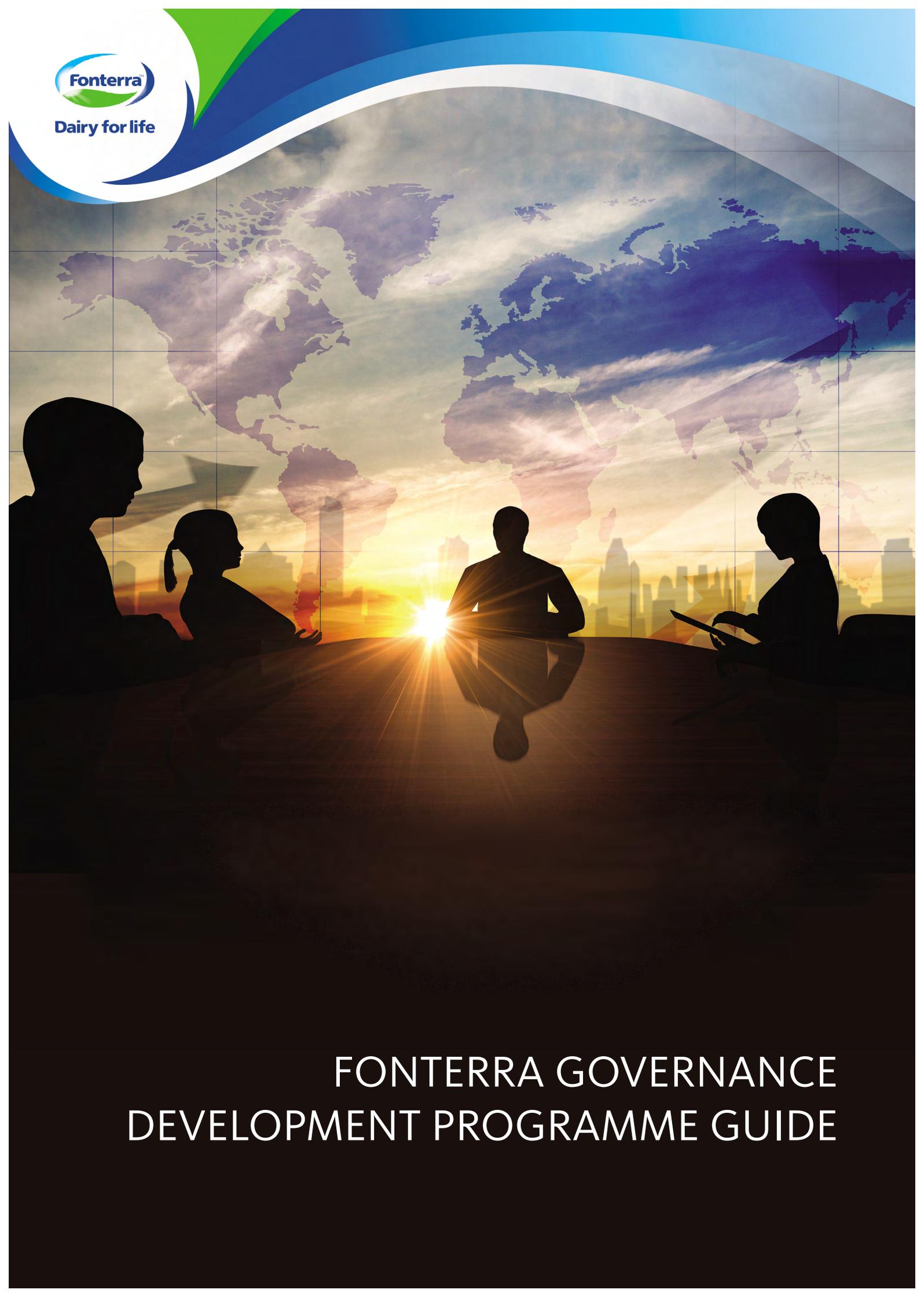




Dairy for life

The cover features a composite image. At the top, a blue and green wave graphic contains the Fonterra logo and tagline. Below this, a world map is overlaid on a sunset sky with rays of light. In the foreground, the silhouettes of four people are seated around a dark table, engaged in a meeting. The sun is positioned behind the table, creating a bright lens flare effect.

FONTERRA GOVERNANCE DEVELOPMENT PROGRAMME GUIDE

WELCOME

Farmer-leaders have driven our industry and have been fundamental in getting us to where we are today. If we want to continue to grow New Zealand dairy we need to make sure we've got our best and brightest leading us in the future.

Encouraging young talent is one of the ways we're paving the way. Our Governance Development Programme builds governance and leadership skills in farmers who have the potential to lead.

Over the programme's ten years, we've been sharing skills with our farmers and providing them with the knowledge they will need to sit in the boardroom and make the tough decisions.

We've widened the scope of the programme to focus on developing leaders across the rural sector as well as the Co-op. As a result, we have increased the amount of places available, opening the door for more farmers to take part.

Our Governance Development Programme focuses on governance, leadership, strategic planning and delivery, learning styles and Fonterra's business.

If you take part, you will hone your leadership skills and put yourself in a good position to step up and lead rural New Zealand in the future.

Like all governance roles, the programme requires dedication and a significant time commitment. There are high expectations and to be successful you need to commit but the benefits you'll get are worth the effort.

One of my priorities is to foster our next generation of leaders and help build the capability among our farmers – it's essential that there are gumboots in the boardroom of organisations across the rural sector in New Zealand.

The programme is open to all Fonterra shareholders – I encourage you to give it a go.

A handwritten signature in black ink, appearing to read 'John Wilson', with a long horizontal line extending to the right.

John Wilson
Chair

PROGRAMME OVERVIEW

Welcome to the Governance Development Programme guide for 2016. In this guide you will find out more about the programme, how to apply and where to go for more information.

The Governance Development Programme aims to develop governance acumen and foster leadership skills in future rural leaders.

On the programme participants will gain a solid grounding in areas including leadership, governance versus management, governance versus representation, effective board practice, strategic planning and delivery, critical and reflective thinking, Fonterra's business and operations.

Fonterra's Governance Development Programme is aimed at those committed to leadership within New Zealand's rural sector. The programme requires commitment from participants as it is an intense programme with work throughout the year. It's expected that participants will independently pursue governance roles and will utilise the knowledge, skills and experience gained on the programme to service the wider New Zealand community.

Content is provided by Fonterra and Massey University's Business School. There are two stages to the Governance Development Programme, both of which include a selection process.

The Governance Development Programme is a development-focused course. As such, any feedback or evaluation provided to participants as part of this programme holds no association with assessments carried out as part of the Candidate Assessment Panel process.

Following successful completion of the programme, participants join our Alumni which provides on-going opportunities to develop a strong governance network and extend governance capability.

BACKGROUND

The Governance Development Programme was established by the Fonterra Shareholders' Council and Board of Directors in 2006 to help address dairy industry and rural sector succession needs. The primary objective of the programme was to create a pool of prospective future farmer leaders who have the necessary skills and capability to govern rural organisations and potentially Fonterra.

The scope of the programme has been expanded to develop leaders across New Zealand's rural sector as well as Fonterra, which has opened the door for more farmers to take part. The content has also been streamlined and the programme reduced from 18 months to one year.

The programme is overseen by the Governance Development Committee. Currently the members of the committee are:

| | | |
|----------------|---------------|---|
| CHAIR | John Wilson | Fonterra Chairman |
| MEMBERS | Duncan Coull | Fonterra Shareholders' Council Chairman |
| | John Monaghan | Fonterra Director |
| | Matt Pepper | Fonterra Shareholders' Councillor |
| | Janine Smith | Independent Member |
| | Jo Guy | Secretariat and Programme Manager |

PROGRAMME GOALS

By the end of the programme you will have:

- Increased your understanding of governance including the duties of Board directors, best practice governance and areas of potential risk.
- Developed your capability for critical and reflective thinking within governance contexts.
- Enhanced your leadership skills and competencies.
- Gained greater insights into personality styles and how these can be used to effect change.
- Gained a more in-depth understanding of Fonterra's business and co-operative issues.
- Established a network of peers.
- Developed a 'tool kit' to apply to your own business.

KEY DATES

| | |
|----------------------|-----------|
| Applications Open: | April |
| Applications Close: | May |
| Programme Begins: | September |
| Programme Concludes: | November |

PROGRAMME CALENDAR

The table below is an indication of the timeframes for the programme. Courses and dates are subject to change. Participants are required to complete all components.

| STAGE | COMPONENTS | DATE | DURATION |
|-------|---|------------------------|---------------------|
| ONE | Myers Briggs Type Indicator Personality Assessment (online) | September | Up to two hours |
| ONE | Workshop One – Introduction to Governance | October | Two and a half days |
| TWO | Distance Learning (book and/or movie review, tutorial, coaching, report) | December - February | As required |
| TWO | Workshop Two – Developing Governance Capability | March/April | Three days |
| TWO | Distance Learning (book, movie review, tutorial, coaching, reports) | April - August | As required |
| TWO | Workshop Three – Governance in our Context | October | Three days |

PROGRAMME COMPONENTS

STAGE ONE

MYERS BRIGGS TYPE INDICATOR

Prior to Workshop One, participants complete the online Myers Briggs Type Indicator (MBTI) and receive a briefing on personality type from a certified MBTI practitioner. This psychometric test provides a framework to understand your personality style, competencies and preferences. Participants also gain an understanding of different personality types and how to work with different types to optimise decision making and effecting organisational change.

WORKSHOP ONE – INTRODUCTION TO GOVERNANCE

This two and a half day workshop, facilitated by Massey University's Business School, focuses on developing awareness and understanding of the key requirements for governance effectiveness. On the course participants will hear presentations and participate in discussions on topics including decision making, finance, governance in co-operatives, governance versus management, governance versus representation, effective board practice and risk.

At the end of this session those attending will have an understanding of the fundamentals of governance, similar to other two day courses held by institutions around New Zealand.

PROGRESSION TO STAGE TWO

If you are interested in undertaking Stage Two of the programme, you will be asked to submit an Expression of Interest at the close of the Stage One workshop.

Along with your Expression of Interest, input will be obtained from the Stage One workshop facilitators and your peers to determine which participants will be invited to move through to Stage Two.

STAGE TWO

WORKSHOP TWO – DEVELOP GOVERNANCE CAPABILITY

The focus of this workshop, facilitated by Massey University's Business School, is to increase knowledge about core governance subjects and provide opportunities to practice working through governance scenarios.

You will hear presentations, undertake governance case study reviews and participate in a board simulation exercise. Topics covered will include finance and performance, strategy, the role of the Chair, communications, and negotiation and influence in the boardroom.

DISTANCE LEARNING

The distance learning component involves completing a chapter summary, a movie review and up to two book reviews relating to governance and business. Your reviews will focus on the lessons learned and how these can be applied to Fonterra's governance. Group discussions on the book and movie reviews will be held following completion of the reviews. In addition the course makes use of a learning journal where you can record your progress, your growing self-awareness and your insights into governance.

WORKSHOP THREE – GOVERNANCE IN OUR CONTEXT

The focus of this workshop is on applying governance knowledge and capability to Fonterra. You will hear about different aspects of Fonterra's business including strategy, finance, board processes, domestic and global operations and sustainability from Fonterra Directors and management. You'll participate in interactive discussions and undertake a Fonterra specific case study. Participants will also attend the Experienced Governors' Panel, a forum where New Zealand business leaders share their personal experiences and perspectives on governance.

COACHING

You will have the opportunity to receive one-on-one telephone coaching throughout the course. These sessions are a check-point to ensure progress is being made and will also provide you with a forum to talk about your own governance journey and development process.

PROGRESS REPORTS

The Governance Development Committee monitors participant's progress throughout the duration of the programme. While on the programme, you'll be asked to submit two progress reports. The purpose of these reports is to encourage each participant to take ownership of their development and reflect on their learnings.

ELIGIBILITY AND SELECTION

The Governance Development Programme is open to Fonterra shareholders, namely:

- A Fonterra shareholder; or
- A shareholder of a company that is a Fonterra shareholder; or
- A member of a partnership that is a Fonterra shareholder; or
- A person having a legal or beneficial interest in, or a right or entitlement to participate directly in the distributions of, a body corporate that is a Fonterra shareholder.
- A herd-owning sharemilker supplying Fonterra.

SELECTION PROCESS

Applicants are required to complete and submit an application form.

The Governance Development Committee reviews all applications against set criteria including applicants' competencies and potential ability in the following areas:

- Governance knowledge and experience
- Leadership
- Communication
- Strategic thinking
- Business acumen

Applicants do not have to possess all of the above attributes or formal academic qualifications but must be able to display solid potential. The committee also considers any governance experience and professional development (i.e. Institute of Directors' course) undertaken.

Following the close of the application period, the committee will review the applications received and select applicants to attend Stage One of the programme.

The number of places available on the programme is limited. The committee selects participants based on merit. Selection is at the committee's discretion and diversity of the participants will be considered.

It is anticipated that the selection process will be completed by early June 2016 and all applicants, whether successful or unsuccessful, will be notified shortly thereafter.

HOW TO APPLY

For more information, please visit our website: www.fonterra.com/GDP

Completed applications forms can be sent to:

Post: Fonterra Governance Development Programme, Shareholders' Council, Private Bag 92032, Auckland 1142

Email: governancedevelopment@fonterra.com

PROGRAMME FEES

The cost of participating in Stage One is \$350. The cost of participating in Stage Two is \$2,500. All additional costs, including travel and accommodation, are met by the Governance Development Programme.

CONTACT

For more information about the Governance Development Programme, contact the Governance Development Programme Manager Victoria Heaven:

Phone: 027 886 5700

Email: Jo.Guy@fonterra.com



Dairy for life

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