately proposes, amongst other things, an amendment to the Constitution that would change all references to "Shareholders' Council" in the Constitution to "Co-operative Council". Upon approval of such amendment, the references in clause 16 and the associated definitions to "Shareholders' Council" will change to "Co-operative Council". If the amendments proposed in Resolution 8 are approved, the clause numbers referred to in Resolution 7 will change so that clause 16.1 becomes clause 16.2, clause 16.4 becomes clause 16.8 and clause 16.5 becomes clause 16.9.

A solicitor's opinion regarding the Constitution of the Company, as required under Rule 1.11.1 of the Fonterra Shareholders' Market rules, has been provided to NZX.

By-laws of the Co-operative Council

The proposed amendments to the By-laws of the Co-operative Council to give effect to these recommendations are set out in Part Three of this Notice of Meeting. The opportunity has also been taken to propose the following additional amendments to the By-laws:

- To amend the rotation of Councillors so that if a Councillor retires before the end of their three-year term, then the Councillor elected in their place will automatically have a three-year term from election, without Council having to formally amend the rotation Schedule to effect that. Previously the Co-operative Council has had newly elected Councillors being up for re-election after only one or two years (clauses 1.6 and 1.7).
- To ensure the consistency of language used in the By-laws (e.g. the inclusion of references to "hold office" and "longer" in clauses 1.6(a) and (b)).
- To recognise online voting (clause 1.9).
- To remove references to facsimile voting and notices being sent by facsimile.

Resolution 8 (discussed below) separately proposes, amongst other things, an amendment to the By-laws that would change all references to "Shareholders' Council" in the By-laws to "Co-operative Council". Upon approval of such amendment, the references in the By-laws to "Shareholders' Council" will change to "Co-operative Council".

On 22 October 2021 the Board of Fonterra approved the changes to the Constitution of the Company as outlined in Resolution 7, subject to Shareholders' approval. The Board recommends that Shareholders vote to support the amendments proposed in Resolution 7.

On 26 October 2021 the Co-operative Council endorsed the changes to the Constitution of the Company and approved the Co-operative Council By-laws, subject to Shareholders' approval. The Co-operative Council recommends that Shareholders vote to support the amendments.

If Resolution 7 is passed by the requisite majority of 75 per cent or more of votes cast by Shareholders entitled to vote and voting on the resolution, the Constitution and the Co-operative Council By-laws will be amended as set out above and in Part Three of this Notice of Meeting. If the Resolution is not passed then the recommended changes will not take effect. This will mean that the Co-operative Council will not have the ability to appoint up to three additional Councillors, and will still be required to endorse re-standing Councillors.

Approval of 2020 Review of Council Amendments to the Constitution and the Co-operative Council By-laws

Resolution 8: Approval of 2020 Review of Council related amendments to the Constitution and the Co-operative Council By-laws

Resolution 8 is a special resolution required by section 106(1)(a) of the Companies Act 1993 and clause 16.7 of the Constitution of the Company.

In 2020, following concern about the effectiveness of the Shareholders' Council (as it was then known) and growing disconnect between what Fonterra farmers believed Council's functions were and what is set out in the Fonterra Constitution, a Steering Group was established to undertake a review of Council's role and functions. The Steering Group members were four Fonterra farmer Shareholders, two Councillors, two Board members and an independent chair. The Steering Group sought Fonterra farmer views on Council's core functions, considered Council's view on the areas that Council believed would benefit from discussion and consultation, analysed the key issues raised by Fonterra farmers and Council, identified options to address them, and then consulted with the Board, Council and Fonterra farmers on those issues and options. After considering all feedback, the Steering Group issued its final report in October 2020, putting forward 27 recommendations (the "Recommendations").

The Recommendations can be found in the Council's 2021 Annual Report, and online at <https://nzfarmsource.co.nz/business/advice-support/shareholders-council/shc-review>. Together the Recommendations comprise a significant reset to Council, to better meet the interests of Shareholders and other members of the wider Fonterra Co-operative community, and require changes to Council's role, functions and operating framework. While most of the Recommendations can be implemented within the current Constitution, the Steering Group concluded that Council should seek Shareholder approval of amendments to clause 16 of Part A of the Constitution in order to embed the changes to the functions and operating framework contained in the Recommendations.

Constitution of the Company

The proposed amendments to the Constitution to give effect to the Recommendations are set out in Part Four of this Notice of Meeting, with explanatory notes. The opportunity has also been taken to propose further amendments to the Constitution, which are also set out in Part Four of this Notice of Meeting with explanatory notes.

A solicitor's opinion regarding the Constitution of the Company, as required under Rule 1.11.1 of the Fonterra Shareholders' Market Rules, has been provided to NZX. As the proposed amendment to change all references to "Shareholders' Council" to "Co-operative Council" will alter Part A of the Company's Constitution, the approval of those amendments by a majority of 50 per cent or more of members of the Co-operative Council is required under clause 18.1 of the Constitution. This approval was received on 1 November 2021 and had the unanimous support of the Co-operative Council. Amendments to clause 16 of the Constitution do not require the support of the Co-operative Council.

By-laws of the Co-operative Council

The proposed amendments to the By-laws of the Co-operative Council to reflect Recommendation 5 to rename the Council as the *Co-operative Council* are:

- To change all references to “Shareholders’ Council” to “Co-operative Council”.

The Co-operative Council has approved the amendments to the Co-operative Council By-laws and has proposed the changes to the Constitution of the Company, subject to Shareholders’ approval. The Co-operative Council recommends that Shareholders vote to support the amendments to the Constitution and the Co-operative Council By-laws, as outlined in Resolution 8.

The Board has reviewed the proposed changes to the Constitution of the Company as outlined in Resolution 8, and recommends that Shareholders vote to support the amendments.

If Resolution 8 is passed by the requisite majority of 75 per cent or more of votes cast by Shareholders entitled to vote and voting on the resolution, the Constitution and the Co-operative Council By-laws will be amended as set out above. If Resolution 8 is not passed then some of the Recommendations may not be able to be given effect to, as they would not be embedded in the Constitution of the Company, which creates the Co-operative Council. In addition, the By-laws will not have been amended.

If the amendments proposed in Resolution 7 are approved, clause 16 of the Constitution will be amended as set out in Resolution 7. If the amendments proposed in Resolution 8 are **also** approved, both the amendments in Resolutions 7 and 8 will be made to clause 16 of the Constitution. If only one of the two Resolutions 7 and 8 are passed, only the amendments made by the Resolution which is passed will be made to clause 16. If neither Resolution 7 nor 8 is passed, no amendment will be made to clause 16 of the Constitution.

Approval of Co-operative Council Programme and Budget

Resolution 9: Approval of Co-operative Council programme and budget

Under this item of business the Chairman of the Co-operative Council will, in accordance with the requirements of the Company’s Constitution:

- present the Co-operative Council’s programme and budget for the current financial year to Shareholders for approval;
- report on the activities of the Co-operative Council in the preceding financial year;
- report on the Co-operative Council’s view as to the Company’s direction, performance and operations for the preceding financial year;
- present the Milk Commissioner’s Report for the preceding financial year; and
- comment on other Company and dairy industry matters.

Shareholders are then asked to approve the programme and budget of the Co-operative Council for the financial year ending 31 July 2022 (FY22).

The Co-operative Council seeks Shareholder approval for a budget of \$2.422 million for operating costs for FY22 and \$792,000 for other costs contributed to or met by the Co-operative Council, giving a combined total of \$3.214 million, as summarised below:

| | FY21 Budget \$000 | FY21 Actual \$000 | FY22 Budget \$000 |
|--|-----------------------|------------------------|------------------------|
| Co-operative Council operating costs: | | | |
| Councillor honoraria (refer Resolution 2 for amounts), and Council staff salaries and associated costs | 1,650 | 1,646 | 1,800 |
| Co-operative Council meetings – including accommodation and travel for Council meetings, Board/Board Committee meetings, and meetings with external stakeholders, and Diligent meeting papers software costs Note: Excludes meetings relating to the capital structure review which are separately listed below | 200 | 235 | 235 |
| Communications – including Annual Report design and print | 13 | 12 | 12 |
| Councillor Ward meetings – including travel, accommodation and catering | 68 | 4 | 7 |
| Councillor training and development – including course/facilitator and travel costs, and new Councillor introduction programme | 70 | 0 | 50 |
| Insurance and IT costs – including Councillor liability insurance and staff information technology costs | 24 | 33 | 43 |
| 2020 review of Council – Steering Group costs including fees paid to independent Chair, Steering Group travel and meeting costs, report design, and costs of farmer consultation meetings | 75 | 87 | 0 |
| External analyst support: • financial • Letter of Members' Expectations survey design and analysis | 100 | 162 | 125 |
| Capital structure review costs: • accommodation and travel for Council meetings, travel for farmer meetings • independent legal and analytical support | 0 0 | 41 14 | 25 125 |
| Total Co-operative Council operating costs | 2,200 | 2,234 | 2,422 |
| Other costs contributed to or met by the Co-operative Council: | | | |
| <i>Connection</i> | | | |
| Contribution to costs of MyConnect conference | 160 | 0 | 0 |
| Understanding Your Co-operative Programme | 170 | 158 | 180 |
| Governance Development Programme | 100 | 139 | 140 |
| <i>Guardianship</i> | | | |
| Fonterra Director election: • Returning Officer costs • Director candidate meetings • Independent Selection Panel and secretariat, independent agent and candidate interview expenses • Candidate booklet printing costs | 170 45 185 - | 124 40 122 13 | 130 40 135 15 |
| Professional services - Milk Commissioner costs, fees and other costs relating to the Co-operative Council appointees to the Milk Price Panel, legal costs | 125 | 74 | 152 |
| Total other costs contributed to or met by the Co-operative Council | 955 | 680 | 792 |
| Combined Total | 3,155 | 2,914 | 3,214 |

Budget

In November 2020 Fonterra Shareholders approved a budget of \$3.155 million for FY21 of which \$2.914 million (92%) was utilised.

Material variations between FY21 budgeted and actual expenditure, and FY21 actual spend and FY22 budgeted spend, are summarised as follows:

- Councillor honoraria, and Council staff salaries and associated costs: The increased budget for FY22 allows for:
 - the Honoraria increases recommended by the Directors' Remuneration Committee, which are subject to approval by Shareholders (refer Resolution 2);
 - the appointment of one Additional Councillor (subject to approval by Shareholders of Resolution 7) should Council determine to make such an appointment due to the breadth of diversity across the Co-operative not being represented within the Co-operative Council at the conclusion of the 2021 Council elections; and
 - increases in staff costs, as recommended by Fonterra for FY22, and to enable strengthening of Council secretariat's analytical capability as recommended by the Steering Group following the 2020 review of Council.
- Co-operative Council Meetings: FY21 costs exceeded budget notwithstanding Council met less frequently in person than it has in past years. The FY22 budget contemplates full Council will meet in person four times during the year. Usual allowance has been made for other costs, as summarised.
- Councillor Ward meetings: The costs of holding twice-yearly meetings across the 25 Wards were significantly less than budgeted.
- Councillor training and development: During FY21 this was internally facilitated, time-constrained by workstreams and limited by COVID-19 restrictions. The FY22 budget will enable all 25 Councillors to undertake targeted relevant training and development which is considered imperative to Council effectively fulfilling its functions.
- Insurance and IT costs: Costs exceeded budget due to premium increases. A further increase in premium is expected in FY22.
- 2020 review of Council: Costs for the review were incurred during FY20 (\$54,000) and FY21. FY21 costs exceeded budget due to higher costs than expected being incurred for the farmer consultation meetings.
- External analyst support: Council commissioned external support for financial analysis and to survey members to inform the first Letter of Members' Expectations. The level of support and analysis required for that Letter, and therefore costs, exceeded budget. For FY22, allowance has been made for quarterly financial analysis support and a reduced level of support (compared to 2021) to inform the 2022 review and refresh of the Letter of Members' Expectations.
- Capital structure review: No allowance for costs was included in the FY21 budget as the timing of Council's involvement was not known when the budget was developed. FY21 costs were incurred from May 2021. The FY22 budget is based on the assumption the Board's preferred option will be finalised and put to members at the 2021 Special Meeting with limited (if any) Council consultation and independent external support required after that.
- My Connect conference: In line with Recommendation 16 from the 2020 review of Council, Council ceased its involvement in organising and funding the My Connect conference, leaving this instead to Fonterra management to deliver.
- Understanding Your Co-operative Programme: Three events were held during FY21, attended by 261 members. Three events are planned for FY22.
- Governance Development Programme: This programme is a joint Co-operative Council and Board initiative, with costs shared equally between Council and the Board. Due to COVID-19 restrictions, a significant proportion of the 2020 intake programme costs were incurred in FY21. There were fewer participants in the 2021 intake resulting in a greater proportion of the total programme cost being funded by Council and the Board, than by participant contributions. The 2020 Alumni workshop had to be deferred to the end of 2020 due to COVID-19 restrictions and the 2021 event was moved to June 2021. As a result, FY21 costs include two Alumni events rather than the one that was budgeted for.
- Director election: The FY21 reduction in Returning Officer costs reflects the re-allocation of Returning Officer costs that do not relate to the Director or Directors' Remuneration Committee elections to Fonterra head office, which manages the Annual Meeting, Council and other elections that the Returning Officer also supports.
- Professional services: FY21 costs were less than budgeted due to there being no disputes considered by the Milk Commissioner and lower legal costs incurred than budgeted for. FY22 costs include allowances for Milk Commissioner costs for consideration of disputes, legal costs, and search agent and other costs relating to Council's appointment of a new independent member to the Milk Price Panel following the retirement of the current independent appointee.

Work Programme

Council's work programme for FY22 includes the following key workstreams:

Connection

- Foster member engagement with their Co-op through Ward meetings
- Further develop Council's understanding of members' interests, needs, views and expectations through survey and meetings
- Represent members' interests, needs, views and expectations to the Board
- Provide regular feedback to members on how their interests, needs, views and expectations have been represented and are being met
- When the Board or Management wish to consult with members on decisions which have the potential to affect members interests in their Co-operative, engage with the Board and/or management as part of that consultation
- Deliver the Understanding Your Co-operative Programme

Guardianship

- Capital structure review
- Appoint a new independent member to the Milk Price Panel following the retirement of the current independent appointee
- Milk Commissioner appointment / re-appointment (the current term of appointment ends on 31 May 2022)
- Review and refresh (as necessary) the Co-operative philosophy to ensure it reflects members' overall interests, and promote greater member understanding of it
- Manage the Director election in consultation with the Board, and appoint the Returning Officer and Council's independent appointee to the Independent Selection Panel
- Represent members' interests in relation to changes to the terms and conditions of supply and the operation of the Fonterra Shareholders' Fund and the Fonterra Shareholders' Market
- Foster Councillor succession
- Administer the Governance Development Programme

Accountability

- Meet with the Board each quarter to discuss reports on consolidated and key business unit operations, including actual achievements compared to the Board's key measures for performance, and any identified risks to the Company's ongoing performance
- Monitor information provided by the Company to members and assist members to understand the implications of that information to them
- Seek Board explanation of and responsibility for the Company's strategy and performance
- Communicate to members on the extent to which their expectations are being met / Report on how members' interests, needs, views and expectations align with Board strategy and Co-op performance
- Represent members' interests in relation to Milk Price Manual changes and governance

Council will report to members at least quarterly, including through its Quarterly Updates, Annual Report and at the 2022 Annual Meeting.

Governance and Representation Review related Amendments to the Co-operative Council By-laws

The amendments to the Co-operative Council By-laws marked up in this Part Three relate to Resolution 7. The amendments to the Co-operative Council By-laws proposed under Resolution 8 are limited to changing all references to “Shareholders’ Council” to “Co-operative Council”.

1. ELECTION AND APPOINTMENT OF COUNCILLORS

- 1.1 **Number of Ward Councillors and Wards:** Subject to casual vacancies, the number of Ward Councillors and Wards shall be not fewer than 25.
- 1.2 **Representation of Wards:** Subject to casual vacancies, each Ward is entitled to be represented by at least one Ward Councillor.
- 1.3 **Election by Shareholders:** Subject to clause 1.1, a person may be elected or removed as a Ward Councillor to represent a Ward at any time by an Election.
- 1.4 **Appointed Councillors:** The Shareholders’ Council may appoint up to three additional persons as Councillors with full voting rights if the Shareholders’ Council determines (at its sole and absolute discretion) that the breadth of diversity across the Company’s Members is not represented (whether by skill set, farm size, supply relationship, generation, gender, ethnicity or otherwise) within the Shareholders’ Council. Appointed Councillors will not represent a particular Ward and may be persons who are not qualified in terms of clause 12.3 of the Constitution but must in all other respects be qualified under the Constitution to be a Councillor. Subject to section 3 of these By-laws, the terms of appointment of Appointed Councillors will be determined by the Shareholders’ Council (at its sole and absolute discretion) and will be reviewed at least every three years. Appointed Councillors may not hold office for longer than nine years.
- ~~1.4~~**1.5 Existing Ward Councillors:** The persons elected as Ward Councillors at the date of these By-laws ~~to represent a Ward shall~~ continue in office.
- ~~1.5~~**1.6 Rotation of Ward Councillors:** Schedule 1 sets out the year in which an ~~Election~~election is to be held in each Ward for the rotation of Ward Councillors, on the basis that an ~~Election~~election is to be held in each Ward at intervals of approximately 3 years. Following each Election (including an Election where a Ward Councillor is elected unopposed) Schedule 1 will automatically update to reflect the year in which the next Election is expected to be held in that Ward, which will be in approximately three years from the last Election in that Ward. The Council may from time to time amend Schedule 1 or adopt a new Schedule 1. On the date of each annual meeting of the Company the Ward Councillors in the Wards subject to rotation in that year in accordance with Schedule 1 shall duly retire. A Ward Councillor retiring by rotation is eligible for re-election, provided that:
 - (a) Ward Councillors may not ~~serve~~hold office for longer than nine years (or, where the Election cycle in a Ward is such that the period between the time a Ward Councillor was first elected and the second Election in that Ward is greater than nine years, for longer than the date of the third Election since that Ward Councillor was first elected) unless the Council resolves (by 75% majority in accordance with clause 5.8), for reasons of continuity or experience, to approve the Ward Councillor standing for re-election for a fourth term; and
 - (b) Ward Councillors shall not hold office for ~~more~~longer than 12 years (or, where the Election cycle in a Ward is such that the period between the time a Ward Councillor was first elected and the fourth Election in that Ward is greater than 12 years, for longer than the date of the fourth Election since that Ward Councillor was first elected).
- ~~1.6~~**1.7 Endorsement on re-election:** In the case of a Councillor standing for re-election, the Council shall determine (by 75% majority in accordance with clause 5.8), and communicate to Shareholders, whether it supports the Councillor’s re-election:
- 1.7 **Casual vacancies:** If the position of a Ward Councillor (“Vacating Councillor”) becomes vacant in any Ward, the Shareholders’ Council may (at its sole and absolute discretion):
 - (a) hold an Election to fill that vacancy, in which case the person elected shall hold office until the date ~~on which the Vacating Councillor was due to retire by rotation pursuant to clause 1.5~~of the annual meeting of the Company that occurs in approximately 3 years in accordance with clause 1.6, at which time that person shall be eligible for re-election; or
 - (b) ~~may~~ appoint a person who is qualified under the Constitution to be a Councillor to fill that casual vacancy, in which case the person appointed shall hold office from the date of appointment until the next Election scheduled under clause ~~1.5.1.6~~ for any Ward (whether or not the Ward in which the casual vacancy has been filled is due for rotation under clause ~~1.5.1.6~~), at which time an Election to fill the vacancy shall be held at which that person shall be eligible for ~~re~~-election. The person elected at the next Election under clause ~~1.5.1.6~~ shall hold office ~~until the date on which the Vacating Councillor was due to retire by rotation pursuant to~~for approximately 3 years from that Election in accordance with clause ~~1.5.1.6~~.

- 1.8 **Vacation of office:** A Councillor ceases to be a Councillor if ~~he or she~~they:
- (a) ~~retires are a Ward Councillor and retire~~ by rotation pursuant to clause ~~1.51.6~~ and ~~is~~are not re-elected or deemed to have been re-elected; or
 - (b) ~~is~~are a Ward Councillor and are removed from office by an Ordinary Resolution of the Shareholders in the Ward represented by that Ward Councillor; or
 - (c) are an Appointed Councillor and their appointment is terminated in accordance with their terms of appointment or they are removed from office by an Ordinary Resolution of Shareholders; or
 - (~~e~~)(d) ~~dies~~die or ~~becomes~~become mentally disordered or subject to a property order or personal order made under the Protection of Personal and Property Rights Act 1988; or
 - (~~d~~)(e) ~~resigns~~resign by written notice delivered to the Company at its address for service or at its registered office (such notice to be effective at the time when it is so received unless a later time is specified in the notice); or
 - (~~e~~)(f) ~~becomes~~become disqualified from being a Councillor pursuant to the Constitution; or
 - (~~f~~)(g) ~~becomes~~become bankrupt or ~~makes~~make an arrangement or composition with ~~his or her~~their creditors generally; or
 - (~~g~~)(h) ~~has~~have for more than three months been absent without approval of the Shareholders' Council from meetings of the Shareholders' Council held during that period.
- 1.9 **Removal of Ward Councillors:** For the purpose of clause 1.8(b), the Shareholders' Council shall, on written request from Shareholders of a Ward representing not less than 10% of the Shareholders of that Ward in number, put a resolution to the Shareholders of that Ward that a Ward Councillor representing that Ward be removed from office. Voting on the resolution shall be carried out by postal and electronic vote on the same basis as an Election, with such changes as may be determined appropriate by the Shareholders' Council.
- 1.10 **Removal of Appointed Councillors:** For the purpose of clause 18.1(c), the Shareholders' Council shall, on written request from Shareholders holding Shares carrying together not less than 5% of the voting rights entitled to be exercised on a vote on the resolution, put a resolution to all Shareholders entitled to vote that an Appointed Councillor be removed from office. Voting on the resolution shall be carried out by postal and electronic vote on the same basis as an Election, with such changes as may be determined appropriate by the Shareholders' Council.

~~1.10.11~~ **Timing of retirement, removal and appointment:** If:

- (a) a Ward Councillor retires on the date of the annual meeting of the Company and is not re-elected or deemed to be re-elected in accordance with these By-laws, the Ward Councillor shall remain in office until, and ~~his or her~~their retirement shall take effect at, the close of that annual meeting;
- (b) a person who is not already a Ward Councillor is elected as a Ward Councillor pursuant to an Election by rotation scheduled under clause ~~1.51.6~~, that person shall take office as a Ward Councillor at the close of the annual meeting following that Election;
- (c) a person who is not already a Ward Councillor is elected as a Councillor pursuant to an Election scheduled otherwise than under clause ~~1.51.6~~, that person shall take office as a Ward Councillor at 5pm on the date on which the result of that Election is declared by the chairperson of the Company;
- (d) a Ward Councillor is removed from office under clause 1.8(b), the removal shall take effect at 5pm on the date on which the result of the ~~postal~~ vote on that removal is declared by the chairperson of the Company;
- (e) a person is appointed as an Appointed Councillor pursuant to clause 1.4, that person shall take office as an Appointed Councillor at 5pm on the date on which that appointment commences;
- (f) an Appointed Councillor's appointment terminates in accordance with their terms of appointment, the termination shall take effect at 5pm on the date of termination;
- (g) an Appointed Councillor is removed from office under clause 1.8(c), the removal shall take effect at 5pm on the date on which the result of the vote on that removal is declared by the chairperson of the Company.

2. ELECTION PROCEDURES FOR WARD COUNCILLORS

- 2.1 **Nomination:** No person may be elected as a Ward Councillor to represent a Ward by an Election pursuant to clause 1.3 unless:
- (a) not more than four months nor fewer than two months before the annual meeting of the Company or, in respect of an Election scheduled otherwise than under clause ~~1.51.6~~, the date of the Election, that person qualifies to be appointed as a Councillor in terms of the Constitution; and
 - (b) that person has been nominated by two or more Shareholders in that Ward (not including the person being nominated) by written notice to the Returning Officer accompanied by the consent in writing of that person to the nomination.

The requirements of clause 2.1(b) do not apply to a Councillor who is retiring on the date of the annual meeting of the Company or the date of the Election and is standing for re-election.

- 2.2 **Delivery of notice:** Notice of every valid nomination of a Ward Councillor to represent a Ward received by the Returning Officer before the closing date for nominations shall be sent by the Returning Officer to all Shareholders in that Ward together with voting papers and, for an Election scheduled under clause ~~1-51.6~~, at the same time the postal ballot for the election of Directors is sent to Shareholders.
- 2.3 **Electing by voting paper:** Every Election of Shareholders of a Ward to elect a Ward Councillor or Ward Councillors to represent that Ward shall be exercised by voting paper. The voting paper shall be in such form as the Returning Officer may approve from time to time.
- 2.4 **Two voting papers per Election:** On an Election to elect a Ward Councillor or Ward Councillors (in the case of Wards that have two Ward Councillors and the Returning Officer has advised on the voting paper that two Ward Councillors are to be elected on that Election) to represent a Ward each Shareholder in that Ward shall have two separate voting papers. Each Shareholder may transfer one voting paper to the Sharemilker with whom the Shareholder has entered into a sharemilking agreement in relation to the farm dairy to which the voting papers relate. For the avoidance of doubt, voting entitlement in respect of Ward Councillors is not related to Milksolids production.
- 2.5 **Return of voting papers:** No voting paper is effective in relation to an Election of a Ward Councillor or Ward Councillors to represent a Ward unless the voting paper is received by the Returning Officer at the Company's registered office, or at such other address (including any electronic address) as is specified for that purpose on the voting paper, not later than the time specified on the voting paper. Voting papers may be returned to the Returning Officer by:
- (a) post; or
- ~~(b) facsimile; or~~
- ~~(c)~~(b) by electronic means, if appropriate provision for electronic voting has been determined.
- 2.6 **Scrutineer:** One person appointed by the Returning Officer shall act as scrutineer.
- 2.7 **Counting of votes:** Voting papers shall be opened or accessed, and voting papers validated to ensure that each Shareholder has cast only the number of votes to which they are entitled. Voting preferences may be entered at any time into the STV Software System but counting shall not commence until after the closing time for receiving voting papers. After this closing time, the Returning Officer will supervise the counting of all voting papers after rejecting all invalid voting papers. The Returning Officer will ascertain the result for the election and report the results to the chairperson of the Company.
- 2.8 **Retention of voting papers:** All voting papers must be secured by the Returning Officer in the presence of the scrutineer if they choose to be present and kept for a period of not fewer than 30 days after the closing time for receiving voting papers, after which time they may be destroyed by the Returning Officer.
- 2.9 **Declaration of result:** A declaration by the chairperson of the Company that a particular person or persons has or have been elected by a certain majority is conclusive evidence of that fact.
- 2.10 **Secrecy:** The Returning Officer, any person involved in counting voting papers, the chairperson of the Company and the scrutineer must keep secret and confidential, except as provided in these By-laws, any fact directly or indirectly coming to their knowledge in respect of any Election.
- 2.11 **Validity of voting paper:** No voting paper will be deemed invalid because of want of form or other technicality provided the Returning Officer is satisfied that the intention of the Shareholder or Sharemilker, as the case may require, is clear and unequivocal. The decision of the Returning Officer in any such matter is final. No voting paper will have any effect if it arrives at the registered office of the Company or at such other address (including any electronic address) as is specified on the voting paper, after the time specified on the voting paper or if the Shareholder or Sharemilker, as the case may require, votes for more candidates than the number advised by the Returning Officer on the voting paper. If the Returning Officer has issued a duplicate voting paper in respect of an original voting paper then the original voting paper to which the duplicate voting paper relates will be invalid.
- 2.12 **Death or Withdrawal of Candidate:** If a nominated candidate dies, or advises the Returning Officer in writing of his or her~~their~~ intention to withdraw from an Election, after the time fixed for receiving nominations and before the time fixed for the closing date for the return of voting papers, the Election will not be cancelled. The next highest polling candidate is deemed to be the successful candidate.
- 2.13 **Candidates may stand for Election of Directors:** For the avoidance of doubt a candidate in an Election may (provided that the candidate has not, at any time following the date of the annual meeting immediately preceding the relevant election of Directors, held office as a Councillor) also be a candidate in an election of Directors held at the same time, but if that candidate is elected as a Director then the votes for that person in the Election shall be disregarded and if there is no other candidate in the Election a casual vacancy in terms of clause 1.7 shall be deemed to have arisen.

3. REMUNERATION AND OTHER BENEFITS OF COUNCILLORS

- 3.1 **Power to authorise:** The Shareholders' Council may not authorise any payment or other benefit to or in respect of a Councillor in his or her~~their~~ capacity as such, without the prior approval of the Shareholders by Ordinary Resolution, except as provided in this section 3. The Directors' Remuneration Committee shall consider and recommend the form and amount of Councillors' remuneration to the Shareholders for their approval.

- 3.2 **Payment of expenses:** Notwithstanding the provisions of clause 3.1, Councillors are entitled to be reimbursed, on presentation of accounts, for all reasonable expenses including travelling, accommodation and other expenses properly incurred by them in attending meetings of:
- (a) the Shareholders' Council;
 - (b) any committee of the Shareholders' Council;
 - (c) Shareholders;
 - (d) the Ward which the Ward Councillor represents; or
 - (e) otherwise properly incurred in connection with the business of the Shareholders' Council.
- 3.3 **Special remuneration:** The Board may authorise the Company to pay special remuneration to any Councillor who is, or has been, engaged by the Company or the Shareholders' Council (with the prior approval of the Board) to carry out work in a capacity other than that of Councillor.

4. FUNCTIONS OF SHAREHOLDERS' COUNCIL

- 4.1 **Exercise of functions by Shareholders' Council:** The Shareholders' Council is responsible for performing the functions required by the Constitution to be performed by the Shareholders' Council. Those functions are to be performed by, or under the direction or supervision of, the Shareholders' Council.
- 4.2 **Delegation of powers:** The Shareholders' Council may delegate to a committee of the Shareholders' Council, a Councillor or, with the agreement of the chief executive of the Company, an employee of the Company.
- 4.3 **Ratification by Shareholders:** The Shareholders may ratify the purported exercise of a power by a Councillor, a delegate of Shareholders' Council or the Shareholders' Council. The purported exercise of a function or power that is ratified under this clause is deemed to be, and always to have been, a proper and valid exercise of that function or power.
- 4.4 **Attributes and capabilities list:** The Council shall adopt and maintain a list of the attributes and capabilities that it considers should be represented on the Council, and ensure that such list is communicated to Shareholders together with the voting papers for each Election.
- 4.5 **Appointment to Independent Selection Panel:** The Council shall appoint an independent member (who may not be a Councillor) to the Independent Selection Panel.

5. PROCEEDINGS OF SHAREHOLDERS' COUNCIL

- 5.1 **Alternative forms of meeting:** A meeting of the Shareholders' Council may be held either:
- (a) by a quorum of the Councillors, being assembled together at the place, date and time appointed for the meeting; or
 - (b) by means of audio, or audio and visual, communication by which all Councillors participating and constituting a quorum can simultaneously hear each other throughout the meeting.
- 5.2 **Procedure:** Except as provided in these By-laws, the Shareholders' Council may regulate its own procedure.
- 5.3 **Notice of meeting:** The following provisions apply in relation to meetings of the Shareholders' Council (except where otherwise agreed by at least 75% of Councillors in relation to any particular meeting or meetings):
- (a) Not fewer than two days' notice of a meeting shall be given to each Councillor (other than a Councillor who has waived that right).
 - (b) Notice to a Councillor of a meeting may be:
 - (i) given to the Councillor in person by telephone or other oral communication;
 - (ii) delivered to the Councillor;
 - (iii) posted to the address given by the Councillor to the Company for such purpose; or
 - ~~(iv) sent by facsimile transmission to the facsimile telephone number given by the Councillor to the Company for such purpose; or~~
 - ~~(v)(iv)~~ sent by electronic means in accordance with any request made by the Councillor from time to time for such purpose.
 - (c) A notice of meeting shall specify the date, time and place of the meeting and, in the case of a meeting by means of audio, or audio and visual, communication, the manner in which each Councillor may participate in the proceedings of the meeting.
 - (d) A notice of meeting given to a Councillor pursuant to this clause is deemed to be given:
 - (i) in the case of oral communication, at the time of notification;
 - (ii) in the case of delivery, by handing the notice to the Councillor or by delivery of the notice to the address of the Councillor;
 - (iii) in the case of posting, three days after it is posted;

(iv) in the case of facsimile transmission, when the Company receives a transmission report by the sending machine which indicates that the facsimile was sent in its entirety to the facsimile telephone number given by the Councillor;

(iv)(v) in the case of electronic means, at the time of transmission.

- 5.4 **Councillor may convene meeting:** Without limiting the provisions of clauses 5.2 or 5.3, a Councillor has the right at any time to convene a meeting of the Shareholders' Council, or to require an employee of the Company to convene a meeting of the Shareholders' Council, at the registered office of the Company or at the place where the meetings of the Shareholders' Council for the time being are customarily held, by giving not fewer than seven days' written notice signed by or on behalf of the Councillor to each of the other Councillors stating the date, time and place of the meeting and the matters to be discussed.
- 5.5 **Waiver of notice irregularity:** An irregularity in the giving of notice of a meeting is waived if each of the Councillors either attends the meeting without protest as to the irregularity or agrees (whether before, during or after the meeting) to the waiver.
- 5.6 **Quorum:** A quorum for a meeting of the Shareholders' Council is 75% of the Councillors. No business may be transacted at a meeting of the Shareholders' Council if a quorum is not present.
- 5.7 **Chairperson:** The Councillors may elect one of their number as chairperson of the Shareholders' Council and determine the period for which ~~he or she is~~they are to hold office. If no chairperson is elected or if, at a meeting of the Shareholders' Council, the chairperson is not present within 15 minutes after the time appointed for the commencement of the meeting, the Councillors present may choose one of their number to be chairperson of the meeting.
- 5.8 **Voting:** Every Councillor has one vote. The chairperson does not have a casting vote. A resolution of the Shareholders' Council is passed if it is agreed to by all Councillors present without dissent, or if 75% of the votes cast on it are in favour of the resolution. A Councillor present at a meeting of the Shareholders' Council is presumed to have agreed to, and to have voted in favour of, a resolution of the Shareholders' Council unless ~~he or she~~they expressly ~~dissent~~dissents from or ~~vote~~votes against, or expressly ~~abstains~~abstain from voting on, the resolution.
- 5.9 **Written resolution:** A written resolution, signed or assented to by 75% of the Councillors is as valid and effective as if passed at a meeting of the Shareholders' Council. Any such resolution may consist of several documents (including ~~facsimile~~electronic or other similar means of communication) in similar form, each signed or assented to by one or more Councillors. A copy of any such resolution shall be entered in the records of the Shareholders' Council. The Shareholders' Council shall, within seven days after any resolution is passed in accordance with this clause, send a copy of the resolution to each Councillor who has not signed or assented to the resolution.
- 5.10 **Committees:** A committee of Councillors shall, in the exercise of the powers delegated to it, comply with any procedural or other requirements imposed on it by the Shareholders' Council. Subject to any such requirements, the provisions of these By-laws relating to proceedings of the Shareholders' Council apply, with appropriate modification, to meetings of a committee of Councillors.
- 5.11 **Validity of actions:** The acts of a person as a Councillor are valid even though the person's appointment was defective or the person is not qualified for appointment.
- 5.12 **Minutes:** The Shareholders' Council shall ensure that minutes are kept of all proceedings at meetings of the Shareholders' Council. Minutes which have been signed correct by the chairperson of the meeting are prima facie evidence of the proceedings.

6. DEFINITIONS AND INTERPRETATION

6.1 **Definitions:** In these By-laws, unless the context otherwise requires:

“**Act**” means the Companies Act 1993.

“**Appointed Councillor**” means a person appointed in accordance with clause 1.4 of these By-laws.

“**Board**” means Directors who number not fewer than the required quorum, acting together as a board of Directors.

“**By-laws**” means these By-laws, as altered from time to time.

“**Company**” means Fonterra Co-operative Group Limited.

“**Constitution**” means the constitution of the Company, as altered from time to time.

“**Co-operative Companies Act**” means the Co-operative Companies Act 1996.

“**Councillor**” means a person elected or appointed as a Ward Councillor or an Appointed Councillor~~councillor of the Shareholders' Council~~, in accordance with the Constitution and these By-laws.

“**Director**” means a person elected or appointed as a director of the Company in accordance with the Constitution.

“**Election**” means an election to elect a Ward Councillor as a representative of a Ward in accordance with the procedures in these By-laws.

“**Member**” means a Shareholder who is supplying Milk to the Company, a Sharemilker or contract milker of a Shareholder who is supplying Milk to the Company, and other persons supplying Milk to the Company or any of its subsidiaries in New Zealand, under the standard Terms and Conditions of the Company or any of its subsidiaries.

“month” means calendar month.

“**Ordinary Resolution**” means a resolution that is approved by a simple majority of the votes of those Shareholders entitled to vote and voting on the question.

“**person**” includes an individual, partnership, firm, company, body corporate, corporation, association, organisation, trust, a state or government or any agency thereof, a municipal, local or regional authority, and any other entity or organisation, whether incorporated or not (in each case whether or not having a separate legal personality).

“**Returning Officer**” means the person appointed to that position by the Board from time to time for the purposes of these By-laws.

“**Shareholders’ Council**” means the Councillors who number not fewer than the required quorum, acting together as the Shareholders’ Council.

“**STV Software System**” means the Choice Plus Pro Version 2.1 software developed by Voting Solutions and/or such other hardware and software used from time to time for the purpose of counting votes pursuant to these By-laws.

“**Voting Paper**” means a voting paper, ~~a facsimile copy of a voting paper~~, and, if appropriate provision for electronic voting has been determined, an electronic document or electronic message that is designed to enable a voter to record ~~his or her~~their vote at an election and transmit it electronically for counting; ~~and any copy of that document or message (with or without the voters vote recorded)~~; and any record of that document or message with the voter’s vote recorded.

“**Ward Councillor**” means a person elected or appointed to represent a Ward in accordance with clauses 1.3 or 1.7 of these By-laws.

6.2 Interpretation: In these By-laws, unless the context otherwise requires:

- (a) the table of contents, headings, and descriptions relating to sections of the Act and Co-operative Companies Act, are inserted for convenience only and shall be ignored in construing these By-laws;
- (b) the singular includes the plural and vice versa;
- (c) reference to any legislation or to any provision of any legislation (including regulations and orders) includes:
 - (i) that legislation or provision as from time to time amended, re-enacted or substituted;
 - (ii) any statutory instruments, regulations, rules and orders issued under that legislation or provision;
- (d) “written” and “in writing” include any means of representing or reproducing words, figures and symbols in a tangible and visible form;
- (e) words and expressions defined or explained in the Act, Co-operative Companies Act or the Constitution have the same meaning in these By-laws;
- (f) words and expressions cognate with words or expressions defined in these By-laws have meanings corresponding to those of the defined words and expressions; and
- (g) references to clauses and sections (other than sections of the Act or the Co-operative Companies Act) are references to clauses and sections in these By-laws, unless stated otherwise.

6.3 Constitution to prevail: If there is any conflict between:

- (a) a provision in the Constitution and a provision in these By-laws, the Act or the Co-operative Companies Act which is expressly permitted to be altered by the Constitution; or
- (b) a word or expression defined or explained in the Constitution, the Act or the Co-operative Companies Act and a word or expression defined or explained in these By-laws, the provision, word or expression in the Constitution prevails.

Schedule 1: Retirement of Councillors

| Ward | District | Year of retirement |
|------|--|----------------------|
| 1 | Northern Northland | 2021 |
| 2 | Central Northland | 2022 |
| 3 | Southern Northland | 2020 2023 |
| 4 | Waikato West | 2023 |
| 5 | Hauraki | 2022 |
| 6 | Piako | 2020 2023 |
| 7 | Waipa | 2021 |
| 8 | South Waikato | 2022 |
| 9 | King Country | 2022 |
| 10 | Northern Bay of Plenty | 2021 |
| 11 | Eastern Bay of Plenty | 2022 |
| 12 | Central Plateau | 2020 2023 |
| 13 | Central Taranaki | 2021 |
| 14 | Coastal Taranaki | 2022 |
| 15 | Southern Taranaki | 2022 |
| 16 | Central Districts west West | 2021 |
| 17 | Hawke's Bay | 2022 |
| 18 | Wairarapa | 2020 2023 |
| 19 | Tasman / Marlborough | 2021 |
| 20 | North Canterbury | 2022 |
| 21 | Central Canterbury | 2021 |
| 22 | South Canterbury | 2021 |
| 23 | Otago | 2022 |
| 24 | Eastern Southland | 2020 2023 |
| 25 | Western Southland | 2021 |

2020 Review of Council related Amendments to the Constitution and Explanatory Notes

The amendments to the Constitution marked up in this Part Four and the associated Explanatory Notes relate to Resolution 8. The Milk Price Panel related amendments to the Constitution proposed under Resolution 6 and the Governance and Representation Review related amendments to the Constitution proposed under Resolution 7 are each separately provided for in Part Two of the Notice of Meeting.

The changes being made are those in mark up. That is, where a matter is deleted it is shown as being struck out and where a matter is inserted it is shown as being underlined.

| Amendments to Constitution | Explanatory Notes |
|---|---|
| 16 SHAREHOLDERS' FONTERRA CO-OPERATIVE COUNCIL | Name changes throughout as the Fonterra Shareholders' Council has been renamed 'Fonterra Co-operative Council' reflecting Recommendation 5. |
| 16.1 Establishment of <u>Shareholders' Co-operative Council</u>: <u>Clause 16 establishes the Co-operative Council. While the Co-operative Council is not a separate legal entity, it shall, so far as is practicable, operate as an independent body within the organisational framework of the Company. This clause 16 does not alter the Directors' duty to act in the best interest of the Company notwithstanding the Co-operative Council's role, functions or powers as set out in this clause 16 and such duty will apply notwithstanding anything to the contrary in this clause.</u> | This new clause recognises that, to represent members' interests objectively and transparently, Council needs to operate, and be seen by members to operate, independently of the Board. |
| <u>16.2 Membership of the Co-operative Council</u>: Subject to casual vacancies there shall be a <u>Shareholders' Co-operative</u> Council of not fewer than 25 Councillors which shall be elected <u>or appointed</u> in accordance with the by-laws of the <u>Shareholders' Co-operative</u> Council. The Shareholders' Council shall have the following functions: | The addition of the words 'or appointed' recognises that Council may appoint a person to fill a casual vacancy under clause 1.7(b) of its By-laws. If the separate proposed changes to clause 16.1 in Resolution 7 are passed at the Annual Meeting, those amendments will be made to this clause 16.2. |
| <u>16.3 Role: The role of the Co-operative Council is to support Shareholders' democratic control of their Company and to actively represent and seek to protect Members' interests as owners, investors, suppliers and members of the Fonterra co-operative community.</u> | This new clause reflects: <ul style="list-style-type: none"> • Recommendation 1 - amend the Constitution to include a role description, and • that Council's role should be to actively represent the interests of all members of the Co-operative. The wording incorporates the Steering Group's explanation of Council's role (see page 8, Final Report and Recommendations), amended to recognise that shareholders have democratic control via their voting entitlements. A new definition for 'Members' has been added to clause 48.1 and is set out below. |
| <u>16.4 Functions: The Co-operative Council shall have the following functions:</u> | The functions have been re-ordered – those relating to Connection are listed first, then Accountability and then Guardianship. |
| <u>(a) fostering Member engagement with the Company;</u> | This reflects Recommendation 6. |
| <u>(b) understanding and representing to the Board the interests, needs, views and expectations of Members;</u> | This reflects Recommendation 10. |

| Amendments to Constitution | Explanatory Notes |
|---|---|
| <p>(c) (e) subject to any applicable legislative or regulatory requirement and to the Market Rules, receiving <u>from and commenting on reports from discussing with</u> the Board, <u>at least four times each financial year, reports</u> on the Company's consolidated and key business unit operations. at least four times each Season; sSuch reports <u>will to</u> include a commentary on actual achievements compared with the Board's <u>statement of intentions key measures</u> for the <u>Company's performance and operations of the Company for that Season, and the Company's key performance indicators and any identified risks to the Company's on-going performance. The reports and discussions will only utilise publicly available information or information which is not Inside Information. The Co-operative Council will report to Members on those engagements;</u></p> | <p>The amendments reflect:</p> <ul style="list-style-type: none"> • Recommendation 12 - that the Co-operative Council should focus engagements with the Board on critical members' interests and needs, and report transparently to members on those engagements. • Recommendation 13 – to cease Councillors' access to confidential information to ensure Council can be independently objective. <p>Changes have been made to refer to 'the Board's key measures' and 'any identified risks', in place of the annual 'statement of intentions' and the 'Company's key performance indicators', to recognise the longer-term outlook of members, as reflected in the Letter of Members' Expectations.</p> <p>A definition for "Inside Information" will be added to clause 48.1 (see below).</p> |
| <p>(d) <u>monitoring information provided by the Company to Members and assisting Members to understand the implications of that information to them;</u></p> | <p>This amendment reflects a core aspect of the Accountability function, which is to ensure that Members are fully informed by Fonterra about the Company's performance.</p> |
| <p>(e) <u>seeking Board explanation of, and responsibility for, the Company's strategy and performance;</u></p> | <p>This reflects Recommendation 12.</p> <p>The Steering Group's definition of accountability (page 13, Final Report) has been adopted.</p> |
| <p>(f) (g)(v) communicating with and commenting to Shareholders and Sharemilkers <u>Members on Company and dairy industry matters, how the Co-operative Council represents Members' interests, in accordance with protocols agreed between the Board and the Shareholders' Council;</u></p> | <p>Council's role in relation to wider dairy industry matters is now set out in new paragraph (i) below.</p> |
| <p>(g) (a) working with the Board to develop as joint guardians of the Company's co-operative philosophy, <u>as expressed in the Company's Co-operative Principles, Purpose Statement and Values. Either the Board or Council may, from time to time, require that the co-operative philosophy is reviewed. In this context guardianship includes:</u></p> <p>(i) <u>considering the extent to which the co-operative philosophy reflects Members' overall interests; and</u></p> <p>(ii) <u>ensuring that the co-operative philosophy is not changed except with the consent of the Co-operative Council and the Board;</u></p> | <p>The amendments reflect that the co-operative philosophy exists and clarify where it is expressed. Definitions of "Co-operative Principles", "Purpose Statement" and "Values" will be added to clause 48.1 (see below, where the related explanatory note sets out the current wording of the Co-operative Principles, Purpose Statement and Values).</p> <p>Recommendation 14 was to assign Council lead responsibility for guardianship of the co-operative philosophy. The current approach of joint guardianship between Board and Council on the co-operative philosophy has been retained, reflecting "You, me, us, together".</p> <p>The requirement for consent to any changes reflects existing clause 16.1(c) which will be deleted – see the deletion after paragraph (j) below.</p> |
| <p>(h) <u>consulting with the Board and/or management on decisions which have the potential to affect Members' interests in their co-operative;</u></p> | <p>This reflects Recommendation 17.</p> |

| Amendments to Constitution | Explanatory Notes |
|---|---|
| (i) advocating publicly, after consultation with the Board, on Members' collective behalf on matters relating directly to their interests in their co-operative and, when it considers it appropriate, on matters relating to the dairy industry; | This reflects Recommendation 18. The wording also clarifies Council's role in relation to wider dairy industry matters, currently in clause 16.1(g)(v) which will be deleted (see paragraph (f) above). |
| (j) (b) adopting from time to time such written procedures as the Shareholders' Co-operative Council thinks fit for holding a postal ballot of Shareholders for the election and removal of Directors pursuant to clause 12.2; | Name change only. |
| (c) approving the Company's mission statement and values as proposed by the Board. After such approval, the Company's mission statement and values may not be changed by the Board except with the consent of the Shareholders' Council; | Replaced by paragraph (g) above. |
| (d) receiving from the Board and reviewing the Board's statement of intentions for the performance and operations of the Company for each Season; | Deleted. Amended paragraph (c) above requires the Board's reports to Council to include commentary on actual achievements compared to the Board's key measures for the Company's performance. Moving beyond measures 'for each Season' recognises members' longer-term outlook as reflected in the Letter of Members' Expectations. |
| (f) representing the views of Shareholders; | Covered in new paragraph (b) above. |
| (k) (h) administering training programmes for prospective Directors and for Councillors, and providing to Shareholders Members learning and development opportunities with a view to facilitating informed and participating ShareholdersMembers; | Amended to recognise Council delivers training programmes for existing Councillors. |
| (l) (i) consulting with the Board in relation to specific projects or activities, if itthe Co-operative Council considers that the projects or activities warrant discussion; (m) considering and, in consultation with the Board, proposing to Shareholders changes to this Constitution; (n) consulting with the Board in relation to the operation of the Fonterra Shareholders' Market and any Authorised Fund; (o) consulting with the Board in relation to any changes to the Milk Price Manual and the Milk Price Principles; (p) appointing any Valuer and procuring that any such Valuer acts in accordance with the provisions of this Constitution; and | Name change only. |

| Amendments to Constitution | Explanatory Notes |
|---|--|
| <p>(q) in relation to the Milk Commissioner:</p> <ul style="list-style-type: none"> (i) appointing the Milk Commissioner in accordance with clause 17.1; (ii) giving such assistance to the Milk Commissioner concerning the performance of its duties as shall seem expedient to the <u>Shareholders' Co-operative</u> Council; (iii) receiving reports from the Milk Commissioner on the status and outcome of concerns or complaints referred to it; (iv) receiving and considering recommendations from the Milk Commissioner for changes to the by-laws of the Milk Commissioner; (v) monitoring the by-laws of the Milk Commissioner and subject to clause 17 from time to time amending or fixing the by-laws of the Milk Commissioner; (vi) receiving and, if thought fit, approving the report of the Milk Commissioner for each Season; (vii) considering and, if thought fit, approving a draft financial budget prepared by including provision for the costs of the Milk Commissioner for each financial year for each upcoming Season, which is to then be incorporated into in the <u>Shareholders' Co-operative</u> Council budget; (viii) suspending or removing the Milk Commissioner; and (ix) at any time and from time to time obtaining additional money for the purposes of the Milk Commissioner by levying the Company, the amount of any such levy being determined by the Milk Commissioner and approved by the <u>Shareholders' Co-operative</u> Council, which shall be due and payable by the Company four weeks after a notice in writing requesting the money has been given to the Company by the <u>Shareholders' Co-operative</u> Council: <u>and</u> | <p>Amended to reflect:</p> <ul style="list-style-type: none"> • Council does not approve the Milk Commissioner's report – that report is accepted as received and included in Council's Annual Report. • Council no longer receives a draft budget from the Milk Commissioner. This reflects that it is not feasible for the Milk Commissioner to predict with any accuracy the number or complexity of matters that may be referred to the Commissioner in any year. Council will continue to include provision for the costs of the Milk Commissioner in Council's budget which is put to shareholders for approval. That provision is based on Council's estimate of costs taking into consideration recent years' costs. |
| <p>(r) (g) preparing the Shareholders' Council's programme and budget for each Season financial year and, at each annual meeting of the Company:</p> <ul style="list-style-type: none"> (i) presenting that programme and budget to Shareholders for approval; (ii) reporting on the activities of the <u>Shareholders' Co-operative</u> Council in the preceding <u>Season financial year</u>; (iii) reporting <u>on</u> the view of the <u>Shareholders' Co-operative</u> Council <u>on the alignment of Company strategy and performance to Members' expectations and aspirations, as to the Company's direction, performance and operations</u> including a commentary on actual achievements compared with the Board's <u>key measures for the Company's performance statement of intentions for the performance and operations of the Company the most recently completed Season</u>; (iiiiv) presenting the Milk Commissioner's report for the most recently completed Season provided that, at the Milk Commissioner's discretion, the Milk Commissioner may present that report; <u>and</u> (iv) presenting the Co-operative Council's programme and budget for the current financial year to Shareholders for approval. | <p>Amended to:</p> <ul style="list-style-type: none"> • remove duplicate wording • re-order paragraphs sequentially by year, and • reflect the changes made to paragraph (c) above. |
| <p><u>16.5 Powers: The Co-operative Council shall have the following _____ powers:</u></p> | <p>A new clause has been created to separate these powers from Council's functions.</p> |

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| <p>(a) 16.1(f) recommending to the Board, if it<u>the Co-operative Council</u> decides <u>(by a majority of 75% or more of Councillors)</u> that circumstances have arisen which require a report, the commissioning <u>by the Company</u> of a special report (whether internal or independent) on specific projects or activities as identified by the <u>Shareholders'Co-operative</u> Council;</p> | <p>Additional wording inserted to clarify:</p> <ul style="list-style-type: none"> the level of Councillor support required, and that the report would be commissioned by the Company. |
| <p>(b) 16.1(k) recommending to the Shareholders, if it<u>the Co-operative Council</u> decides <u>(by a majority of 75% or more of Councillors)</u> that circumstances have arisen which require a report, the commissioning <u>by the Co-operative Council</u> of a special report (whether internal or independent) on specific projects or activities as identified by the <u>Shareholders'Co-operative</u> Council; <u>and</u></p> | <p>Amended to enable Council to commission this report. Council can already refer to shareholders the sorts of 'circumstances' contemplated by this clause under the next paragraph (c)(iv).</p> |
| <p>(c) 16.1(f) calling a special meeting of Shareholders, if the <u>Shareholders'Co-operative</u> Council has serious concerns about:</p> <p>(i) the Company's compliance with the co-operative philosophy <u>referred to in clause 16.4(g)</u>; or</p> <p>(ii) whether the Company is achieving its<u>the</u> purpose <u>set out in clause 1.2 of this Constitution</u> of maximising the wealth of its Shareholders; or</p> <p>(iii) the achievement of the <u>Board's Company's</u> key performance <u>indicatorsmeasures for the Company</u>; <u>or</u></p> <p><u>(iv) the alignment of the Board's strategy or key performance measures to Members' expectations and aspirations, as set out in the then current Letter of Members' Expectations</u>; or</p> <p>(iv) any other material issue which the <u>Shareholders'Co-operative</u> Council considers has <u>or may have</u> a detrimental effect on the Company,</p> <p>and the calling of that meeting is supported by a majority of 75% or more of Councillors.;</p> | <p>Amended:</p> <ul style="list-style-type: none"> to clarify that the 'purpose' referred to in (ii) is the purpose stated in clause 1.2 of the Constitution, as distinct from the Co-operative's purpose statement. Any serious concerns about that latter purpose statement fall within the preceding (i) as it is part of the co-operative philosophy to reflect in (iii) the new wording in clause 16.4(c) to include new (iv), and in (v) to enable Council to act proactively, not just reactively. <p>A definition for "Letter of Members' Expectations" will be added to clause 48.1 (see below).</p> |
| <p>16.62 Wards: Pursuant to determinations of the <u>Shareholders'Co-operative</u> Council:</p> <p>(a) the area covered by the operations of the Company in New Zealand is divided into Wards; and</p> <p>(b) the number of Councillors by whom each Ward is entitled to be represented is set.</p> <p>16.73 Review of Wards: The <u>Shareholders'Co-operative</u> Council shall from time to time review the Ward boundaries and Ward representation and determine whether they should be changed. The <u>Shareholders' Co-operative</u> Council may then change the Ward boundaries and representation having regard, with respect to each Ward, to the number of Shareholders, the amount of Milksolids supplied and communities of interest, provided that:</p> <p>(a) a minimum of one and no more than two Councillors shall be allocated to each Ward; and</p> <p>(b) the <u>Shareholders' Co-operative</u> Council shall not reduce the number of Wards below 25.</p> <p>16.84 Election of Councillors: Subject to the provisions of this clause 16, the manner in which Councillors are nominated, elected and removed by the respective Wards shall be governed by the by-laws of the <u>Shareholders' Co-operative</u> Council. Every election of Councillors shall be held in the manner for the time being approved pursuant to this clause. The <u>Shareholders' Co-operative</u> Council at the date of this Constitution shall continue in office.</p> | <p>Name change only.</p> <p>If the separate proposed changes to clause 16.4 in Resolution 7 are passed at the Annual Meeting, those amendments will be made to this clause 16.8.</p> |

| Amendments to Constitution | Explanatory Notes |
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| <p>16.95 Qualifications of Councillors: No person may be elected or hold office as a Councillor unless he or she:</p> <p>(a) is a person who would be qualified for election as a Director in terms of clause 12.3;</p> <p>(b) is not during their tenure as a Councillor, a Director or executive of the Company or the Milk Commissioner; and</p> <p>(c) has signed a Confidentiality Deed and Indemnity in the form determined by the Board relating to information he or she receives in his or her capacity as a Councillor.</p> <p>16.106 Councillors to be bound by Constitution: If a Councillor is not a Shareholder, that Councillor shall, before taking office, execute a document agreeing to be bound by the provisions of this Constitution.</p> <p>16.117 By-laws of Shareholders' Co-operative Council: Subject to this clause 16, the <u>Shareholders' Co-operative</u> Council has the rights, powers, duties and obligations set out in the by-laws of the <u>Shareholders' Co-operative</u> Council. The <u>Shareholders' Co-operative</u> Council may with the approval of Shareholders by Special Resolution amend the by-laws of the <u>Shareholders' Co-operative</u> Council from time to time.</p> <p>16.128 Indemnity for Councillors: Each Councillor shall be granted an indemnity by the Company in respect of liability to any person other than the Company or a related company. The indemnity will be for any act or omission of the Councillor in his or her capacity as a Councillor and for costs incurred by the Councillor in defending or settling any claim or proceeding relating to any such liability. The indemnity will not cover criminal liability or liability in respect of a breach of any duty owed by the Councillor to the Company. The form of the indemnity will be determined by the Board.</p> <p>16.139 Power to retain advisers: The <u>Shareholders' Co-operative</u> Council shall, for the purpose of performing its functions, have power to retain such legal, accounting, financial and other advisers as the Chairperson of the <u>Shareholders' Co-operative</u> Council acting reasonably deems fit.</p> | <p>If the separate proposed changes to clause 16.5 in Resolution 7 are passed at the Annual Meeting, those amendments will be made to this clause 16.9.</p> |
| <p>16.140 Board to Provide Information to Shareholders' Co-operative Council: The Board will, subject to all relevant legislative and regulatory requirements and to the Market Rules, <u>including by only disclosing information which is not Inside Information:</u></p> <p>(a) provide the level of information to the <u>Shareholders' Co-operative</u> Council that enables the <u>Shareholders' Co-operative</u> Council to fully perform its roles, duties and functions <u>and exercise its powers</u> as envisaged by the Company's this Constitution. In addition the Board will, subject to legislative and regulatory requirements and the Market Rules; and</p> <p>(b) consult with the <u>Shareholders' Co-operative</u> Council in relation to matters on which consultation is contemplated in clause 16.14, including the terms of the Risk Management Policy adopted from time to time by the Board (and on any changes thereto) in relation to an Authorised Fund, and the Board will take all practical steps to facilitate such consultation.</p> <p>To the extent that information is provided to the <u>Shareholders' Co-operative</u> Council it shall be subject to the Confidentiality Deed and Indemnity referred to in clause 16.95(c) of this Constitution being entered into by each Councillor.</p> | <p>Amended to:</p> <ul style="list-style-type: none"> clarify that Inside Information will not be disclosed, which is consistent with Recommendation 13 (noted above) to cease Councillors' access to confidential information reflect new clause 16.5 above which separates Council's powers from its functions remove repetitive wording, and update clause references. <p>A definition for "Inside Information" will be added to clause 48.1 (see below).</p> <p>If the separate proposed changes to clause 16.10 in Resolution 1 to be considered at the Special Meeting which follows the Annual Meeting are passed, and the proposed changes to this clause are passed at the Annual Meeting, the amendments proposed to clause 16.10 in Resolution 1 at the Special Meeting will be made to renumbered clause 16.14(b) in addition to the amendments shown here.</p> |

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| <p>16.151 Working Interface between Board and Shareholders' Co-operative Council: The Board and the Shareholders' Co-operative Council will comply with the document entitled "Fonterra Board, Executive and Shareholders' Co-operative Council and Management Working Interface" agreed between the Board and the Shareholders' Co-operative Council from time to time, which shall include a consultation framework.</p> | <p>Amended to:</p> <ul style="list-style-type: none"> reflect the Co-operative Council's name change refer to the current title of the working interface document, and stipulate that the working interface document is to include a consultation framework. |
| <p>Consequential Amendments</p> <p>Add the following definitions in clause 48.1:</p> <p>"Co-operative Principles" means the Company's co-operative principles from time to time, which are set out in the annual report of the Co-operative Council.</p> <p>"Inside Information" has the meaning ascribed to that term in the Financial Markets Conduct Act 2013.</p> <p>"Letter of Members' Expectations" means the letter from the Co-operative Council to the Board from time to time setting out the expectations of Members, which is set out in the annual report of the Co-operative Council.</p> <p>"Member" means a Shareholder who is supplying Milk to the Company, a Sharemilker or contract milker of a Shareholder who is supplying Milk to the Company, and other persons supplying Milk to the Company or any of its subsidiaries in New Zealand, under the standard Terms and Conditions of the Company or any of its subsidiaries.</p> <p>"Purpose Statement" means the Company's purpose statement from time to time, which is set out in the annual report of the Co-operative Council.</p> <p>"Values" means the Company's values from time to time, which are set out in the annual report of the Co-operative Council.</p> | <p>As at 1 November 2021, the Co-operative Principles are:</p> <ol style="list-style-type: none"> Shares in Fonterra Co-operative Group can only be acquired by persons supplying milksolids to Fonterra. Fonterra supplying shareholders agree to the dual commitment to supply milk and invest capital Supplying shareholders must comply with the Co-operative Share standard in respect of their milksolids supplied. Control of Fonterra is exercised by its supplying shareholders who have voting rights in proportion to their total milksolids supplied. Financial benefits and obligations that arise from selling milk are allocated to supplying shareholders in proportion to their total milksolids supplied. Financial benefits and obligations that arise from invested capital are allocated to shareholders in proportion to their shareholding. <p>The definition of "Member" reflects Recommendation 3.</p> <p>As at 1 November 2021, the Purpose Statement is:</p> <p style="padding-left: 40px;">Our Co-operative, Empowering people To create goodness for generations. You, me, us together Tātou, tātou</p> <p>As at 1 November 2021, the Values are:</p> <p style="padding-left: 40px;">Do what's right – We act with care, empathy and respect and we hold ourselves and others to high standards.</p> <p style="padding-left: 40px;">Challenge boundaries – We are progressive, open-minded and always eager to uncover new ways of working to benefit everyone in our Co-op.</p> <p style="padding-left: 40px;">Co-operative spirit – We pitch in and work as one connected team to create goodness together.</p> <p style="padding-left: 40px;">Make it happen – We deliver on our commitments and live all our values in everything we do.</p> |
| <p>References to "Shareholders' Council" to be changed to "Co-operative Council" throughout.</p> | |



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