

FONTERRA ANNUAL MEETING 2014

Notice of Annual Meeting of Shareholders and Explanatory Notes

10.30am on Wednesday, 12 November 2014

Fonterra Research and Development Centre

Dairy Farm Road

Palmerston North



FONTERRA
SHAREHOLDERS'
COUNCIL



Dairy for life

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FONTERRA ANNUAL MEETING 2014

Fonterra's Annual Meeting will be held at The Fonterra Research and Development Centre, Dairy Farm Road, Palmerston North at 10.30am on Wednesday, 12 November 2014.

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 2, 7, 14 and 22 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, 10 November 2014
 - 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.

You can vote in the Fonterra Elections and for the Annual Meeting by internet, post or fax. The instructions on how to vote in this manner can be found on the Voting Papers.

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 internet, postal and fax votes.

For the Annual Meeting you can also vote by proxy, or by attending the meeting in person.

All internet, postal, fax and proxy votes must be received by the Returning Officer by 10.30am on Monday, 10 November 2014.

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 2014. If a Shareholder did not supply last season but now owns an existing farm that supplied last season, the voting entitlement will be either based on that farm's supply last season or the Board's estimate of milksolids production this season. In the case of a dry farm conversion, 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 is excluded from milksolids production when calculating voting entitlements.

In accordance with the Companies Act, the Board has fixed 5.00pm on 14 October 2014 as the date for determining voting entitlements of Shareholders for this meeting. Accordingly, those persons who are, at 5.00pm on 14 October 2014, 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.

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 resolution relating to the Shareholder Proposal will be passed if approved by a majority of 75% of the votes of those Shareholders entitled to vote and voting on the resolution.

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 Farm Source online (Fencepost) at nzfarmsource.co.nz and/or fonterra.com as soon as vote counting is complete and the Chairman has declared the results.



Dairy for life

2014 Fonterra Elections and Annual Meeting

17 October 2014

Dear Shareholders,

I would like to invite you to attend this year's Annual Meeting being held at one of our sites – the Fonterra Research and Development Centre in Palmerston North.

The Fonterra Research and Development Centre (FRDC) is one of the largest research facilities in the world dedicated to dairy with an unrivalled reputation for delivering innovative scientific breakthroughs and world-leading technology developments to bring a range of new products and benefits to our customers and consumers.

At the meeting there will be a review of the past year's performance and Chief Executive, Theo Spierings, will provide a presentation on our Co-operative's 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 one resolution to ratify the appointment of one independent Director. Each of these resolutions requires at least 50% 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 Farm Source online (Fencepost) at nzfarmsource.co.nz and/or fonterra.com from Thursday, 13 November 2014.

I look forward to seeing you at the Annual Meeting.

Yours sincerely,

John Wilson
Chairman

FONTERRA
SHAREHOLDERS'
COUNCIL



Dairy for life

FONTERRA CO-OPERATIVE GROUP LIMITED

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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.

10.00am - Registration / Morning Tea

10.30am - Welcome

Welcome / Introduction – John Wilson, Chairman

10.45am – Annual Meeting Proceedings

Chairman's Review

Chief Executive's Presentation

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

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

Appointment of Auditor

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

Shareholders' Council Report

Chairman's Review - Ian Brown

Approval of Shareholders' Council Programme and Budget

Resolution 5: Approval of the Shareholders' Council programme and budget

Ratification of Appointment of Directors

Resolution 6: Ratification of appointment of John Waller

Shareholder Proposal

Resolution 7: Mr Beach's Proposal

Voting Paper Collection

Announcement of Election Results

General Business

1.00 / 1.30pm - Closing / Lunch (approximately)

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, 12 November at 10.30am at the Fonterra Research and Development Centre, Dairy Farm Road, Palmerston North.

Business

Welcome/Introduction

Annual Meeting Proceedings

Chairman's Review

Chief Executive'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 2013/2014) and, if thought fit, to resolve:

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

Ratification of Appointment of Director

**Resolution 6: Ratification of
appointment of John Waller**

To consider and, if thought fit, to resolve:

"To ratify the appointment by the Board of John Waller as a Director of the Company, under clause 12.4 of the Constitution."

Shareholder Proposal

Resolution 7: Mr Beach's Proposal

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

"That all Fonterra overseas investment spending and New Zealand development projects be put on hold until the farmer receives a minimum of \$7.00 per Kg of Milk Solids."

John Wilson

Chairman, on behalf of the Board

Notice of Meeting dated 17 October 2014.

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 2014 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, and for the current year the Committee has recommended that the present remuneration levels should remain unchanged.

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.** (no change)
- Director **\$165,000 p.a.** (no change)

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. (no change)

The Committee has also approved the expense reimbursement policy for both Directors and Shareholders' 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 2014 to consider, and recommend to Shareholders, the form and amount of the remuneration to be paid to Shareholders' Councillors.

The Committee notes the priorities and expectations on Councillors under the Trading Among Farmers environment. The Committee considers the Councillor 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 understands that last year's significant increase in Councillor honoraria continues to achieve that objective.

The Committee reviews with the Chair of the Shareholders' 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 Shareholders' Councillors is:

That the honoraria for the Shareholders' 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.** (no change)
- 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 and the tabling of details of such honoraria payments to the Directors' Remuneration Committee annually.

(This is no change to the amount of the current pool arrangement.)

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.** (no change)
- Member **\$500 p.a.** (no change)

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.

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. 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.

PricewaterhouseCoopers has audited the Company's financial statements for the year ended 31 July 2014.

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 2013/2014.

Ratification of Appointments of Directors

Resolution 6: Ratification of appointment of John Waller

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.

John Waller was appointed by the Board in accordance with clause 12.4 of the Constitution and his appointment was ratified by Shareholders at the Annual Meeting in November 2008 and 2011.

In accordance with clause 12.4 of the Constitution, Mr Waller's appointment needs to be ratified every three years.

The Fonterra Board has determined that Mr Waller qualifies as an Independent Director.

Mr Waller's remuneration and benefits, as with all of the Independent 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 currently remunerates Independent Directors at the same level as Elected Directors.

Details of his qualifications and experience are set out below.

John Waller

John Waller was a partner at PricewaterhouseCoopers for over 20 years. He was also a member of their Board and led their Advisory practice for many years.

John is Chairman of the Bank of New Zealand and the Eden Park Trust. He is a director of National Australia Bank Ltd, BNZ Investments Ltd, Haydn & Rollett Ltd, National Equities Ltd, Sky Network Television Ltd, Property for Industry Ltd and subsidiaries and Donaghys Ltd.

Since joining the Fonterra Board, John has chaired the Fair Value Share Review Committee, the Capital Structure Due Diligence Committee, and the Milk Price Panel, and is a member of the Audit and Finance Committee and the Risk Committee.

Shareholder Proposal

Resolution 7: Shareholder Proposal- Mr Murray Beach

Under clause 15.1 of the Constitution, a Shareholder may give written notice to the Board of a matter which the Shareholder proposes to raise for discussion or resolution at the next meeting of Shareholders at which the Shareholder is entitled to vote. Under the provisions of section 9 of the first schedule to the Companies Act, the Shareholder may include a statement of not more than 1000 words in support of the proposal, together with the name and address of the proposing shareholder.

The Company has received the following proposal from Mr Murray Beach, Supplier no. 39064, P.O. Box 56, Havelock 7150, Marlborough for shareholder consideration and resolution at the Annual Meeting.

"That all Fonterra overseas investment spending and New Zealand development projects be put on hold until the farmer receives a minimum of \$7.00 per Kg of Milk Solids."

Your Board unanimously does not support

this proposal and recommends that you vote against it.

The Shareholders' Council has also advised that it unanimously does not support the proposal.

Constitutional amendments

Mr Beach has advised that he wishes the proposal, if adopted, to be binding on the Board. To achieve that, Part A of the Constitution would require amendment. This requires the support of Farmer shareholders holding 75% of the voting rights at the Annual Meeting.

The Constitution also provides that the support of 50% or more of Shareholders' Councillors is needed for such an amendment.

Support has not been obtained from the Shareholders' Council.

The proposing Shareholder, Mr Murray Beach, was entitled to provide a statement in support of the proposal. The following was supplied:

My reasons for putting the Remit forward are that I am concerned about the continual spending especially at times when the farmer needs the money. We have had two BAD years , then one GOOD year and now another BAD year of payout. That's three BAD years out of four, but during this period there's been no let up on spending by Fonterra on various ventures overseas or in New Zealand.

In my opinion we cannot afford to fund these ventures. My priority is to feed my wife and family and to pay my interest and capital payments on my farm. On top of this we still have all the other farm costs to meet and \$6.00 a milk solid is not enough. My question is;

Where is the money for these ventures coming from?

This year there is over one billion dollars in spending. Is it coming out of our payout or is it borrowed? If it's borrowed we must be paying interest on it, so either way it is still coming out of our payout. We cannot afford to be funding businesses in China or the Netherlands when we are only getting \$6.00

per Kg of Milk Solids.

All the businesses Fonterra has gone into since Fonterra's inception have not produced much in my opinion, as the other milk companies are on par with payment. If these businesses were working, then Fonterra should be way ahead in payments. The dividend on shares is only about half the interest on them, so why are we continually being led to believe that these ventures are good?

So what else has happened? The share price was pushed up to \$6.79 while we were kidded we were getting more equity and with the high share price farmers started leaving. Fonterra paid them to leave and then they started thinking this is not too good so they brought in Trading Among Farmers. Well Trading Among Farmers has backfired as it has kept the share price up. Farmers can still leave and get paid for their shares, not by Fonterra but by people outside the co-op, so they are still losing farmers and their milk. So what was next? We need more milk, we'll give new entities 6 years to share up. But what's happened is there's not much share money coming in for the stainless like there was previous to Trading Among Farmers, only a bit from existing suppliers increased production.

Now let's get to the nitty gritty, there's hardly any money coming in from shares to pay for the stainless, so where is the money coming from for all the development? The milk price is \$5.30. Oh no! They wouldn't take it out of our milk money would they? Surely not.

Let's go back to the end of the second bad year, January to June 2013. There were pages of farms for sale by tender or deadline sale and in most cases (not all) that means the bank wants their money back. The bank doesn't want people to see pages of mortgagee sale signs all through the paper. Farm sales could happen again with the milk price at \$6.00 or less. This puts huge strain on farmers and their families, they don't want to lose their farms that they have worked for years to get.

To me the directors need to think more about the mates they have, rather than being mates

with Chinese. The \$1.5 billion of proposed spending would put close to a dollar in the farmers pocket. That's a good start to seeing these families get through and that's another reason why I've put the remit forward. We can't keep swallowing strategies all the time, we need cold hard cash.

Where are they getting a billion and a half to spend when we're getting \$5.30 a milk solid? How much longer are we expected to believe these strategies for? We need to make a stand and let the directors know that we need the money. Why should we take all the cut, everybody should take a cut, everybody that works for Fonterra. Wages from \$40,000 to \$60,000 a 10% cut. \$60,000 to \$100,000 a 15% cut, over \$100,000 a 25% cut. A temporary committee could be formed to look at all other costs to fine tune the co-op.

You'll note the directors and shareholders' council won't support the remit, they want to defend themselves against the continuous spending.

This remit doesn't stop them spending later when times come right, it just says put things on hold until that time.

I've put the remit forward to see if other farmers feel the same way.

STOP THE SPENDING, GIVE THE FARMERS THE MONEY WHEN TIMES ARE TOUGH!

The Board comments on Mr Beach's proposal as follows:

Your Board recommends that you vote AGAINST this proposal.

In summary, the proposal would not be in the best interests of our Co-operative for the following reasons:

1. The Proposal would fetter the Board's powers conferred upon them by clause 13 of the Constitution to direct and supervise the management of the business and affairs of the Company, and would compromise the ability of Directors to act in the best interests of the Co-operative. The manner in which the Proposal would fetter the Board's powers is set out in the following paragraphs.
2. The Proposal would severely hinder Management's ability to continue to implement the V3 Strategy approved by the Board, to ensure that Fonterra can maximise payout and returns for Farmer Shareholders and is best placed to respond to volatility in global dairy markets. Putting Fonterra's overseas investment spending and New Zealand development projects on hold until shareholders receive a minimum of \$7.00 per Kg of Milk Solids would mean that investment opportunities already identified as enabling Fonterra to implement the Strategy would not proceed. Transactions that are designed to improve the returns to farmer shareholders through the milk pools strategy including the plants at Pahiatua, Lichfield and Edendale would not be able to go ahead.
3. This Proposal would mean that the Company would not be able to invest in additional capacity in New Zealand until shareholders receive a minimum of \$7.00 per Kg of Milk Solids, to meet increased milk supply and processing constraints at the peak of the season. The Proposal would adversely impact on the recent strategic review to increase optionality on the New Zealand manufacturing plants and create efficiency across all of the Company's global manufacturing footprint. Critical New Zealand maintenance and plant work to increase processing capacity in line with additional milk production volumes would also be put on hold under this proposal.
4. As well, investments such as the recently announced global partnership with Beingmate would not be possible under this Proposal. This would limit Fonterra's opportunities to grow volumes of higher value products, expand into large, fast growing markets for dairy products and maximise efficiency in its plants through its multi-hub strategy. To give effect to the Proposal the Shareholder Resolution would need to be passed as a Special Resolution that would prohibit Board and Management entering into an investment or development projects until shareholders

receive a minimum of \$7.00 per Kg of Milk Solid.

5. Fonterra and its legacy co-operatives have a proud history of pursuing a global strategy through all business cycles, the results of which help Fonterra to stand apart today as a globally relevant co-operative, with our farmers earning returns comparable to our global peers. The continued pursuit of this global strategy would not be possible under the Shareholder Proposal.

The Shareholders' Council has reviewed Mr Beach's proposal.

The Council respects the rights of Shareholders to propose resolutions for consideration by all Shareholders.

Having noted the matters referred to below but without pre-empting the decision of the Council under clause 18.1 of Fonterra's constitution (such a resolution will not be considered by the Council until after it has the benefit of the outcome of the Shareholder vote on the Beach Proposal), the Council recommends to Shareholders that they **do not** vote in favour of Mr Beach's Proposal.

1. The Board of Directors of Fonterra have advised the Council that a Shareholder, Murray Beach, has submitted a proposal to put a resolution to Shareholders at Fonterra's Annual Meeting in November. Fonterra has shared Mr Beach's proposed resolution with the Council. Mr Beach's Proposal would require an amendment to Part A of Fonterra's Constitution. A copy of Mr Beach's Proposal has been circulated to all Councillors.
2. The Board of Directors of Fonterra have advised the Council that they do not support Mr Beach's Proposal and will oppose it at the Annual Meeting.
3. The Council debated Mr Beach's

proposal at their September meeting and unanimously voted not to support it.

4. The Council has considered the Board's reasons for not supporting the Proposal and supports the Board's position.
5. As Mr Beach's Proposal would change Part A of Fonterra's Constitution it cannot take effect (even if supported by a special resolution of shareholders) without the support of 50% or more of Councillors under clause 18.1 of Fonterra's Constitution.
6. Any proposed changes to the Constitution **MUST** be taken to Shareholders and receive 75% support before those changes can be made.

If undelivered please return to:

The Returning Officer
Fonterra Elections 2014
PO Box 3138
Christchurch 8140
Free phone 0508 666 446

FONTERRA ELECTIONS 2014 ANNUAL MEETING PROXY PAPER INFORMATION

FONTERRA ELECTIONS 2014 COMBINED ANNUAL MEETING VOTING/PROXY PAPER



HOW TO COMPLETE THE PROXY PAPER AND APPOINT A PROXY:

- 1. Appoint a proxy:** Provide the full name and address of your chosen proxy in the box labelled "Primary Proxy".
The Chairman of the Meeting is willing to act as your primary proxy. If you wish to appoint the Chairman of the Meeting you can simply write "Chairman of the Meeting".
It is recommended that you appoint an alternate proxy as well, in case your primary proxy is unable to attend on the day of the Annual Meeting. Please provide the full name and address of your alternate proxy in the box labelled "Alternate Proxy".
Please note: You do NOT need to appoint an alternate proxy if the Chairman of the Meeting is your primary proxy.
- 2. Instruct your proxy how to vote:** You can instruct your proxy how to vote on each matter by placing a tick in either the "For" or "Against" box. Your proxy CANNOT change the direction of your vote if you instruct them how to vote in this manner. If you do not instruct your proxy how to vote by placing a tick in either the "For" or "Against" box, then your proxy can vote as s/he determines.
- 3. Sign the form:** Each Shareholder must sign the paper:
 - Individuals/Sole Proprietors: the Shareholder must sign the paper.
 - Companies: a duly authorised representative of the company must sign the paper.
 - Joint Shareholders (including trusts, partnerships and estates): it is your responsibility to ensure that the person(s) signing this paper is/are authorised to sign on behalf of, and bind, all joint holders.
 - Attorneys: if the paper is signed under a power of attorney, it must be accompanied by a signed certificate of non-revocation of the power of attorney. The power of attorney under which the paper is signed must be sent with the paper if the power of attorney has not been previously produced to the Company.
- 4. Return the form:** Return the proxy paper as soon as possible. It must be received by the Returning Officer no later than 10.30am on Monday, 10 November 2014.
 - Fax it to 05282 3366 8372 or, if faxing from overseas, to +64 3 377 1474.
 - Or mail by separating, folding and inserting the proxy paper into the freepost envelope provided.

To ensure your Voting Paper reaches the Returning Officer before the close of voting please **post no later than Tuesday, 4 November 2014.**

HOW TO APPOINT A CORPORATE REPRESENTATIVE:

In the case of a Shareholder that is a company or other body corporate, a representative can be appointed to attend the Annual Meeting by completing the proxy form. In this form, proxy can mean proxy or representative appointed for a company or other body corporate or entity.

ERRORS AND OMISSIONS:

By signing and returning the proxy paper, you authorise Fonterra, in its sole discretion, to rectify any errors in, or omissions from, the paper form, including by inserting and correcting details.

REVOKING YOUR APPOINTMENT:

If you change your mind on the appointment of a proxy or representative, you can revoke the appointment by written notice of the Company. Such notice must be received at the registered office of the Company - Fonterra Annual Meeting, Fonterra Co-operative Group Limited, Private Bag 92032, Auckland 1142 (or fax to 09 374 9451) no later than 7.30am on Wednesday, 12 November 2014.

You can vote in **ONE** of the following five ways:

1. INTERNET VOTING

Vote via Farm Source online (Fencepost) at nzfarmsource.co.nz and/or fonterra.com

- Login using your Farm Source login and password
- Follow the voting links from the homepage
- Enter your Personal Identification Number (PIN) and password – see below.

IMPORTANT: By entering the PIN and password you warrant and undertake that you are authorised to exercise the vote of this shareholder.

After voting online, you do not need to submit this Voting Paper and it can be destroyed.

PIN 123456 PASSWORD a b c d

2. POSTAL VOTING

Post the completed Voting Paper to electionz.com in the freepost reply envelope provided.

To ensure your Voting Paper reaches the Returning Officer before the close of voting please **post no later than Tuesday, 4 November 2014.**

3. FAX VOTING

Fax the completed Voting Paper to free fax line **05282 3366 8372** (or **+64 3 377 1474** if faxing from overseas).

After voting by fax, please destroy this Voting Paper.

4. AT THE MEETING

If you plan to attend the meeting, bring this form with you.

Voting instructions:

- Indicate your vote with a tick
- When advised by the Chairman of the Meeting, pass the completed Voting Paper to an official of the meeting.

5. BY PROXY

Appoint a person to attend the Annual Meeting and vote on your behalf.

Internet, postal, fax votes and proxy appointments must be received by electionz.com Ltd no later than: 10.30am on Monday, 10 November 2014

For enquiries phone the ELECTION HELPLINE: **0508 666 446**

FONTERRA ELECTIONS 2014 ANNUAL MEETING VOTING PAPER

Use this paper to vote by post, fax, internet or by attending the Annual Meeting to vote in person.



	Supply No.:	<input type="text"/>
	Details of person completing this Voting Paper:	
	First Name:	<input type="text"/>
	Surname:	<input type="text"/>
	Signature:	<input type="text"/>

		Indicate your vote with a tick ✓	FOR	AGAINST
1	Resolution 1: Approval of remuneration of Directors		<input type="radio"/>	<input type="radio"/>
2	Resolution 2: Approval of remuneration of Shareholders' Councillors		<input type="radio"/>	<input type="radio"/>
3	Resolution 3: Approval of remuneration of members of Directors' Remuneration Committee		<input type="radio"/>	<input type="radio"/>
4	Resolution 4: Appointment of PricewaterhouseCoopers as auditor and authorisation of the Directors to fix the auditor's remuneration		<input type="radio"/>	<input type="radio"/>
5	Resolution 5: Approval of Shareholders' Council programme and budget		<input type="radio"/>	<input type="radio"/>
6	Resolution 6: Ratification of appointment of John Waller		<input type="radio"/>	<input type="radio"/>

Shareholder Proposal.		Indicate your vote with a tick ✓	FOR	AGAINST
7	Resolution 7: Mr Beach's Proposal		<input type="radio"/>	<input type="radio"/>

FONTERRA ELECTIONS 2014 ANNUAL MEETING PROXY PAPER



! Only use this paper if you **do not** plan to attend the meeting but wish to be represented by a proxy holder at the meeting.
• This paper can also be used by a Shareholder that is a company or other body corporate to appoint a representative.

A: Shareholder Details	
Name	Supply Number:
	Party Number:

B: Appointment of Proxy
<i>If you wish to appoint someone as your proxy, insert their full name and address below. The Chairman of the Meeting is willing to act as a proxy and, if you do not insert another person's name, the Chairman of the Meeting will be appointed as your proxy.</i>
Primary Proxy: I/We appoint:
Full name of your proxy:
Full address of your proxy:
as my/our proxy to vote for me/us on my/our behalf at the Annual Meeting of Shareholders to be held at 10.30am on Wednesday, 12 November 2014 and at any adjournment of that Annual Meeting.
Alternate Proxy: <i>You do not need to appoint an alternate proxy but it is recommended that you do so, unless you are appointing the Chairman of the Meeting as proxy. The Chairman of the Meeting is willing to act as an alternate proxy and if you do not insert another person's name, the Chairman of the Meeting will be appointed as your alternate proxy.</i> If the person I/we have appointed is unable to be my/our proxy then I/we appoint:
Full name of your alternate proxy:
Full address of your alternate proxy:

C: Voting Instructions You only need to complete this section if you want to instruct your proxy holder how to vote.		FOR	AGAINST
1	Resolution 1: Approval of remuneration of Directors	<input type="radio"/>	<input type="radio"/>
2	Resolution 2: Approval of remuneration of Shareholders' Councillors	<input type="radio"/>	<input type="radio"/>
3	Resolution 3: Approval of remuneration of members of Directors' Remuneration Committee	<input type="radio"/>	<input type="radio"/>
4	Resolution 4: Appointment of PricewaterhouseCoopers as auditor and authorisation of the Directors to fix the auditor's remuneration	<input type="radio"/>	<input type="radio"/>
5	Resolution 5: Approval of Shareholders' Council programme and budget	<input type="radio"/>	<input type="radio"/>
6	Resolution 6: Ratification of appointment of John Waller	<input type="radio"/>	<input type="radio"/>

Shareholder Proposal.		FOR	AGAINST
7	Resolution 7: Mr Beach's Proposal	<input type="radio"/>	<input type="radio"/>

Signature(s) of Shareholder(s) named in Section A (Please see signing instructions on the next page.)	
By signing this form, I/we warrant and undertake that I/we are authorised to sign on behalf of, and bind, the Shareholder(s) named in Section A.	
Name of Shareholder	Signature
Full name and title of signatory	Date
Name of Shareholder	Signature
Full name and title of signatory	Date
Name of Shareholder	Signature
Full name and title of signatory	Date

If you are appointing a proxy, return this paper as soon as possible. It must be received by the Returning Officer no later than 10.30am Monday, 10 November 2014. Fax to 05282 3366 8372 (or +64 3 377 1474 if faxing from overseas) or separate, fold and insert into the freepost envelope provided.

FONTERRA ELECTIONS 2014 PROXY HOLDER VOTING PAPER

Annual Meeting of Shareholders, 10.30am on Wednesday, 12 November 2014.



Dairy for life

	Supply No.:	<input type="text"/>
	Details of person completing this Voting Paper:	
	First Name:	<input type="text"/>
	Surname:	<input type="text"/>
	Signature:	<input type="text"/>

Indicate your vote with a tick ✓		FOR	AGAINST	UNDIRECTED
1	Resolution 1: Approval of remuneration of Directors	<input type="checkbox"/>	<input type="checkbox"/>	
2	Resolution 2: Approval of remuneration of Shareholders' Councillors	<input type="checkbox"/>	<input type="checkbox"/>	
3	Resolution 3: Approval of remuneration of members of Directors' Remuneration Committee	<input type="checkbox"/>	<input type="checkbox"/>	
4	Resolution 4: Appointment of PricewaterhouseCoopers as auditor and authorisation of the Directors to fix the auditor's remuneration	<input type="checkbox"/>	<input type="checkbox"/>	
5	Resolution 5: Approval of Shareholders' Council programme and budget	<input type="checkbox"/>	<input type="checkbox"/>	
6	Resolution 6: Ratification of appointment of John Waller	<input type="checkbox"/>	<input type="checkbox"/>	
7	Resolution 7: Mr Beach's Proposal	<input type="checkbox"/>	<input type="checkbox"/>	



FONTERRA
SHAREHOLDERS'
COUNCIL

