



# DIVIDEND REINVESTMENT PLAN

Receive shares in lieu  
of a cash dividend



# IMPORTANT INFORMATION

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**Offer Document dated December 2014** (as amended September 2017)

You should read this document before making any decisions. If you need any advice in relation to anything contained in this Offer Document, you should contact your broker, financial, investment or other professional advisor.

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### Any questions?

- Contact your Area Manager
- Phone 0800 65 65 68
- Go online to [nzfarmsource.co.nz](http://nzfarmsource.co.nz)

# RECEIVE SHARES IN LIEU OF A CASH DIVIDEND

↗ Hands-off way to increase your shareholding

↗ Fund your growth

↗ Reduce the need for lump sum borrowing



# OVERVIEW



**The Fonterra Co-operative Group Limited Dividend Reinvestment Plan (DRP) allows you to receive shares in lieu of all or part of your cash dividend.**

The DRP provides a straightforward, hands-off approach to increasing your shareholding over time, free from brokerage charges. Using dividends to fund growth in your shareholding could be helpful to cover future production growth or to invest in the Co-operative beyond your minimum shareholding requirement, and it may reduce the need for you to borrow lump sums to buy shares in the future.

If you decide to participate in the DRP now, you will receive shares instead of all or part of the future cash dividends you would otherwise receive for as long as you choose. If you do not want to participate right now you do not need to take any action – you can choose to participate at a later stage when it suits your farming business.

## YOUR OPTIONS TO PARTICIPATE

**The following options are available to you:**

### Option 1

#### **Full Participation**

All of your shares (and therefore all the dividends payable on your shares) will be included in the DRP – including any future shares purchased by you or issued to you.

### Option 2

#### **Partial Participation**

Only the number of shares chosen by you (and therefore the dividends paid on those shares) will be included in the DRP.

It's important to note that if you elect partial participation and you hold both shares that are backed by production and shares that are not, participation will be applied to shares backed by production first. See the Tax section on page 6 to understand the tax consequences of this.

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**For Example**

**You hold 120,000 shares** – made up of **100,000 shares backed by production** with the **remaining 20,000 shares not backed by production**.

Let's say you decide to participate with half your shares (60,000).

The cash dividend used to acquire shares under the DRP would be from 60,000 of your 100,000 shares that are backed by production.

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# HOW TO JOIN, CHANGE YOUR PARTICIPATION LEVEL OR WITHDRAW

If you would like to join, change your participation level or withdraw from the DRP you can do so by:

## Option 1



- Accessing the online form through your Financial Toolbox within Farm Business at [nzfarmsource.co.nz](http://nzfarmsource.co.nz); or
- Filling in the online form by visiting Computershare's website at [www.investorcentre.com/nz](http://www.investorcentre.com/nz).

## Option 2

- **Filling in the application form with this booklet** and returning it to the Share Registrar, Computershare Investor Services Limited, using the address set out on that form.

Once you've signed up, you automatically participate at your selected level for each dividend payment until you choose to stop or change your participation, if the DRP is offered by Fonterra in respect of that dividend.

If you apply to join, change your participation level or withdraw from the DRP, that application will be effective as to dividends payable on a Record Date, provided your application is received by the Registrar on or before 6.00pm (New Zealand time) on that Record Date. Any application received after 6.00pm (New Zealand time) on a Record Date for a dividend will be effective only from the next following dividend.

## PRICE YOU WILL PAY FOR SHARES

The price paid for shares you receive under the DRP is referred to as the Strike Price and may include a discount if determined by the Board.

Ordinarily, the Strike Price will be calculated based on the price at which units in the Fonterra Shareholders' Fund (the Fund) are traded on the NZX Main Board, on the first five business days commencing on, and including the relevant ex-dividend date.

The Strike Price in the **example** below would be \$6.04 if no discount is offered.

	Day 1 Ex-dividend Date	Day 2	Day 3	Day 4	Day 5	Average of 5 Day Volume Weighted Average Price
Volume Weighted Average Price	\$6.05	\$6.02	\$6.02	\$6.04	\$6.07	<b>\$6.04</b>

Since the period for determining the Strike Price will usually finish after the deadline for returning your DRP application form, the price will usually not be known at the time you need to decide whether you will participate in the DRP for that dividend.

*For more details on how the Strike Price is calculated or other factors that may influence the price, refer to section 6 of the enclosed Terms and Conditions.*

# ADDITIONAL INFORMATION

## Eligibility

All Fonterra farmer shareholders who have an address in New Zealand or Australia are eligible to participate in the DRP. If participating in the DRP results in you holding more shares than your maximum shareholding allowed under Fonterra's Constitution, you will need to sell these shares by the next Compliance Date.

## Statements will be sent to you

If you elect to participate in the DRP, details of your entitlement and the number of shares issued to you under the DRP will be sent to you by the Registrar. This will be done after each dividend payment either by mail, or electronically if you have provided your email address.

## Shares rank equally

Shares issued under the DRP will rank equally with all existing shares and may be sold at any time provided they are not required to meet your minimum shareholding requirement, or are subject to any other restrictions in Fonterra's Constitution.

## Tax

For New Zealand tax purposes, you should be treated the same way as if you had not participated. This means that you will derive a dividend of the same amount that you would have derived if you had not participated (i.e. you will be treated as receiving a dividend from Fonterra which is then applied to purchase or subscribe for additional shares).

### **The tax treatment of the dividend will depend on whether it is paid on shares that are backed by production:**

- Dividends on shares that are backed by production are treated as normal business income and not as a dividend for tax purposes. Therefore no tax is deducted at source by Fonterra and you will be required to include the amount as income in your tax return. Your financial advisor or accountant can provide advice in this regard.



- Dividends on shares that are not backed by production are treated as a dividend for tax purposes. Therefore they are subject to Resident Withholding Tax (RWT) at the rate of 33%, which is deducted at source by Fonterra. You should have a refundable tax credit equal to the amount of RWT withheld.

**For tax purposes, your level of production in relation to any interim and final dividend payment (around April and October) is based on your production in the previous season.**

#### For Example

- In relation to the interim dividend (around April 2016), your production is based on your actual production for the 2014/15 season.
- In relation to the final dividend (around October 2016) your production is based on your actual production for the 2014/15 season.

The cash amount applied to the DRP will be the net amount of your dividend on Participating Shares after any applicable withholding tax has been deducted (as explained above).

This is a general tax summary. It does not take into account the circumstances of individual shareholders and the specific tax details of participation or non-participation in the DRP, which may vary considerably.

You should not rely on this general summary and should seek your own tax advice.

If you have any specific tax related questions in relation to the DRP, please contact your financial advisor.

### Dividend Policy

Information about Fonterra's current dividend policy can be found in the Dividend tab of the Financial section at [www2.fonterra.com/our-financials/dividends](http://www2.fonterra.com/our-financials/dividends)

# TERMS AND CONDITIONS

## 1. Introduction

The Board has approved the adoption of a Dividend Reinvestment Plan (DRP). By applying to participate you acknowledge that you have read and agreed to these Terms and Conditions.

In the event of any inconsistency between these Terms and Conditions and anything else contained in this Offer Document, the Terms and Conditions will prevail.

## 2. The offer

- a) Fonterra offers you the opportunity to participate in the DRP, subject to paragraph 2(c).
- b) You may elect to participate by exercising one of the following options:
  - i. **Full participation:** If you elect full participation, participation in the DRP will apply to all Shares registered in your name.
  - ii. **Partial participation:** If you elect partial participation, only the number of Shares nominated by you will be eligible for participation in the DRP. If you hold less than the nominated number of Shares, then the DRP will apply to that lesser number of Shares.

If you do not wish to participate and you wish to receive all of your dividends in cash you do not need to do anything.

- c) Fonterra may, at its discretion, elect not to offer participation in the DRP to Shareholders whose address is outside New Zealand or Australia, if Fonterra considers that to do so would risk breaching the laws of any other jurisdiction. As at the date of this Offer Document, the DRP is only available to Shareholders who have an address in New Zealand and Australia. However, the Board may amend this at any time, in its sole discretion.

If you do not reside in New Zealand or Australia and you participate in the DRP through a nominee resident in New Zealand or Australia you will be deemed to represent and warrant to Fonterra that you can lawfully participate under laws applicable outside of New Zealand and Australia.

- d) You must ensure that when participating you comply with all laws and with Fonterra's Constitution. You are responsible for ensuring, for example, that your participation will not result in you exceeding your maximum shareholding allowance.

If you do participate, it is necessary to distinguish between Shares that are backed by production and those that are not, due to the differing tax positions that apply. Participation will apply to your holding in Shares that are backed by production first, then, if the number nominated by you is greater than this number, the remainder will apply to the relevant number of Shares you hold that are not backed by production.

## 3. Method of participation

You can submit a notice of participation ("**Notice**") by:

- a) Completing the enclosed application form and returning it to the Registrar using the contact information set out on the form;
- b) Accessing the online application through your Financial Toolbox, within Farm Business at [nzfarmsource.co.nz](http://nzfarmsource.co.nz); or
- c) Completing the application online on the Registrar's website at [www.investorcentre.com/nz](http://www.investorcentre.com/nz).

In addition:

- a) Participation will be effective as to dividends payable on a Record Date, provided your Notice is received by the Registrar on or before 6.00pm (New Zealand time) on that Record Date. Any Notice received after 6.00pm (New Zealand time) on a Record Date for a dividend will be effective only from the next following dividend.

- b) If your Notice does not indicate the desired degree of participation, it will be deemed to be an application for full participation.

#### 4. Source of Shares

Shares to be acquired under the DRP may, at the Board's discretion, be:

- a) New Shares issued by the Co-operative;
- b) Existing Shares acquired by the Co-operative or a nominee or agent of the Co-operative; or
- c) Any combination of both.

#### 5. Operation of the DRP

- a) Each Participant in the DRP is deemed to have directed the Co-operative to apply the net proceeds of every cash dividend, if any, that is available for payment on your Participating Shares at the relevant Record Date, as payment for the Shares to be issued or transferred under the DRP. The number of Shares to be received by Participants will be determined in accordance with section 6 of these Terms and Conditions.
- b) The Co-operative will, on the day that a Participant would have been paid a cash dividend on its Participating Shares, either issue new Shares or arrange the transfer of existing Shares to the Participant.
- c) Shares acquired by Participants will rank equally in all respects with all other fully paid Shares.
- d) Shares acquired by a Participant will be registered in the name of the Participant on Fonterra's share register.

#### 6. Share entitlement

- a) The number of Shares to be received by a Participant under the DRP will be calculated using the following formula:

$$AS = \frac{D}{C}$$

**Where:**

**AS:** is the number of additional Shares to be received.

**D:** is the aggregate net cash payment, including any tax refunds and after deduction of any withholding taxes, which would have been payable to the Participant in respect of the Participant's Participating Shares if he or she had not participated in the DRP.

**C:** is the average of the individual daily volume weighted average sale prices expressed in cents, for Units in the Fonterra Shareholders' Fund. It is calculated on all price-setting trades of Units which take place through the NZX Main Board on each of the first five Business Days, or any other period as may be determined by the Board and announced on the Fonterra Shareholders' Market on the date a dividend is declared, commencing on (and including) the ex-dividend date (less a discount (if any) at the discretion of the Board, as contemplated in paragraph 11(a)(iii)). The price so determined being the "**Strike Price**". The Strike Price may be varied at the discretion of the Board as set out below.

- b) If no sales of Units on the NZX Main Board occur during the period specified above, then the Strike Price will be deemed to be the sale price for a Unit on the first sale on the NZX Main Board which took place after this period.
- c) Any Strike Price determined under paragraphs 6(a) or 6(b) may be reasonably adjusted by the Board to allow for any bonus issue or dividend expectation. In addition, if, in the opinion of the Board, any exceptional or unusual circumstances have artificially affected the Strike Price so determined or if having regard to comparable individual daily volume weighted average sale prices of Units on the ASX would result in a materially different

determination of that Strike Price, the Board may make such adjustment to that Strike Price as it considers reasonable. The Strike Price may also be reduced by any discount determined by the Board, as contemplated in paragraph 11(a)(iii).

- d) Where the number of Shares calculated in accordance with the preceding formula is not a whole number, then the number of Shares to be acquired by that Participant will be the nearest whole number. If the number is 0.5, that number of Shares will be rounded up to the next whole number. Where the number of Shares to be received by a Participant is rounded down the Participant will not receive any cash amount as a result of such rounding and no cash amount will be retained on behalf of such Participant to be applied to the next dividend reinvestment.
- e) At the time the price for the Shares is set under this paragraph 6, Fonterra will ensure that it has no information that is not publicly available and that would, or would be likely to, have a material adverse effect on the realisable price of the Shares if the information were publicly available.

## 7. Participation by Custodian

- a) In accordance with the Unit Trust Deed, where Fonterra introduces a DRP in relation to its Shares, the Manager is to give holders a corresponding opportunity to acquire additional Units through a distribution reinvestment plan ("**Fund Plan**"). Depending on the extent to which Unit holders elect to participate in the Fund Plan, the Custodian will then apply to participate in this DRP in respect of the Shares that it holds economic rights for the Fund.
- b) The procedure that will apply to the Custodian's participation in this DRP on behalf of Unit holders will be agreed between the Custodian and Fonterra, so as to reflect the unique relationship between Fonterra and the Fund.

## 8. Statements to Participants

The Registrar will provide a statement to each Participant following each dividend payment date, detailing each Participant's:

- a) Number of Participating Shares at the relevant Record Date;
- b) Amount of cash dividend reinvested and the amount of the cash dividend paid on non-Participating Shares, if applicable;
- c) The amount of any taxation deductions;
- d) The number of additional Shares received under the DRP;
- e) Advice as to the amount of any taxation credits; and
- f) Other matters as are required by law with respect to dividends and/or their reinvestment.

## 9. Variation or termination of participation

A Participant may, at any time, give notice to the Registrar to increase, decrease or terminate their participation in the DRP. Any alteration or termination will take effect immediately upon receipt of the notice by the Registrar, provided that any notice received after 6.00pm (New Zealand time) on the Record Date for a dividend will be effective only from the next following dividend.

## 10. Reduction or termination of participation where no notice is given

Where a Participant with partial participation disposes of part of their Shareholding then, unless they advise the Co-operative otherwise in writing:

- a) The Shares disposed of will be deemed to be the Participant's non-Participating Shares.
- b) If the number of Shares disposed of is more than the number of the Participant's non-Participating Shares, the balance will be attributed to Participating Shares.

## 11. Termination, suspension and modification of the DRP

- a) The Board may at its discretion:
  - i. Reject an application or determine that an application will cease to be of any effect.
  - ii. Terminate or modify the DRP. If the DRP is modified, then participation under the DRP will continue until it is changed or withdrawn.
  - iii. Suspend the operation of the DRP so that it will not apply to the whole or part of any dividends and that the dividend or the balance of the dividend will be paid in cash.
  - iv. Determine that the Shares may be issued at a discount to the Strike Price. Any discount will be announced by Fonterra no later than 10 Business Days prior to the relevant Record Date.
- b) Where any termination, suspension or modification is made to the DRP pursuant to this paragraph 11 notice of such suspension, modification or termination will be given to all Participants by way of announcements on the Fonterra Shareholders' Market.
- c) Where notice of any modification or termination is given, it will not be made during the period commencing on a date 21 days before a Record Date for the purposes of determining entitlements to a dividend, and ending on the date of payment of that dividend.

- d) Notwithstanding paragraphs 11(b) and 11(c), Fonterra may at any time, without the need for any notice:

- i. Modify or terminate the DRP to comply with any applicable law, the FSM Rules, any provision of the Constitution or the Trust Deed, or as required to ensure that the Fund, in providing a corresponding Fund Plan to holders of Units, complies with the obligations imposed on it by law, the Main Board Listing Rules or the ASX Rules; and
- ii. Make minor amendments to the DRP where such amendments are of an administrative, procedural or clarifying nature.

## 12. Quotation

Fonterra will apply for quotation of the additional Shares which may be issued under the DRP on the NZX Main Board and the official list of the ASX. It is expected that such additional Shares will be quoted on the NZX Main Board and ASX on the completion of allotment procedures. However, neither NZX Main Board nor ASX accept responsibility for any statement in this Offer Document.

## 13. Information for Australian Shareholders

The offer of Shares under the DRP to Australian shareholders does not need disclosure for the purposes of section 708 of the Corporations Act 2001 (Cth). Accordingly, this Offer Document does not constitute a prospectus for the purposes of the Corporations Act and will not be lodged with the Australian Securities and Investments Commission ("ASIC").

Australian resident shareholders should note that Fonterra is not licensed to provide financial product advice in relation to the Shares offered under the DRP. There is no cooling-off regime that applies in respect of the acquisition of Shares offered under the DRP. This Offer Document does not take into account shareholders' personal objectives, financial situations or needs. Shareholders should consider obtaining their own financial product advice in relation to the offer from an independent person who is licensed by ASIC to give such advice.

## 14. Governing law

This Offer Document and the DRP, and its operation, will be governed by the laws of New Zealand.

## 15. Interpretation

In this Offer Document, unless the context otherwise requires, or specifically stated otherwise:

- a) Headings are to be ignored in construing this Offer Document;
- b) The singular includes the plural and vice versa;
- c) One gender includes the other genders;
- d) References to times of day or dates are to New Zealand times and dates; and
- e) References to money are to New Zealand dollars.

## 16. Available information

Fonterra's most recent annual report and financial statements (and the auditor's reports on those financial statements) are available online at [nzfarmsource.co.nz](http://nzfarmsource.co.nz). Printed copies are also available to every Fonterra farmer shareholder free of charge on request by contacting Fonterra at the following address:

### **Fonterra Co-operative Group Limited**

Private Bag 92032  
Auckland  
New Zealand

**Phone:** 0800 65 65 68

**Website:** [www.fonterra.com](http://www.fonterra.com)

## Definitions

The following words have these meanings in this Offer Document:

**ASIC:** the Australian Securities and Investments Commission.

**ASX:** ASX Limited or the financial market operated by ASX Limited.

**ASX Rules:** The listing rules that apply to the ASX.

**Board:** Fonterra's board of directors.

**Business Day:** A day on which the Fonterra Shareholders' Market is open for trading.

**Constitution:** The constitution of Fonterra.

**Custodian:** Fonterra Farmer Custodian Limited, as custodian for the Fund.

**DRP:** The dividend reinvestment plan established in relation to Shares, as described in this Offer Document.

**Fonterra or Co-operative:** Fonterra Co-operative Group Limited.

**Fonterra Shareholders' Fund or Fund:** The Fonterra Shareholders' Fund, established under the Trust Deed.

**Fonterra Shareholders' Market:** The securities market operated by NZX and known as the Fonterra Shareholders' Market.

**FSM Rules:** The listing rules of the Fonterra Shareholders' Market.

**Manager:** FSF Management Company Limited, as manager of the Fund.

**Main Board Listing Rules:** The listing rules that apply to the NZX Main Board.

**NZX:** NZX Limited.

**NZX Main Board:** The main board equity securities market operated by NZX.

**Offer Document:** This offer document, prepared in connection with the DRP.

**Participant:** A Shareholder who has elected to participate in the DRP.

**Participating Shares:** The Shares held by a Participant on a Record Date of which that Participant has elected to participate in the DRP.

**Record Date:** 5:00pm on the date fixed by the Board for determining entitlements to a dividend.

**Registrar:** Fonterra's Share Registrar, being, as at the date of this Offer Document, Computershare Investor Services Limited in New Zealand or Computershare Investor Services Pty Limited in Australia.

**RWT:** Resident withholding tax.

**Share:** A co-operative share in Fonterra.

**Shareholding:** A registered holding of Shares.

**Strike Price:** The price at which Shares are acquired under this DRP.

**Terms and Conditions:** The terms and conditions that apply to this DRP, as set out in this Offer Document.

**Trust Deed:** The trust deed dated 23 October 2012 constituting the Fonterra Shareholders' Fund, as amended and restated with effect from 14 October 2016.

**Unit:** A unit in the Fonterra Shareholders' Fund.



V2-2015

[nzfarmsource.co.nz](http://nzfarmsource.co.nz)

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# Dividend Reinvestment Plan Application Form - Fonterra Co-operative Group Limited



DO NOT COMPLETE THIS FORM IF YOU WISH TO CONTINUE TO RECEIVE IN CASH ALL DIVIDENDS DECLARED

Name and Address

CSN

Supply Number:

Number of Shares:

Registered Holders:

A Dividend Reinvestment Plan (DRP) has been introduced in relation to your Fonterra Co-operative Group Limited shares. Full details of the DRP are set out in the booklet accompanying this application form. A separate form is required for each CSN (farm) for which you wish to participate.

If you wish to participate or change your participation, you can either complete an application form accessible online through the Farm Business section of [nzfarmsource.co.nz](http://nzfarmsource.co.nz), or at Computershare's website at [www.investorcentre.com/nz](http://www.investorcentre.com/nz) (under the 'My Profile' section), or complete and return this form to Computershare at the address below.

## Your options are (choose only one):

## Tick one box below

I/We request Full Participation for all shares registered in my/our name(s)

I/We request Partial Participation. Specify the number of shares you wish to participate in the plan. (Not the number of shares you wish to purchase)

\_\_\_\_\_ (please tick the box and insert the number of shares)

I/We request to withdraw my/our participation

If you elect Partial Participation you must also state the number of shares in respect of which you wish to participate. If you do not indicate the desired degree of participation, it will be deemed to be an application for full participation.

Joint holders must each sign this application form. If a company, it must be signed on behalf of the company by a person duly authorised for that purpose. If signed under a power of attorney a certificate of non-revocation of power of attorney in the usual form must also be submitted with this application form.

I/We acknowledge receipt of a copy of the Offer Document. I/We agree to the Terms and Conditions of the DRP.

Signature of shareholder(s): \_\_\_\_\_

Date: \_\_\_\_\_ Email: \_\_\_\_\_

This application form may be returned at any time to Computershare at the address below:

**New Zealand**  
Computershare Investor Services Limited  
Private Bag 92 119  
Auckland 1142, New Zealand  
Tel: 0800 888 709  
Tel: +64 9 488 8777  
Fax: +64 9 488 8787

Email: [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)