

Shareholding requirements

Farmer shareholders are required to hold the number of Shares needed to meet the Share Standard.

The Share Standard requires that, as a minimum, one Share is held for every kilogram of milksolids supplied (excluding milk supplied on Contract Supply). For these purposes supply is based on a three season rolling average of a farm's production. For a new farm, supply is based on estimated production. Suppliers can apply to Fonterra to adjust their expected level of production during a season if they can show special circumstances (such as a change to their farm system).

Shareholding requirements are determined on the Measurement Date – being the first day of a season (1 June). Compliance is tested on the Compliance Date – a date set by the Board, and not less than six months following the Measurement Date (that is, not sooner than 1 December). A shareholder who is not compliant with the Share Standard by the Compliance Date will have Shares purchased/sold on their behalf by an independent agent selected by the Board.

The Share Standard can be satisfied by the holding of both Shares and Vouchers. Vouchers are issued to a shareholder upon the transfer of Shares to the Fonterra Shareholders' Fund (FSF).

New farmers joining Fonterra, or farmer shareholders increasing supply, may apply to have up to ten seasons to buy the necessary Shares (which would result in a requirement to buy a minimum number of Shares in each Season).

Purchasing Shares

Fonterra shareholders, and new entrants whose applications to supply have been accepted by Fonterra, can purchase Shares at any time of the year. Shares can be purchased from other farmer shareholders at the current market price using the Fonterra Shareholders' Market or privately through an off-market transaction (e.g. as part of a farm sale).

At least 1,000 shares must be registered in your name before milk will be collected.

The Fonterra Shareholders' Market can be accessed via Farm Source on 0800 65 65 68, or through your own broker.

Off-market transfers of Shares must be executed using an Off-Market Transfer Form, available from computershare.co.nz > investor centre > need to download a form, the original copy of which must include shareholder and witness signatures and be delivered to the Share Registry C/- Computershare, Private Bag 92119, Victoria Street West, Auckland 1142. Electronic or faxed copies of Off-Market Transfer Forms will not be actioned.

Note that there are time delays between you purchasing Shares using the Fonterra Shareholders' Market, or sending an Off-Market Transfer Form to Share Registry, and the Shares being registered in your name.

Vouchers

Vouchers are accumulated (subject to limits) by a shareholder when they sell shares into the FSF. These vouchers, to the extent to which the Board permits them to count, are essentially equivalent to Shares in the areas of share standard compliance, voting and share-backed milk payments. However, vouchers are not tradable and do not receive a dividend.

CSN

This is a number that will allow a supplying Shareholder to trade on the Fonterra Shareholders' Market. You will first see your CSN on any acceptance letter that you receive from Fonterra, or on any Statement of Holding that you receive from Computershare. Once you have this number you will be able to buy and sell shares within your trading minimum and maximum.

Maximum shareholding limit

Farmer shareholders may hold up to 200% of the Shares they must hold under the Share Standard.

Milk Price

Milk payments are set by the Board, based on the aggregate farm gate milk price calculated under the Farmgate Milk Price Manual.

Contract Supply

Contract Supply enables shareholders to supply milk that is not backed by Shares. A Contract milk price is set by the Board, commonly by reference to the farmgate milk price. If you are interested in supplying milk under Contract please discuss your options with your Area Manager. If you are acquiring or leasing a farm that currently supplies milk under Contract, you need to decide whether or not you wish to take over that Contract.

Exit

When exiting Fonterra (or decreasing production), farmer shareholders may have up to three Seasons to sell their Shares (a minimum of one-third each Season), provided notice is given to Fonterra not later than three months (i.e. by 28 February) before the commencement of the season in which the cessation/decreasing production will occur. Exiting farmer shareholders have the option to sell all of their Shares at any time during the three-year period, including at the time they exit. Exiting farmer shareholders are not entitled to buy Shares during any three-year exit period, and are only able to sell their Shares via the Fonterra Shareholders' Market or an off-market transaction. Exiting farmer shareholders are not able to exit via the Fonterra Shareholders' Fund (that is, by selling economic rights of Shares to the Fund in exchange for Units and selling those Units for cash).

Compliance for exit is enforced at the Compliance Date, which is intended to be on or after 1st December in each Season.

Dividends

The Board may make distributions to shareholders via Dividends. Shareholders will receive any Dividend declared by the Board on all the Shares they hold on a Dividend record date. Shareholders purchasing Shares on or after the second business day before the record date for a Dividend will not be registered as the shareholder in sufficient time to be entitled to receive the Dividend paid on the Share acquired. It will remain payable to the previous holder.

Fencepost

You may wish to register on Farm Source at nzfarmsource.co.nz where you can:

- Check your milk quality & production details
- Download forms
- Turn off paper correspondence from Fonterra
- Arrange for third party access, e.g. your Accountant or Farm Advisor, to view allocated farm information.
- Trade in Fonterra shares and/or units (after the initial registration paperwork).

Please call the Supplier Services team on 0800 65 65 68 so that they can assist with registration.

If you require a copy of the Fonterra Constitution please request this by calling the Supplier Services Team on 0800 65 65 68.