



Dairy for life

Fonterra Annual Meeting 2023

Notice of Hybrid Annual Meeting
of Shareholders and Explanatory Notes

10.30am on Thursday, 9 November 2023

Mt Hutt Memorial Hall
160 Main Street
Methven
Canterbury

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Fonterra Co-operative Group Limited

2023 Annual Meeting

Fonterra's Annual Meeting will be held as a **hybrid meeting** at **10.30am on Thursday, 9 November 2023**. Shareholders may either attend in person at the **Mt Hutt Memorial Hall, 160 Main Street, Methven, Canterbury** or **join online** using the instructions set out below.

Annual Meeting documents

Each shareholder has been sent:

- This Notice of Meeting booklet, which includes:
 - a letter from the Chair;
 - the Notice of Meeting (including the text of the matters to be voted on by shareholders) (Part One); and
 - explanatory notes regarding each of the matters to be voted on by shareholders (Part Two).
- 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 3 and 6 only).
- A Fonterra Co-operative Council Candidate Booklet (for shareholders in Wards 3 and 6 only).
- A combined Annual Meeting Voting/Proxy Paper. Use this Voting/Proxy Paper:
 - To vote **online** or by **post** so that the Returning Officer receives your vote no later than **10.30am on Tuesday, 7 November 2023**.
 - If you are attending the Annual Meeting in person, 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 Voting/Proxy Paper 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 November 2023**.
 - If you are a company or other body corporate, you can appoint a representative to attend and vote on your behalf by completing the Voting/Proxy Paper.

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

Note: Shareholders without voting entitlements have only been sent this Notice of Meeting booklet.

How to join online

To attend the meeting and participate online, use the following link to the virtual meeting platform:
<https://edge.media-server.com/mmc/go/AnnualMeeting2023>

Shareholders may attend and participate in the meeting virtually via the online platform and will be able to vote and ask questions during the meeting. Shareholders will be required to enter their name and contact number.

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-2023

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 online as early as possible to ensure that as many questions as possible are received and addressed at the appropriate time during the meeting.

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.

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/Proxy Paper.

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 Annual Meeting Voting/Proxy Paper, and count, all online and postal votes.

Shareholders can also vote by attending the meeting in person or online, 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 **10.30am on Tuesday, 7 November 2023**.

Voting entitlements

A shareholder's voting entitlement is based on their share backed milk supply.

'Supplying Shareholders' receive one vote for every 1,000 kilograms of milksolids backed by shares that they supplied to Fonterra during the season ended 31 May 2023. The voting entitlements of 'Secondary Shareholders' are based on share backed milk supply, up to the 'agreed percentage' in relation to Fonterra's share standard for the relevant supplying farm. By way of example:

- if a Supplying Shareholder supplied 100,000 kilograms of milksolids but held only 75,000 shares, they would have only 75 votes, whereas if they held 100,000 shares they would have 100 votes; and
- if the 'agreed percentage' for a Secondary Shareholder is 50% and the supplying farm supplied 100,000 kilograms of milksolids but the Secondary Shareholder held only 45,000 shares, they would have only 45 votes, whereas if they held 50,000 shares they would have 50 votes.

If a Supplying Shareholder did not supply last season but now owns an existing farm that supplied last season, the voting entitlement for that Supplying Shareholder and any Secondary Shareholder 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 2024. 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 1993, the Board has fixed **5.00pm on 11 October 2023** (the **Voting Entitlement Time**) as the date for determining voting entitlements of shareholders for this meeting.

Accordingly, those persons who are, at the Voting Entitlement Time, registered as shareholders will be entitled to vote at the Annual Meeting in respect of their supply, as noted above, backed by shares registered in their name at the Voting Entitlement Time.

A shareholder's voting entitlement (as at the date of printing) is shown on their Annual Meeting Voting/Proxy Paper, which is enclosed with this pack (if applicable). If a shareholder appoints a proxy or representative, the proxy or representative will exercise that shareholder's voting entitlement as described above.

Shareholder questions or requests for corrections relating to voting entitlements should be sent to [electionz.com](mailto:info@electionz.com) (email: info@electionz.com or phone: +64 3 377-3530).

Proxies or representatives

Instructions to appoint a proxy or representative are outlined in this Notice of Meeting and the 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 Chair 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 Annual Meeting Voting/Proxy Paper in full, or where a shareholder's named proxy does not attend the meeting, the Chair of the meeting will act as that shareholder's proxy and will vote in accordance with that shareholder's express direction.

The Chair intends to vote any discretionary proxies, for which they have authority to vote, in favour of the resolutions (other than the shareholder proposals).

All proxy or representative appointments must be received by the Returning Officer by **10.30am on Tuesday, 7 November 2023**.

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 Chair has declared the results.

Chair's Letter

Kia ora tātou

Our 2023 Annual Meeting will be held as a hybrid meeting at 10.30am on Thursday, 9 November 2023. Shareholders may either attend in person at the Mt Hutt Memorial Hall, 160 Main Street, Methven, Canterbury, or join the meeting online.

At this year's meeting, Miles and I will review the Co-operative's performance and discuss our progress towards our 2030 strategic goals.

Given the pressure our individual farming businesses are under as we face into a combination of on-farm inflation and a significantly lower forecast Farmgate Milk Price range for the 2023/24 season, Miles and I will also discuss how our Co-op will be supporting our members, and the actions management is undertaking to reduce the Co-op's costs and ultimately improve overall returns to members.

Shareholders are being asked to vote on seven ordinary business resolutions to:

1. approve changes to the remuneration of Elected Directors;
2. approve changes to the remuneration of Co-operative Councillors;
3. approve no change to the remuneration of the Directors' Remuneration Committee members;
4. approve the appointment of the auditor;
5. ratify the appointment of Mr Bruce Hassall as an Appointed Director;
6. ratify the appointment of Ms Holly Kramer as an Appointed Director; and
7. approve the Co-operative Council programme and budget.

Each of these ordinary resolutions requires more than 50% of votes cast in favour on it to be passed.

There are also two special resolutions which shareholders are being asked to vote on, to:

1. approve amendments to the Constitution relating to the composition of the Milk Price Panel, to address recent changes to the Dairy Industry Restructuring Act 2001; and
2. approve amendments to the Constitution relating to Board size and composition.

Each of these special resolutions requires more than 75% of votes cast in favour of it to be passed.

There are also four shareholder proposals for consideration by shareholders. Further details on each of the proposals is included in this Notice of Meeting. You will see that two of these proposals (Resolutions 10 and 11) are inconsistent with the Board's proposal on Board size and composition in Resolution 8. Given the Co-operative Council has advised that it does not support these proposals, even if Resolutions 10 and 11 are passed, they will not become effective under our Constitution. Therefore, in the unlikely event that both Resolution 8 and Resolutions 10 and 11 are passed, only Resolution 8 would be given effect to. In any event, your Board strongly encourages you to vote FOR Resolution 8 and AGAINST Resolutions 10, 11, 12 and 13.

If you can't attend the Annual Meeting in person or online and are eligible to vote, 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 voting paper in your voting pack (if applicable).

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

Ngā mihi



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 Chair. Shareholders should allow sufficient time to register their attendance upon arrival, prior to the start of the meeting.

10.00am - Registration
10.30am - Welcome Welcome - Peter McBride, Chair of the Board
Annual Meeting Proceedings Chief Executive Officer's presentation Chair's review
Approval of Remuneration of Elected Directors, Co-operative Councillors and Directors' Remuneration Committee Members Directors' Remuneration Committee review – Conall Buchanan, Chair of the Directors' Remuneration Committee Resolution 1: Approval of changes to the remuneration of Elected Directors Resolution 2: Approval of changes to the remuneration of Co-operative Councillors Resolution 3: Approval of no change to the remuneration of members of the 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 Directors Resolution 5: Ratification of appointment of Mr Bruce Hassall Resolution 6: Ratification of appointment of Ms Holly Kramer
Amendments to the Constitution relating to the Milk Price Panel Resolution 7: Approval of amendments to the Constitution relating to the composition of the Milk Price Panel
Amendments to the Constitution relating to Board size and composition Resolution 8: Approval of amendments to the Constitution relating to Board size and composition
Co-operative Council report Chair's review – John Stevenson Co-operative Council programme and budget Resolution 9: Approval of the Co-operative Council programme and budget
Shareholder proposals Resolution 10: Mr Richard Dampney's first proposal Resolution 11: Mr Richard Dampney's second proposal Resolution 12: Mr Richard Dampney's third proposal Resolution 13: Mr Richard Dampney's fourth proposal
Voting paper collection
General business
12.45pm - Closing (approximately)

PART ONE

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 (the **Company**) will be held as a hybrid meeting at **10.30am on Thursday, 9 November 2023**. Shareholders may either attend in person at the Mt Hutt Memorial Hall, 160 Main Street, Methven, Canterbury or join online using the instructions set out in this Notice of Meeting.

Peter McBride

Chair, on behalf of the Board

Notice of Meeting dated 16 October 2023

Business

Welcome

Annual Meeting proceedings

Chief Executive Officer's presentation

Chair's review

Remuneration of Elected Directors, Co-operative Councillors and Directors' Remuneration Committee members

Directors' Remuneration Committee review

Resolution 1: Approval of changes to the remuneration of Elected Directors

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

"To approve the changes to the remuneration of Elected Directors, as recommended by the Directors' Remuneration Committee."

Resolution 2: Approval of changes to the remuneration of Co-operative Councillors

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

"To approve the changes to the remuneration of Co-operative Councillors, as recommended by the Directors' Remuneration Committee."

Resolution 3: Approval of no change to the remuneration of members of the Directors' Remuneration Committee

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

"That no increase of remuneration of members of the Directors' Remuneration Committee be approved, 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 Directors

Resolution 5: Ratification of appointment of Mr Bruce Hassall

To consider and, if thought fit, to resolve:

"To ratify the appointment by the Board of Mr Bruce Hassall as a Director of the Company, under clause 12.4 of the Constitution."

Resolution 6: Ratification of appointment of Ms Holly Kramer

To consider and, if thought fit, to resolve:

"To ratify the appointment by the Board of Ms Holly Kramer as a Director of the Company, under clause 12.4 of the Constitution."

Amendments to the Constitution relating to the Milk Price Panel

Resolution 7: Approval of amendments to the Constitution relating to the composition of the Milk Price Panel

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

"To approve 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, to be effective on and from the date that corresponding amendments have been made to the Fonterra Shareholders' Market Rules."

Amendments to the Constitution relating to Board size and composition

Resolution 8: Approval of amendments to the Constitution relating to Board size and composition

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

“To approve the proposed amendments to the Constitution of the Company, as set out in the section headed ‘Resolution 8’ of Part Two of the Notice of Meeting.”

Co-operative Council report

Chair’s review

Co-operative Council programme and budget

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

To receive and consider the Co-operative Council’s report on its activities during the financial year ending 31 July 2023 and its view on the alignment of Company strategy and performance to members’ expectations and aspirations; the Milk Commissioner’s report for the 2022/23 season (which is set out in the Co-operative Council’s 2023 Annual Report); and the Co-operative Council’s programme and budget for the financial year ending 31 July 2024 and, if thought fit, to resolve:

“To approve the Co-operative Council’s programme and budget for the financial year ending 31 July 2024.”

Shareholder proposals

Resolution 10: Mr Richard Dampney’s first proposal

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

“That the number of Appointed (Independent) Directors be reduced from four to two.”

Resolution 11: Mr Richard Dampney’s second proposal

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

“That the number of Farmer Elected Directors remain.”

Resolution 12: Mr Richard Dampney’s third proposal

To consider and, if thought fit, to resolve:

“That Fonterra shareholders or former Elected Directors can be appointed as “Independent Directors” provided they have had a five year stand down and 75% approval is attained from voting shareholders.”

Resolution 13: Mr Richard Dampney’s fourth proposal

To consider and, if thought fit, to resolve:

“That the Independent Assessment Panel for Elected Directors be scrapped.”

Explanatory Notes to Notice of Annual Meeting

Welcome

The Chair will welcome shareholders.

Annual Meeting proceedings

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

Resolution 1: Approval of changes to the remuneration of Elected Directors

In accordance with clause 34.1 of the Company's Constitution, the Directors' Remuneration Committee (**DRC**) met in July 2023 to consider, and recommend to shareholders, the form and amount of the Elected Directors' remuneration. The DRC comprises six elected shareholders and is chaired by Mr Conall Buchanan.

The DRC reviewed remuneration practices in New Zealand and Australia. The DRC considered whether current remuneration levels were appropriate to ensure highly skilled Directors were attracted and retained on the Board, noting the substantial Director workload. The DRC confirmed that small incremental annual increases in fees continued to be its preferred approach, rather than having periods of no increase followed by large uplifts. The DRC discussed the appropriate level of an increase in the current inflationary environment and being mindful of the financial difficulties that many shareholders were facing with rising on-farm costs and interest rates.

The DRC reviewed the allocations made from the discretionary pool in the prior year, and was comfortable that the pool was utilised in a reasonable manner.

The DRC recommended that the following changes to the remuneration of Elected Directors be approved from the date of this Annual Meeting:

- **Chair:** Increase of \$14,000 (being ~2.97%) to **\$484,000 p.a.**
- **Elected Director:** Increase of \$5,500 (being ~2.88%) to **\$196,500 p.a.**
- In addition, at the discretion of the Board:
 - **The Chair of each permanent Board Committee (unless that person is the Chair of the Board, the Chair of the Audit, Finance and Risk Committee or already in receipt of a Committee Chair allowance):** Increase of \$1,000 (being ~2.78%) to **\$37,000 p.a.**
 - **The Chair of the Audit, Finance and Risk Committee:** Increase of \$1,500 (being 3%) to **\$51,500 p.a.**

- **Discretionary pool:** No change from up to **\$150,000 p.a.** in aggregate. The discretionary pool is provided for Directors to be remunerated for additional duties, workload and responsibilities (such fees to be allocated at the discretion of the People, Culture and Safety Committee of the Board and the Chair of the Board).

The DRC 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 changes to the remuneration of Co-operative Councillors

In accordance with By-law 3.1 of the Co-operative Council By-laws, the DRC met in July 2023 to consider, and recommend to shareholders, the form and amount of the remuneration to be paid to Co-operative Councillors.

The DRC considered Councillor remuneration, noting that small incremental annual increases in fees continued to be its preferred approach, rather than having periods of no increase followed by large uplifts. The DRC agreed that the level of the honoraria needed to be sufficient to attract shareholders of a high calibre, and to recognise that Councillors were required to pay rising labour costs for time off-farm while performing Council duties. The DRC discussed the appropriate level of an increase in the current inflationary environment and being mindful of the financial difficulties that many shareholders were facing with rising on-farm costs and interest rates.

The DRC reviewed the allocations made from the discretionary pool in the prior year, and was comfortable that the pool was utilised in a reasonable manner.

The DRC recommended that the following changes to the remuneration of Co-operative Councillors be approved from the date of this Annual Meeting:

- **Chair:** Increase of \$4,000 (being ~3.33%) to **\$124,000 p.a.**
- **Councillor:** Increase of \$1,250 (being ~3.25%) to **\$39,750 p.a.**
- **Discretionary pool:** No change from up to **\$100,000 p.a.** in aggregate. The discretionary pool is provided for additional honoraria of Co-operative Councillors (excluding the Chair 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; (such provisions to be allocated in whole or part at the discretion of the Chair of the Co-operative Council).

Resolution 3: Approval of no change to the 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 DRC. The DRC comprises six elected shareholders.

The Board noted that the DRC members' honoraria was last increased in 2021 to **\$2,500 p.a.** for the Chair and **\$1,500 p.a.** for the other members.

The Board recommends no change to this in 2023.

Members of the DRC are also entitled to be paid for reasonable expenses incurred in connection with the business of the DRC, 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 (the **Companies Act**) requires the Company to appoint an auditor. Section 207S of the Companies Act 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 2023.

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 Directors

Resolution 5: Ratification of appointment of Mr Bruce Hassall

Resolution 6: Ratification of appointment of Ms Holly Kramer

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 Bruce Hassall was appointed by the Board in 2017 and re-appointed in 2020 and 2023. In accordance with clause 12.4 of the Constitution, his latest re-appointment is required to be ratified by shareholders at the 2023 Annual Meeting.

Ms Holly Kramer was appointed by the Board in 2020 and re-appointed in 2023. In accordance with clause 12.4 of the Constitution, her re-appointment is required to be ratified by shareholders at the 2023 Annual Meeting.

The Fonterra Board has determined that Mr Bruce Hassall and Ms Holly Kramer each qualify as an independent Director.

The remuneration and benefits of Mr Bruce Hassall and Ms Holly Kramer, 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 Elected Directors.

Details of their qualifications and experience are set out below.

Mr Bruce Hassall

Mr Hassall is a Chartered Accountant and has had a 35-year career at PwC, including holding the position of Chief Executive Officer of the New Zealand practice from 2009 to 2016. He is Chair of The Farmers Trading Company Limited, Prolife Foods Limited and Fletcher Building Limited.

Mr Hassall was previously a Director of the Bank of New Zealand and a member of the University of Auckland Business School Advisory Board. He was a founding Board Member of the New Zealand China Council. Mr Hassall has extensive experience in financial reporting, information system processes, risk management, business acquisitions, capital raising and IPOs across both listed and private companies.

Ms Holly Kramer

Ms Kramer has more than 30 years of extensive governance, management and product/marketing experience. She was Chief Executive Officer of major Australian retailer Best & Less. She has also held senior executive roles at Telstra Corporation, Ford Motor Company (in the US and Australia) and Pacific Brands.

Ms Kramer is currently a Director on the Boards of Woolworths (Chair, Sustainability Committee), ANZ Banking Group and associated companies, the GO (Goodes-O'Loughlin) Foundation and agritech start-up NBryo Limited. She is also the Pro-Chancellor of Western Sydney University and a Member of the Bain Advisory Group. Her previous governance roles include the Boards of Abacus Property Group, Australia Post, Endeavour Group, Nine Entertainment Corporation, AMP Limited, Lendi, Telstra Clear (NZ) and The Ethics Centre.

Amendments to the Constitution relating to the Milk Price Panel

Resolution 7: Approval of amendments to the Constitution relating to the composition of the Milk Price Panel

Resolution 7 is a special resolution required by section 106(1)(a) of the Companies Act.

Background

The Dairy Industry Restructuring (Fonterra Capital Restructuring) Amendment Act 2022 amended the Dairy Industry Restructuring Act 2001 (DIRA) to, amongst other things:

- require that the independent Chair of the Milk Price Panel (the **Panel**) have no 'meaningful association' with the Company or a shareholder, and be approved by the responsible Minister under DIRA (the **Minister**); and

- increase the number of members on the Panel nominated by the Minister from one to two.

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

- it must comprise six members;
- a majority must be 'independent';
- the Co-operative Council is entitled to appoint up to two members (at least one of whom must be independent);
- one member must be nominated by the Minister; and
- the remaining members are appointed by the Board.

Currently, the Panel has six members:

- Mr David Pilkington, independent Chair with no 'meaningful association' with the Company and approved by the Minister (appointed to the Panel in 2023);
- Professor Hamish Gow, independent Ministerial nominee (appointed to the Panel in 2021);
- Ms Ming Lim-Pollard, independent Ministerial nominee (appointed to the Panel in 2023);
- Mr Fred Ohlsson, independent Co-operative Council nominee (appointed to the Panel in 2022);
- Mr Bill Donaldson, Co-operative Council nominee (appointed to the Panel in 2014); and
- Ms Leonie Guiney, an Elected Director (appointed to the Panel in 2023).

Mr Bruce Hassall, an independent Appointed Director, stood down from the Panel on Ms Lim-Pollard's appointment taking effect and has since been attending Panel meetings as an observer.

The Board recommends that the Company's Constitution is amended to increase the size of the Panel to seven members to accommodate the additional Ministerial nominee and independent Chair, while allowing the number of Panel positions held by the Fonterra Directors and Co-operative Council nominees to be two each. This is consistent with section 150E(1) of DIRA, which allows there to be up to seven Panel members.

Proposed amendments

The proposed amendments to clause 10.3(c) of the Constitution to give effect to this are set out below in mark up.

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

- it must comprise six seven members;
- a majority of the members must qualify for appointment as at all times be "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);
- the Co-operative Council is entitled to appoint up to two members (at least one of whom must be independent);

- one two members of the Panel must be the persons (who must be independent) nominated by the responsible Minister for appointment as a members of the Panel under subsection 150E(1A)(a) of the Dairy Industry Restructuring Act 2001 ("DIRA") so long as such provision remains in force or, in the event that the chair of the Panel is a member nominated by the responsible Minister, three members of the Panel must be persons (who must be independent) nominated by the responsible Minister for appointment as members of the Panel under subsections 150E(1)(a) and (d) of DIRA so long as such provisions remain in force;
- the remaining members shall be appointed by the Board; and
- the chairman of the Panel is nominated by the Board and, for so long as subsection 150E(1)(b) of DIRA remains in force, approved by the responsible Minister and:
 - must be independent;
 - must, for so long as subsection 150E(2A) of DIRA remains in force, not have a "meaningful association" with the Company or with a Shareholder; and
 - shall have no casting vote.

Fonterra has requested 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% or more of members of the Co-operative Council is required under clause 18.1 of the Constitution. This approval was received on 3 October 2023.

The Board of Fonterra has 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.

If Resolution 7 is passed by the requisite majority of 75% 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 7 is not passed then the recommended changes will not take effect. Voting against Resolution 7 will not prevent the Fonterra Board from being required to appoint two Ministerial nominees and an independent Chair with no "meaningful association" with Fonterra or any shareholder on the Panel (as these requirements are mandated under DIRA). Rather, this would mean that there would only be three (rather than four) Panel positions able to be held by Fonterra Directors and Co-operative Council nominees.

Amendments to the Constitution relating to Board size and composition

Resolution 8: Approval of amendments to the Constitution relating to Board size and composition

Resolution 8 is a special resolution required by section 106(1)(a) of the Companies Act.

Background

As part of earlier governance and representation reviews, a commitment was made to review the Company's Board size and composition in 2024.

With the capital structure review, asset divestment programme and long term strategy work largely behind the Company, the Board believes it is the right time to review its size and composition. The Board has been consulting with shareholders and the Co-operative Council on Board size and composition since early June this year to determine if there were sufficient indications of support for further change.

When thinking about the right size of the Board, striking a balance is important. The Company wants to increase efficiency and avoid 'group think', whilst retaining an appropriate level of skills and capabilities as defined by its Board skills matrix.

The New Zealand Institute of Directors recommends, as a general rule, a Board size of between 6-8 directors in the case of medium to large sized companies in New Zealand. The Company's global scale makes it an outlier.

As well as the size of the organisation, optimal Board size is also informed by the associated workload requirements. The changes in the Company's governance framework, with changes to Board sub-committees and no requirement for an Independent Director to chair the Milk Price Panel support the concept of a smaller Board.

Through the previous governance and representation reviews it was clear that a strong Elected Director majority on the Board was important to farmers, alongside the other elements of farmer control.

The proposal being put to shareholders is to reduce the number of directors on the Board from 11 down to 9. The current balance between Elected Directors and Appointed Directors would be maintained, with a composition of 6 Elected Directors and 3 Appointed Directors. As is the case today, the Chair would still be selected from within the pool of Elected Directors.

The Board's view is that this reduction strikes the right balance between a strong and diverse level of perspectives, skills and experiences and manageable workloads while providing directors the opportunity to participate in discussions and decisions to the best of their abilities.

The Board does not intend that the number of Elected Directors would fall below six, given the workload implications of having a smaller number.

Proposed amendments

The proposed amendments to clause 12.1 of the Constitution to give effect to the proposed change in Board size are set out below in mark up.

12.1 Number of Directors: There shall be not more than ~~13~~ **11** Directors until the conclusion of the ~~2016~~ **2024** annual meeting of the Company, not more than ~~12~~ Directors until the conclusion of the 2017 annual meeting of the Company, and not more than ~~11~~ **9** Directors thereafter, of whom:

- (a) not more than ~~9~~ **7** until the conclusion of the ~~2016~~ **2024** annual meeting, ~~8~~ until the conclusion of the 2017 annual meeting, and ~~7~~ **6** thereafter, are Directors elected by Shareholders in accordance with clauses 12.2 and 33.4 or appointed by the Board in accordance with clause 33.1; and
- (b) not more than ~~4~~ **until the conclusion of the 2024 annual meeting, and 3 thereafter**, are Directors appointed by the Board in accordance with clause 12.4.

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% or more of members of the Co-operative Council is required under clause 18.1 of the Constitution. This approval was received on 3 October 2023.

The Board of Fonterra has approved the changes to the Constitution of the Company as outlined in Resolution 8, subject to shareholders' approval. The Board recommends that shareholders vote to support the amendments proposed in Resolution 8.

If Resolution 8 is passed by the requisite majority of 75% or more of votes cast by shareholders entitled to vote and voting on the resolution, the Constitution will be amended as set out above. The changes will apply from the 2024 Annual Meeting, with the removal of one Elected Director position and one Appointed Director position at that time.

If Resolution 8 is not passed then the recommended changes will not take effect.

The shareholder proposals set out in Resolutions 10 and 11 are inconsistent with the Board's proposal in Resolution 8. The usual course is that inconsistent resolutions are not proposed at the same meeting, with shareholders able to vote against a resolution or seek an amendment to it rather than an inconsistent resolution being put to the meeting. However, the Companies Act provides that all shareholder proposals be presented to shareholders, which has led to this inconsistency. Given the Co-operative Council has advised that it does not support these proposals, even if Resolutions 10 and 11 are passed, they will not become effective under the Company's Constitution. Therefore, in the unlikely event that both Resolution 8 and Resolutions 10 and 11 are passed, only Resolution 8 would be given effect to.

Co-operative Council programme and budget

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

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

- report on the activities undertaken by Council during the financial year ending 31 July 2023;

- report Council's view on the alignment of the Company's strategy and performance to members' expectations and aspirations;
- present the Milk Commissioner's report; and
- present Council's programme and budget for the current financial year to shareholders for approval.

The Co-operative Council seeks shareholder approval for a budget of \$2.371 million for operating costs for FY23 and \$925,000 for other costs contributed to or met by the Co-operative Council, giving a combined total of \$3.296 million, as summarised below:

	FY23 Budget \$000	FY23 Actual \$000	FY24 Budget \$000
Co-operative Council operating costs:			
Councillor honoraria (refer Resolution 2 for amounts), and Council staff salaries and associated costs	1,775	1,864	1,970
Co-operative Council meetings – including accommodation and travel for Council meetings, Board/Board Committee meetings, and meetings with external stakeholders	215	200	200
Communications – including Annual Report design and print	11	11	13
Councillor Ward meetings – including travel and catering	17	18	18
Councillor training and development – including course/facilitator costs, and new Councillor introduction programme	35	7	15
Insurance and IT costs – including Councillor liability insurance and staff information technology costs	42	41	60
External analyst support: - Financial - Letter of Members' Expectations survey	125	111	95
Total Co-operative Council operating costs	2,220	2,252	2,371
Other costs contributed to or met by the Co-operative Council:			
<i>Connection</i>			
Understanding Your Co-operative Programme	230	261	250
Governance Development Programme	165	104	110
<i>Accountability</i>			
External analyst – financial markets research and analysis required by Dairy Industry Restructuring Act 2001	-	-	100
<i>Guardianship</i>			
Fonterra Director election:	125	133	133
- Returning Officer costs	40	35	35
- Director candidate meetings			
- Independent Selection Panel and secretariat, independent agent and candidate interview expenses	130	131	141
- Printing and mailhouse costs	25	30	33
Professional Services - Milk Commissioner costs, fees and other costs relating to the Co-operative Council appointees to the Milk Price Panel, legal costs	100	130	123
Total other costs contributed to or met by the Co-operative Council	815	824	925
Combined Total	3,035	3,076	3,296

Budget

In November 2022, Fonterra shareholders approved a budget of \$3.035 million for FY23. Actual costs incurred were \$3.076 million (101% of budget).

Material variations between FY23 budgeted and actual expenditure, and FY23 actual expenditure and FY24 budgeted expenditure, are explained below:

- **Councillor honoraria and staff costs:** FY23 staff salaries and associated costs exceeded budget due to under-estimating salary costs (following a staff vacancy during late 2021/early 2022), including the discretionary component of staff salaries (which is recommended by Fonterra). The FY24 budget allows for the appointment of one Additional Councillor, the honoraria increases recommended by the Directors' Remuneration Committee (which are subject to shareholder approval, refer to Resolution 2), and increases in Council staff salaries as recommended by Fonterra.
- **Co-operative Council meetings:** The FY23 budget included an allowance for the costs of a digital platform for Council meeting papers. During the year these costs were centralised within the Fonterra business, and no allowance has been made for these costs in FY24. Allowance has been made for FY23 accommodation and travel cost increases continuing during FY24.
- **Councillor training and development:** The FY23 budget made allowance for externally facilitated training which was not fully utilised as some Council development was facilitated by Fonterra management. The FY24 budget makes allowance for some externally facilitated relevant training and development.
- **Insurance and IT costs:** FY23 insurance premium increases were at the level budgeted. Allowance has been made in the FY24 budget to fill a gap in existing insurance cover.
- **External analyst support:** Council's external financial analyst (Northington Partners) has been appointed to provide the independent financial markets research and analysis required by the Dairy Industry Restructuring Act 2001 ('DIRA') from 1 June 2023. FY24 costs therefore include allowance for analysis of FY24 first quarter and third quarter business updates under 'Co-operative Council operating costs - External analyst support' and allowance for expanded analysis of FY24 interim and full year results as required by the DIRA under 'Other costs contributed to or met by the Co-operative Council - Accountability'.
- **Understanding Your Co-operative Programme:** FY23 accommodation, travel and catering costs exceeded budget. Participants contribute towards these costs and their contribution will be increased by \$50 per person for 2024 events.
- **Elections:** FY23 costs exceeded budget reflecting inflationary increases and the number of candidates. The FY24 budget reflects cost increases advised by the Independent Assessment Panel and their independent agent, and anticipated increases in printing and mailhouse costs.

- **Professional services:** FY23 Milk Commissioner costs exceeded budget due to the number of disputes which were considered. No legal costs were incurred by Council during FY23. The FY24 budget includes a greater allowance for Milk Commissioner costs than the amount budgeted for in FY23, but less than the amount actually incurred in FY23.

Work programme

Council's work programme for FY24 includes the following key workstreams:

Connection

- Foster members' 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 including in the 2024 Letter of Members' Expectations
- 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

- With the Board, review and refresh (as necessary) the Co-operative Philosophy including the Co-operative Principles and promote greater member understanding
- Manage the Director and Directors' Remuneration Committee elections in consultation with the Board, appoint the Returning Officer, and jointly with the Board appoint the Independent Assessment Panel that assesses Director candidates who choose to stand for election as Independently Assessed Candidates
- 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
- Administer the Governance Development Programme
- Consider changes proposed by the Board to the Fonterra Constitution in relation to the Milk Price Panel and the Board size

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
- Meet with the auditor to discuss their audit engagement and reports
- 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
- Report to members Council's view on the extent to which members' expectations are being met
- 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 2024 Annual Meeting.

Shareholder proposals

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.

Where shareholders have advised that they wish that their proposal, if adopted, to be binding on the Board (as is the case with each of the shareholder resolutions proposed for the Annual Meeting), this may require the Constitution to be amended which requires the support of shareholders holding 75% or more of the voting rights at the Annual Meeting. With the exception of changes to clause 16 of the Constitution, changes to Part A of the Constitution also requires the support of 50% or more of members of the Co-operative Council.

All four shareholder proposals have been made by Mr Richard Dampney, who has provided the following contact details for inclusion in the Notice of Meeting:

Address: 44 Roger Road, RD3, Kaikohe
Telephone: 09 401 4754

Resolution 10: First shareholder proposal by Mr Richard Dampney

The Company has received the following proposal from Mr Dampney for shareholder consideration and resolution at the Annual Meeting:

That the number of Appointed (Independent) Directors be reduced from four to two.

Resolution 10 is inconsistent with the Board's proposal in Resolution 8. The usual course is that inconsistent resolutions are not proposed at the same meeting, with shareholders able to vote against a resolution or seek an amendment to it rather than an inconsistent resolution being put to the meeting. However, the Companies Act provides that all shareholder proposals be presented to shareholders, which has led to this inconsistency. Given the Co-operative Council has advised that it does not support the proposal, even if Resolution 10 is passed, it will not become effective under the Company's Constitution. Therefore, in the unlikely event that both Resolution 8 and Resolution 10 are passed, only Resolution 8 would be given effect to.

Mr Dampney 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 shareholders holding 75% or more of the voting rights at the Annual Meeting.

The Constitution also provides that the support of 50% or more of members of the Co-operative Council is needed for such an amendment.

Your Board unanimously does not support this proposal and strongly recommends that you vote against it.

The Co-operative Council has also advised that it does not support the proposal. This means that, even if Resolution 10 receives the support of shareholders holding 75% or more of the voting rights at the Annual Meeting, the Constitution will not be amended for Mr Dampney's first proposal.

Mr Dampney was entitled to provide a statement in support of his proposal. The following was supplied:

Talk is of reducing the Board size, Appointed or Independent Directors are traditionally conservative and support the Chairman, don't rock the boat and don't make any hard decisions, they come from a school of so called Professional Directors who have found a way of getting their free lunches without having to make any tough decisions and get their egos scratched at the same time.

If the Board needs specialist advice or knowledge, it's not hard to buy.

The Board comments on Mr Dampney's first proposal as follows:

The Board respects the rights of shareholders to propose resolutions for consideration by all shareholders.

The Board has considered Mr Dampney's first proposal and strongly recommends that you vote AGAINST it for the following reasons:

- The Board has made a recommended proposal to shareholders in respect of Board size and composition in Resolution 8. The Board's view is that a reduction in the number of directors on the Board from 11 down to 9 (with a composition of 6 Elected Directors and 3 Appointed Directors, which maintains the current balance between Elected Directors and Appointed Directors) strikes the right balance between required skills and greater efficiency.
- The Board does not wish to change the current balance between Elected Directors and Appointed Directors. Appointed Directors are selected to enable the Board to access the skills and competencies needed to lead an enterprise of Fonterra's size, global reach and complexity. They are independent and bring perspectives, experience and skills which complement and enhance the attributes and skills provided by the Elected Directors.
- Appointed Directors currently fulfil a number of key roles on the Board, and only having two would significantly increase their workload and potentially risk Fonterra

being unable to attract and retain desirable candidates. In particular:

- As recommended by the NZX Corporate Governance Code, an independent Appointed Director chairs Fonterra's Audit, Finance and Risk Committee.
- If Resolution 7 (amendments to the Constitution relating to the Milk Price Panel) is passed, an Appointed Director will re-join the Milk Price Panel. A majority of members of the Milk Price Panel must be independent under DIRA, and the re-appointment of an Appointed Director will count towards this independence requirement.

The Co-operative Council comments on Mr Dampney's first proposal as follows:

The Co-operative Council acknowledges and respects the rights of shareholders to propose resolutions for consideration by all shareholders.

The Council has advised that it does not support this proposal.

- Council recognises the value of the diverse views and experiences offered by Independent Directors.
- Council supports a reduction of one Independent Director, from four to three, as proposed by the Board in Resolution 8.
- Whilst specialist advice can be commissioned, advisors do not have the same duties and liabilities as directors nor do they fulfil the role of governors of our Co-operative.

Resolution 11: Second shareholder proposal by Mr Richard Dampney

The Company has received the following proposal from Mr Dampney for shareholder consideration and resolution at the Annual Meeting:

That the number of Farmer Elected Directors remain.

The Board assumes that, by proposing that the number of Elected Directors 'remain', Mr Dampney is proposing that the number of Elected Directors be not more than seven.

Resolution 11 is inconsistent with the Board's proposal in Resolution 8. As noted above, the usual course is that inconsistent resolutions are not proposed at the same meeting, with shareholders able to vote against a resolution or seek an amendment to it rather than an inconsistent resolution being put to the meeting. However, the Companies Act provides that all shareholder proposals be presented to shareholders, which has led to this inconsistency. Given the Co-operative Council has advised that it does not support the proposal, even if Resolution 11 is passed, it will not become effective under the Company's Constitution. Therefore, in the unlikely event that both Resolution 8 and Resolution 11 are passed, only Resolution 8 would be given effect to.

Mr Dampney 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 shareholders holding 75% or more of the voting rights at the Annual Meeting.

The Constitution also provides that the support of 50% or more of members of the Co-operative Council is needed for such an amendment.

Your Board unanimously does not support this proposal and strongly recommends that you vote against it.

The Co-operative Council has also advised that it does not support the proposal. This means that, even if Resolution 11 receives the support of shareholders holding 75% or more of the voting rights at the Annual Meeting, the Constitution will not be amended for Mr Dampney's second proposal.

Mr Dampney was entitled to provide a statement in support of his proposal. The following was supplied:

Farmers are feeling ignored, disenfranchised and have a serious disconnect from the Board. Less Farmer Directors will only make this worse. Talk of a smaller Board takes away the risk of an A & B division within the Board, that only happens because the Chairman is not doing his job in keeping everyone all inclusive. The Board has already been reduced once and appeared to be harmonious at the present size.

Personally I would like to see a Board of nine Farmer elected Directors with no Independent Directors on the current three-year rotation, if the Board does not perform a third of the Board find out real quick at the next election.

The Board comments on Mr Dampney's second proposal as follows:

The Board has considered Mr Dampney's second proposal and strongly recommends that you vote AGAINST it for the following reasons:

- The Board has made a recommended proposal to shareholders in respect of Board size in Resolution 8. The Board's view is that a reduction in the number of directors on the Board from 11 down to 9 (with a composition of 6 Elected Directors and 3 Appointed Directors, which maintains the current balance between Elected Directors and Appointed Directors) strikes the right balance between required skills and greater efficiency.
- Since the Company's formation it has been envisaged that the Board size would be rationalised over time. With the capital structure review, asset divestment programme and long term strategy work largely behind the Company, the Board believes it is the right time to reduce in size.
- The Board does not wish to change the current balance between Elected Directors and Appointed Directors, which it believes provides the right mix of experience and independence while maintaining a strong Elected Director majority on the Board.

- A smaller Board size is designed to encourage greater sharing of ideas and opinions by both Elected Directors and Appointed Directors. With Resolution 8, the Board is aiming to improve the dynamics within the group and support faster, robust decision making.

The Co-operative Council comments on Mr Dampney's second proposal as follows:

The Council has advised that it does not support this proposal.

- Council supports a reduction in total Board size as proposed by the Board in Resolution 8, which maintains the current balance between Farmer Directors and Independent Directors as well as the strong Farmer Director majority on the Board that is important to shareholders.
- The Board has assured shareholders that workload requirements can be met by six Farmer Directors, and that there will be no reduction in the availability of Farmer Directors to Co-op members.

Resolution 12: Third shareholder proposal by Mr Richard Dampney

The Company has received the following proposal from Mr Dampney for shareholder consideration and resolution at the Annual Meeting:

That Fonterra shareholders or former Elected Directors can be appointed as "Independent Directors" provided they have had a five year stand down and 75% approval is attained from voting shareholders.

The Constitution does not include a definition of "Independent Director" – rather, this is a definition which is contained in the FSM Rules.

Because this proposal does not seek to amend the Constitution, it is an ordinary resolution requiring the support of a simple majority of the votes of those shareholders entitled to vote and voting on the resolution.

Under Fonterra's Constitution, the resolution will not be binding on the Board.

Your Board unanimously does not support this proposal and recommends that you vote against it.

The Co-operative Council has also advised that it does not support the proposal.

Mr Dampney was entitled to provide a statement in support of his proposal. The following was supplied:

We have some very good Directors and Shareholders who in the past have resigned because of things that have happened. The skills and knowledge they have is huge and if they came back to the Board, they would be quickly up to speed and contributing from day one and have proven in the past that they can make tough decisions when needed.

The Board comments on Mr Dampney's third proposal as follows:

The Board has considered Mr Dampney's third proposal and recommends that you vote AGAINST it for the following reasons:

- The FSM Rules define an 'Independent Director' as a director who is not an 'employee' of Fonterra or who has no 'disqualifying relationship'. A director has a disqualifying relationship where they have a direct or indirect interest, position, association or relationship that could reasonably influence, or reasonably be perceived to influence, in a material way, the director's capacity to bring an independent view to decisions relating to the Company, to act in the Company's best interests and to represent the interests of the Company's shareholders generally.
- Fonterra's shareholders and former Elected Directors would be likely to have a 'disqualifying relationship' with Fonterra, meaning that Mr Dampney's proposal is inconsistent with the FSM Rules.
- Fonterra's Constitution requires it to comply with the FSM Rules. The FSM Rules can only be changed by the NZX, who are unlikely to consider an alternative definition of "Independent Director" (noting that the current definition is consistent with the NZX Listing Rules).

The Co-operative Council comments on Mr Dampney's third proposal as follows:

The Council has advised that it does not support this proposal.

- This proposal is inconsistent with regulatory requirements around 'independence' which Fonterra must comply with, and the proposed voting threshold is higher than applies to other Independent Directors.
- All Fonterra shareholders have a pathway to the Board under the Fonterra Director election process.
- Fonterra's limits on Director tenure are in shareholders' interests, and reflect good practice.

Resolution 13: Fourth shareholder proposal by Mr Richard Dampney

The Company has received the following proposal from Mr Dampney for shareholder consideration and resolution at the Annual Meeting:

That the Independent Assessment Panel for Elected Directors be scrapped.

The Independent Assessment Panel (the IAP) is a joint initiative between the Board and the Co-operative Council. The functions of the IAP are set out in the IAP's Terms of Reference.

Because this proposal does not seek to amend the Constitution, it is an ordinary resolution which requires the support of a simple majority of the votes of those shareholders entitled to vote and voting on the resolutions.

Under Fonterra's Constitution, the resolution will not be binding on the Board.

Your Board unanimously does not support this proposal and recommends that you vote against it.

The Co-operative Council has also advised that it does not support the proposal.

Mr Dampney was entitled to provide a statement in support of his proposal. The following was supplied:

All Fonterra Shareholders are reasonably intelligent and can make up their own minds and sort the wheat from the chaff. We do not need Fonterra telling us who to vote for via their so-called independent panel.

Also if remits are put to the Board, let the Shareholders decide on their merit, not get your preferred option pushed at us from every angle.

The Board comments on Mr Dampney's fourth proposal as follows:

The Board has considered Mr Dampney's fourth proposal and recommends that you vote AGAINST it for the following reasons:

- The IAP process is designed to provide an independent assessment of candidates against the skills and experience required by the Board in any year, and to provide shareholders with independent and comprehensive information about recommended candidates.
- The IAP was formed as part of a governance and representation review voted on by shareholders in 2016 (and subsequently reviewed in 2019). The membership and operations of the IAP are independent of Fonterra.
- For those candidates who do not wish to go through the IAP process, a non-assessed candidates process runs in parallel. Any shareholder who has the support of 35 different shareholders can put themselves forward as a director candidate and be considered alongside the candidates assessed by the IAP.

The Co-operative Council comments on Mr Dampney's fourth proposal as follows:

The Council has advised that it does not support this proposal.

- Shareholders have advised they value independent opinion on Director candidate capability, skills and experience to help them make their voting decisions.
- Fonterra's Director election process also allows candidates to stand on a non-assessed basis.
- There are protocols in place to ensure the IAP's independence from Fonterra.
- The IAP's only role is to assess Farmer Director candidates who choose to stand under the Independent Assessment Process.



If undelivered please return to:

The Returning Officer

Fonterra Elections 2023

PO Box 3138

Christchurch 8140

Free phone 0800 666 034