

# FONTERRA ANNUAL MEETING 2013

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS AND EXPLANATORY NOTES



**10.30AM WEDNESDAY, 27 NOVEMBER 2013**  
FONTERRA EDENDALE SITE, STATE HIGHWAY 1, EDENDALE  
(PARKING AT EDENDALE RUGBY CLUB, STATE HIGHWAY 1, EDENDALE)



**Dairy for life**

## Contents

Fonterra Co-operative Group Limited Annual Meeting for 2013	1
Annual Meeting Documents	1
Shareholders' Voting Entitlements	1
Votes Required and Quorum	2
Results of Voting	2
Fonterra Co-operative Group Limited	4
Annual Meeting Agenda	4
PART ONE	5
Business	5
Annual Meeting Proceedings	5
Approval of Remuneration of Directors, Shareholders' Councillors and Directors' Remuneration Committee Members	5
Appointment of Auditor	5
Shareholders' Council Report	5
Approval of Shareholders' Council Programme and Budget	6
Ratification of Appointments of Directors	6
PART TWO	7
Welcome	7
Annual Meeting Proceedings	7
Approval of Remuneration of Directors, Shareholders' Councillors and Directors' Remuneration Committee Members	7
Appointment of Auditor	8
Approval of Shareholders' Council Programme and Budget	8
Ratification of Appointments of Directors	9

## Fonterra Co-operative Group Limited Annual Meeting for 2013

Fonterra's Annual Meeting will be held at the Fonterra Edendale site, State Highway 1, Edendale at **10.30am on Wednesday, 27 November 2013**.

### 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).
- A Fonterra Board of Directors Election Voting Paper
- A Shareholders' Council Voting Paper (for shareholders in Wards 8 and 21 only)
- A combined Annual Meeting Voting Paper/Proxy Form. Use this Voting Paper:
  - 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 by internet, post or fax, 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 Monday, 25 November 2013
  - 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 Proxy form.

### Shareholders' Voting Entitlements

Voting at the Annual Meeting will be by poll. In order to vote, you will need to cast an internet, postal or fax vote, attend in person and vote, or appoint a proxy or representative to attend and vote for you.

A Shareholder's voting entitlement is based on their milksolids production, with one vote for every 1,000kg of milksolids supplied during the season ended **31 May 2013**. 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. In the case of a dry farm conversion and farm amalgamations/divisions, voting entitlement is based on the Board's estimate of milksolids production this season. Milk supplied on Contract Supply and milk which is not backed by shares (Unshared Supply) is excluded from milksolids production when calculating voting entitlements.

In accordance with the Companies Act, the Board has fixed **5.00pm on Tuesday, 29 October 2013** as the date for determining voting entitlements of Shareholders for this meeting. Accordingly, those persons who are, at **5.00pm on Tuesday, 29 October 2013**, registered as Shareholders will be entitled to vote at the Annual Meeting in respect of the Shares registered in their name on that date.

A Shareholder's voting entitlement for a farm is shown on the Voting Paper enclosed for that farm with this pack.

## 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 quorum for the meeting is present if not fewer than 50 Shareholders have cast postal votes 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.

## Results of Voting

The results of voting at the Annual Meeting will be posted on Fencepost at [www.fonterra.com](http://www.fonterra.com) as soon as vote counting is complete and the Chairman has declared the results.

**1 NOVEMBER 2013**

Dear Shareholders,

I would like to invite you to attend this year's Annual Meeting being held for the first time at one of our sites - Fonterra Edendale in Invercargill.

Edendale is one of the Co-operative's largest sites, responsible for 25 per cent of our annual milk production, or 650 tanker loads every day during peak.

At the meeting there will be a review of overall past year's performance and our Chief Executive Officer, Theo Spierings, will provide a presentation on the financial performance and operations along with the future business direction and priorities.

Shareholders are being asked to vote on the five ordinary business resolutions to approve the remuneration of Directors, Councillors and the Directors' Remuneration Committee, approve the appointment of the Auditor and approve the Shareholders' Council programme and budget. This year there will also be two resolutions to ratify the appointment of independent Directors. Each of these resolutions requires at least 50 per cent support to be passed.

Further detail on each of the resolutions is included in this Notice of Meeting booklet.

If you are unable to attend the meeting, you can still have your say by casting your vote by internet, post or fax, or by way of proxy. Further instructions on how to vote by all these methods can be found on the Voting Papers in your meeting pack.

While the Annual Meeting will not be televised, a video of key items from the meeting will be available on Fencepost at [www.fonterra.com](http://www.fonterra.com) from Thursday, 28 November 2013.

I look forward to seeing you at the Annual Meeting.

Yours Sincerely,



John Wilson  
Chairman

# Fonterra Co-operative Group Limited

## Annual Meeting Agenda

Below is the recommended programme for the Annual Meeting. Shareholders should note that the order may change at the discretion of the Chairman.

<b>10.00am - Registration / Morning Tea</b>
<b>10.30am - Welcome</b> Welcome / Introduction – John Wilson, Chairman
<b>10.45am – Annual Meeting Proceedings</b> Chairman's Review Chief Executive Officer's Presentation – Theo Spierings
<b>Approval of Remuneration of Directors, Shareholders' Councillors and Directors' Remuneration Committee Members</b> Directors' Remuneration Committee Review – Rodney Wilson, Chairman Resolution 1: Approval of remuneration of Directors Resolution 2: Approval of remuneration of Shareholders' Councillors Resolution 3: Approval of remuneration of members of Directors' Remuneration Committee
<b>Appointment of Auditor</b> Resolution 4: Appointment of PricewaterhouseCoopers as auditor and authorisation of the Directors to fix the auditor's remuneration
<b>Shareholders' Council Report</b> Chairman's Review - Ian Brown
<b>Approval of Shareholders' Council Programme and Budget</b> Resolution 5: Approval of the Shareholders' Council programme and budget
<b>Ratification of Appointment of Directors</b> Resolution 6: Ratification of appointment of David Jackson Resolution 7: Ratification of appointment of Simon Israel
<b>Voting Paper Collection</b>
<b>Announcement of Election Results</b>
<b>General Business</b>
<b>1.00 / 1.30pm - Closing / Lunch (approximately)</b>

## PART ONE

### NOTICE OF ANNUAL MEETING 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 **Wednesday, 27 November at 10.30am** at the Fonterra Edendale site, State Highway 1, Edendale.

#### Business

Welcome/Introduction

#### Annual Meeting Proceedings

Chairman's Review

Chief Executive Officer's Presentation

#### Approval of Remuneration of Directors, Shareholders' Councillors and Directors' Remuneration Committee Members

Directors' Remuneration Committee Review

##### **Resolution 1: Approval of remuneration of Directors**

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

*"To approve the remuneration of Directors, as recommended by the Directors' Remuneration Committee."*

##### **Resolution 2: Approval of remuneration of Shareholders' Councillors**

To consider the remuneration of Shareholders' Councillors recommended by the Directors' Remuneration Committee and, if thought fit, to resolve:

*"To approve the remuneration of 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 PricewaterhouseCoopers as auditor and authorisation of the Directors to fix the auditor's remuneration**

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

*"To appoint PricewaterhouseCoopers 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."*

#### Shareholders' Council Report

Chairman's Review

## Approval of Shareholders' Council Programme and Budget

### **Resolution 5: Approval of Shareholders' Council programme and budget**

To receive and discuss the Shareholders' Council Report (including the Milk Commissioner's Report) and the Shareholders' Council's programme and budget for the current season (contained in the Shareholders' Council's Annual Report to Shareholders 2012/2013) and, if thought fit, to resolve:

*"To approve the Shareholders' Council's programme and budget for the current season."*

## Ratification of Appointments of Directors

### **Resolution 6: Ratification of appointment of David Jackson**

To consider and, if thought fit, to resolve:

*"To ratify the appointment by the Board of David Jackson as a Director of the Company, under clause 12.4 of the Constitution."*

### **Resolution 7: Ratification of appointment of Simon Israel**

To consider and, if thought fit, to resolve:

*"To ratify the appointment by the Board of Simon Israel as a Director of the Company, under clause 12.4 of the Constitution."*

**John Wilson**

**Chairman, on behalf of the Board**

**Notice of Meeting dated 1 November 2013.**



## PART TWO

### EXPLANATORY NOTES TO NOTICE OF ANNUAL MEETING

#### Welcome

The Chairman will welcome Shareholders.

#### Annual Meeting Proceedings

#### Approval of Remuneration of Directors, Shareholders' Councillors and Directors' Remuneration Committee Members

##### Resolution 1: Approval of remuneration of Directors

In accordance with clause 34.1 of the Company's Constitution, the Directors' Remuneration Committee ("the Committee") met in July 2013 to consider, and recommend to Shareholders, the form and amount of the Directors' remuneration. The Committee comprises six Shareholders and is chaired by Mr Rodney Wilson.

In considering their recommendation, the Committee addressed the market expectations and trends for director fees in New Zealand and overseas, the workload expectations of Directors, relativities between different roles and the nature of the Company. The Committee believes it is important to set realistic fee levels, having particular regard to the broader market, to ensure skilled directors are attracted and retained on the Board.

The Committee also had regard for market trends, as well as the path previously identified, to adjust both the absolute and relative fees for Directors to align to market realities. In particular, in 2010 the Committee noted director fees in Fonterra were modest in comparison to other significant New Zealand companies, whether compared on the basis of turnover, assets, or other key measures. Corrections were recommended in 2010 and 2011, essentially returning the Fonterra fees to a level of equivalence with the market consistent with the fees at the time of Fonterra's establishment.

The Committee is of the view that fee levels are now at a generally appropriate level. Accordingly, the focus of the Committee is to manage the fee levels to avoid as far as possible the need for substantial adjustments year to year.

The Committee's recommendation to shareholders in relation to the remuneration of Directors is:

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

- Chairman **\$405,000 p.a.** (currently \$404,000, a 0.25% increase)
- Director **\$165,000 p.a.** (currently \$161,600, a 2.1% increase)

In addition, at the discretion of the Board, the Chair of each permanent Board Committee may be paid an additional **\$31,000 p.a.**, unless that person is the Chairman of the Board or already in receipt of a Committee Chair allowance (currently \$30,300, a 2.3% increase).

The Committee has also approved the expense reimbursement policy for both Directors and Shareholder 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 Shareholders' Councillors

In accordance with By-law 3.1 of the Shareholders' Council By-laws, the Directors' Remuneration Committee met in July 2013 to consider, and recommend to shareholders, the form and amount of the remuneration to be paid to Shareholder Councillors.

The Committee notes the priorities and expectations on Councillors under the Trading Among Farmers environment, and the changes that have started to flow out of the Governance and Representation review. The Committee considers the Councillor role to be an important one for the Co-operative, such that a more significant increase in the honoraria is justified to attract and recognise shareholders of a high calibre serving in that capacity.

The Committee reviews with the Chair of the Shareholders' Council the allocations made from the discretionary pools in the prior year, and is comfortable that the pools were utilised in a reasonable manner consistent with the intent of the recommendation. The Committee is proposing to combine the two pools formerly provided for additional honoraria, which should provide greater flexibility in administration and allocation to individual councillors.

The Committee's recommendation to shareholders in relation to the remuneration of Shareholder Councillors is: That the honoraria for the Shareholder Councillors and the Chairman of the Council be approved at the following amounts from the date of this Annual Meeting:

- Chair **\$90,900 p.a.** (no change)
- Deputy Chair **\$55,550 p.a.** (no change)
- Councillors **\$30,000 p.a.** (currently \$25,250, a 18.8% increase)
- Discretionary Pool

Up to **\$100,000** per annum (in aggregate), be provided for additional honoraria of Project Leaders and Subcommittee Chairpersons of the Shareholders' Council (in each case not to exceed \$17,500 per annum per person); and for ordinary Councillors representing the Council at its request on external Committees; such provisions to be allocated in whole or part at the discretion of the Chairman of the Shareholders' Council.

(Currently this is two pools totalling \$100,850, and the limit per person is a 1.9% increase over the current \$17,170.)

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

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'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 **\$1,500 p.a.**
- Member **\$500 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 Shareholders' Councillors.

The recommended remuneration is unchanged from current levels.

## **Appointment of Auditor**

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

The Companies Act 1993 requires the Company to appoint an auditor at each Annual Meeting to hold office from the conclusion of that meeting until the conclusion of the next Annual Meeting. Section 197 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.

PricewaterhouseCoopers has audited the Company's financial statements for the year ended 31 July 2013.

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

## **Approval of Shareholders' Council Programme and Budget**

### **Resolution 5: Approval of Shareholders' Council programme and budget**

Under this item of business the Chairman of the Shareholders' Council will, in accordance with the requirements of the Company's Constitution:

- report on the Council's view as to the Company's direction, performance and operations for the preceding season;
- report on the activities undertaken by the Council in the preceding season;
- present the Council's programme and budget for the current season;

- present the Milk Commissioner's Report;
- comment on other dairy industry matters.

Shareholders are then asked to approve the programme and budget of the Shareholders' Council.

The Shareholders' Council has independently finalised its programme and budget and that information is included in the Shareholders' Council's Annual Report to Shareholders 2012/2013.

## Ratification of Appointments of Directors

### **Resolution 6: Ratification of appointment of David Jackson**

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.

David Jackson was appointed by the Board in accordance with clause 12.4 of the Constitution, commencing in September 2007.

In accordance with clause 12.4 of the Constitution, Mr Jackson's appointment needs to be ratified every three years. Details of his qualifications and experience are set out below.

#### ***David Jackson***

David Jackson joined the Fonterra Board in September 2007 as an Appointed Director.

David is Chairman of the Audit, Finance and Risk Committee, is a member of the International Farming Board Committee and serves on the Milk Price Panel.

David also serves on the boards of Nuplex Industries Limited and Mitre 10 (New Zealand) Limited and is Chairman of The New Zealand Refining Company Limited.

David spent more than 30 years with accounting firm Ernst & Young in a variety of roles, and served as Chairman of the board of management for the firm in New Zealand from 1999 to 2002.

### **Resolution 7: Ratification of appointment of Simon Israel**

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.

Simon Israel was appointed by the Board in accordance with clause 12.4 of the Constitution, commencing in May 2013.

In accordance with clause 12.4 of the Constitution, Mr Israel's appointment needs to be ratified at this Annual Meeting. Details of his qualifications and experience are set out below.

#### ***Simon Israel***

Simon Israel was appointed to the Fonterra Co-operative Group Board in 2013.

Simon is a member of the Appointments, Remuneration and Development Committee.

Simon is currently the Chairman of Singapore Telecommunications Limited and is a Director of CapitaLand, one of Asia's largest real estate companies. He was an Executive Director of Temasek Holdings for six years and President from 2010 to 2011. Prior to that he was Chairman for Asia Pacific of the Danone Group. He was also a director of Fraser & Neave, Neptune Orient Lines, Asia Pacific Breweries, Griffin Foods and Frucor Beverage Group.

Simon has ten years' experience in the dairy industry with Danone as a Senior Vice President and member of the Group Executive Committee and as Chairman for the Asia Pacific region.

He was conferred Knight in the Legion of Honour by the French Government in 2007 and awarded the Public Service Medal in Singapore in 2011.



**Dairy for life**