

Fonterra Annual Meeting 2024



Notice of Hybrid Annual Meeting of Shareholders and Explanatory Notes



10.30am on Thursday, 14 November 2024

The Devon Hotel
390 Devon Street East
New Plymouth
Taranaki

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Fonterra Co-operative Group Limited

2024 Annual Meeting

Fonterra's Annual Meeting will be held as a **hybrid meeting** at **10.30am on Thursday, 14 November 2024**. Shareholders may either attend in person at **The Devon Hotel, 390 Devon Street East, New Plymouth, Taranaki** 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 16 and 17 only).
- A Fonterra Co-operative Council Candidate Booklet (for shareholders in Wards 16 and 17 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, 12 November 2024**.
 - 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, 12 November 2024**.
 - 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://fonterra.brandlive.com/Fonterra-Co-operative-Group-Annual-Meeting/en>

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 email address.

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-2024

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, 12 November 2024**.

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 2024. The voting entitlement of 'Secondary Shareholders' is 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 2025. 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 Wednesday, 16 October 2024** (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 (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.

All proxy or representative appointments must be received by the Returning Officer by **10.30am on Tuesday, 12 November 2024**.

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 2024 Annual Meeting will be held as a hybrid meeting at 10.30am on Thursday, 14 November 2024. Shareholders may either attend in person at The Devon Hotel, 390 Devon Street East, New Plymouth, Taranaki, or join the meeting online.

At this year's meeting, Miles and I will review the Co-operative's performance in 2024 and discuss the outlook for 2025 and beyond.

We will also spend time discussing the revised strategic direction and associated financial settings, which were shared with our farmer owners in September.

As always, there will be time for you to ask questions about these topics, or any other matter of interest during General Business.

This year, shareholders are being asked to vote on six 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 changes to the remuneration of the Directors' Remuneration Committee members;
4. approve the appointment of the auditor;
5. ratify the appointment of Mr Alistair Field as an Appointed Director; and
6. 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 Permitted Transferees; and
2. approve amendments to the By-laws of the Co-operative Council.

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

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 New Plymouth 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 Director Resolution 5: Ratification of appointment of Mr Alistair Field
Amendments to the Constitution relating to the Permitted Transferees Resolution 6: Approval of amendments to the Constitution relating to Permitted Transferees
Co-operative Council report Chair's review – John Stevenson
Amendments to the By-laws of the Co-operative Council Resolution 7: Approval of amendments to the By-laws of the Co-operative Council
Co-operative Council programme and budget Resolution 8: Approval of the Co-operative Council programme and budget
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, 14 November 2024**. Shareholders may either attend in person at The Devon Hotel, 390 Devon Street East, New Plymouth, Taranaki 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 21 October 2024

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 changes to the remuneration of members of the Directors' Remuneration Committee

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

"To approve the changes to the remuneration of members of the Directors' Remuneration Committee, 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 Director

Resolution 5: Ratification of appointment of Mr Alistair Field

To consider and, if thought fit, to resolve:

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

Amendments to the Constitution relating to Permitted Transferees

Resolution 6: Approval of amendments to the Constitution relating to Permitted Transferees

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 6' of Part Two of the Notice of Meeting."

Co-operative Council report

Chair's review

Amendments to the By-laws of the Co-operative Council

Resolution 7: Approval of amendments to the By-laws of the Co-operative Council

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

“To approve the proposed amendments to the By-laws of the Co-operative Council, as set out the section headed ‘Resolution 7’ of Part Two of the Notice of Meeting.”

Co-operative Council programme and budget

Resolution 8: 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 2024 and its view on the alignment of Company strategy and performance to members' expectations and aspirations; the Milk Commissioner's report for the 2023/24 season (which is set out in the Co-operative Council's 2024 Annual Report); and the Co-operative Council's programme and budget for the financial year ending 31 July 2025 and, if thought fit, to resolve:

“To approve the Co-operative Council's programme and budget for the financial year ending 31 July 2025.”

PART TWO

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 2024 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 determined that the appropriate level of an increase to recommend was approximately 3%.

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 ~2.89%) to **\$498,000 p.a.**
- **Elected Director:** Increase of \$5,500 (being ~2.80%) to **\$202,000 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 \$1,500 (being ~4.05%) to **\$38,500 p.a.**
 - **The Chair of the Audit, Finance and Risk Committee:** Increase of \$1,500 (being ~2.91%) to **\$53,000 p.a.**
- **Discretionary pool:** Increase of **\$50,000 p.a.** (being ~33.33%) to **\$200,000 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 2024 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 determined that the appropriate level of an increase to recommend was approximately 3%.

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 ~3.23%) to **\$128,000 p.a.**
- **Councillor:** Increase of \$1,250 (being ~3.14%) to **\$41,000 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 changes 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.

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

- **Chair:** increase of \$500 to **\$3,000 p.a.**
- **Member:** increase of \$300 to **\$1,800 p.a.**

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 2024.

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 Director

Resolution 5: Ratification of appointment of Mr Alistair Field

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.

As previously announced to NZX, Mr Alistair Field was appointed by the Board with an effective date of 1 November 2024. In accordance with clause 12.4 of the Constitution, his appointment is required to be ratified by shareholders at the 2024 Annual Meeting.

The Fonterra Board has determined that Mr Alistair Field qualifies as an independent Director.

Mr Alistair Field's remuneration and benefits, 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 Mr Field's qualifications and experience are set out below.

Alistair Field

Mr Field is based in Australia and has 30 years of experience in the mining, metals, manufacturing and logistics sectors. He is currently a Non-Executive Director of BlueScope Steel Limited and Alcoa Corporation and previously served on the board of Alumina Limited, which is now a wholly owned subsidiary of Alcoa Corporation.

Prior to commencing his governance career Mr Field held the position of Chief Executive Officer and Managing Director of ASX listed Sims Limited, based in the United States and Australia. Prior to joining Sims Limited, he held a number of senior leadership positions including as Director of the Patrick Terminal & Logistics division of Asciano Limited and as Chief Operating Officer of Rio Tinto's Bauxite and Alumina Division.

Amendments to the Constitution relating to Permitted Transferees

Resolution 6: Approval of amendments to the Constitution relating to Permitted Transferees

Resolution 6 is a special resolution required by section 106(1)(a) of the Companies Act.

Background

Flexible Shareholding came into effect on 28 March 2023. Under Flexible Shareholding, ceasing farmers are able to transfer their shares to 'Permitted Transferees' as a new type of shareholder.

The Constitution provides that a ceased shareholder may only transfer shares to a Permitted Transferee within certain timeframes - either during the first complete season after their cease application is accepted and becomes effective ('one season rule'), or at any other time during the Reduction Period in the event of the death of the shareholder, of any member of a partnership, direct or indirect shareholder, or trustee of the shareholder.

Feedback received since the implementation of Flexible Shareholding is that the one season rule for Permitted Transferee applications is insufficient time for ceased farmers to evaluate and make fundamental decisions on the longer-term structure of their affairs, and for parties involved in the application process to complete the necessary steps to enable share transfers to occur.

The Board recommends that the Company's Constitution is amended to remove the timing requirements for Permitted Transferee applications from the Constitution in favour of these operational requirements being maintained within the Rules for Shareholding. The Rules for Shareholding can be found within the Flexible Shareholding section of the Fonterra website.

The amended Rules for Shareholding (which will accompany any Constitutional amendment), will extend the timing window for Permitted Transferee applications, enabling these to be completed for up to three complete seasons from ceasing, alongside a new ability for the Co-operative to apply discretion in extenuating circumstances.

It should be noted that the Rules for Shareholding may be amended from time to time by the Board in consultation with the Co-operative Council, including to reduce the timing window for Permitted Transferee applications.

Proposed amendments

The proposed amendments to clause 3.10(l) of the Constitution to give effect to this are set out below in mark up. That is, where a matter is deleted it is shown as being struck out and where a matter is inserted it is shown as being underlined:

3.10 (l) notwithstanding subclauses (d) to (k) of this clause 3.10, a Shareholder whose application (or deemed application) under clause 3.10(a) has been accepted by the Board may (subject to any limitations in, and otherwise in accordance with, any rules established by the Board from time to time) transfer Co-operative Shares to one or more persons who have been approved by the Company and who are (and remain) related to or associated with that Shareholder, as determined in accordance with those rules (each a "Permitted Transferee");

~~(i) during the first complete Season after the Season in which the Shareholder's application is accepted; or~~

~~(ii) at any other time during the Reduction Period in the event of the death of the Shareholder or of any member of a partnership, direct or indirect shareholder, or trustee of the Shareholder;~~

and any such person or persons to whom Co-operative Shares are transferred ~~in accordance with subclauses (i) or (ii) above~~ must continue to comply with the Reduction Maximum throughout the remaining Reduction Period as if they were the transferring Shareholder (in each case subject to any re-determination in accordance with clauses 3.10(f) and 3.10(k)), but in proportion to the number of the transferor's Co-operative Shares transferred to them, and must otherwise continue to comply with the rules established by the Board from time to time for Permitted Transferees; and

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 7 October 2024.

The Board of Fonterra has approved the changes to the Constitution of the Company as outlined in Resolution 6, subject to shareholders' approval. The Board recommends that shareholders vote to support the amendments proposed in Resolution 6.

If Resolution 6 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 Rules for Shareholding will extend the timeframe for Permitted Transferee applications to be completed for up to three complete seasons from ceasing, and provide discretion for the Co-operative to extend or waive the timing requirements in extenuating circumstances.

If Resolution 6 is not passed, then the recommended changes will not take effect. In which case, any ceasing farmer seeking to utilise the Permitted Transferee regime will be required to submit their application and complete their transfer of shares to Permitted Transferees within the stipulated timeframe currently provided in the Constitution.

Amendments to the By-laws of the Co-operative Council

Resolution 7: Approval of amendments to the By-laws of the Co-operative Council

Resolution 7 is a special resolution required by clause 16.11 of the Constitution of the Company.

Background

The Co-operative Council (**Council**) is proposing amendments to the By-Laws of the Co-operative Council (**By-laws**) in relation to the Ward Councillor vacancy process. The Council has also taken the opportunity to propose additional amendments to the By-laws for clarification, to provide consistency in approach, or to reflect changes that have already been made elsewhere.

If the position of a Ward Councillor becomes vacant in any Ward (this could occur, for example, if a Councillor resigns due to illness or retires from dairy farming at the end of a season) a 'casual vacancy' occurs. In these circumstances the By-laws require the Council to hold a special election or appoint an individual to fill the vacancy. The Council recommends that the By-laws are amended to provide that if a casual vacancy occurs within six months of the annual Council election cycle (which usually commences in September) then the Council has the option to decide not to hold a special election or make an appointment, but to fill the vacancy through the annual election cycle. This would avoid additional election costs in holding a separate election or, if no separate election is held, means that shareholders would elect their Ward representative rather than an appointment being made by the Council. The Council therefore recommends that clause 1.7 of the By-laws is amended as set out below.

The Council also recommends that clause 1.11 is amended to clarify that if an Appointed Councillor is elected as a Ward Councillor then their retirement as an Appointed Councillor will take effect contemporaneously with when they take office as a Ward Councillor.

The additional amendments to the By-laws proposed by the Council:

- Clarify that only shareholders who supply milk to the Co-operative receive voting papers for Council Ward elections (clause 2.4).
- Provide consistency across the Director election, and the elections of members of the Directors' Remuneration Committee and trustees of the Fonterra Farmer Custodian Trust, so that the Returning Officer declares the results of all Fonterra elections, and reflect the single transferable vote (STV) voting process (clause 2.9).
- Reflect changes made in 2022 to the appointment of members of the Independent Assessment Panel (all three members are jointly appointed by the Board and Council) and in 2023 to the name of the Panel (clause 4.5).
- Provide a reference to the role of the Independent Assessment Panel, which is to assess intending candidates who put themselves forward for election as a Director under the Independent Assessment Process (clause 6.1).

Proposed amendments

The proposed amendments to the By-laws are set out below in mark up. That is, where a matter is deleted it is shown as being struck out and where a matter is inserted it is shown as being underlined:

1.7 **Casual vacancies:** If the position of a Ward Councillor (“Vacating Councillor”) becomes vacant in any Ward, the Co-operative Council may (at its sole and absolute discretion):

- (a) hold an Election to fill that vacancy, in which case the person elected shall hold office until the date of the annual meeting of the Company that occurs in approximately 3 years in accordance with clause 1.6, at which time that person shall be eligible for re-election; or
- (b) appoint a person who is qualified under the Constitution to be a Councillor to fill that casual vacancy, in which case the person appointed shall hold office from the date of appointment until the next Election scheduled under clause 1.6 for any Ward (whether or not the Ward in which the casual vacancy has been filled is due for rotation under clause 1.6), at which time an Election to fill the vacancy shall be held at which that person shall be eligible for election. The person elected at the next Election under clause 1.6 shall hold office for approximately 3 years from that Election in accordance with clause 1.6; or

(c) determine not to fill the vacancy if the vacancy arises within six months of the next Election scheduled under clause 1.6 for any Ward (whether or not the Ward in which the casual vacancy arises is due for rotation under clause 1.6) at which time an Election to fill the vacancy shall be held.

1.11 **Timing of retirement, removal and appointment:** If:

- (a) a Ward Councillor retires on the date of the annual meeting of the Company and is not re-elected or deemed to be re-elected in accordance with these By-laws, the Ward Councillor shall remain in office until, and their retirement shall take effect at, the close of that annual meeting;
- (b) a person who is not already a Ward Councillor is elected as a Ward Councillor pursuant to an Election by rotation scheduled under clause 1.6, that person shall take office as a Ward Councillor at the close of the annual meeting following that Election;
- (c) a person who is not already a Ward Councillor is elected as a Councillor pursuant to an Election scheduled otherwise than under clause 1.6, that person shall take office as a Ward Councillor at 5pm on the date on which the result of that Election is declared by the chairperson of the Company;
- (d) a Ward Councillor is removed from office under clause 1.8(b), the removal shall take effect at 5pm on the date on which the result of the vote on that removal is declared by the chairperson of the Company;
- (e) a person is appointed as an Appointed Councillor pursuant to clause 1.4, that person shall take office as an Appointed Councillor at 5pm on the date on which that appointment commences;

(f) an Appointed Councillor’s appointment terminates in accordance with their terms of appointment, the termination shall take effect at 5pm on the date of termination;

(g) an Appointed Councillor is elected as a Ward Councillor, their appointment as an Appointed Councillor shall terminate on taking office as a Ward Councillor;

~~(g)~~(h) an Appointed Councillor is removed from office under clause 1.8(c), the removal shall take effect at 5pm on the date on which the result of the vote on that removal is declared by the chairperson of the Company.

2.4 **Two voting papers per Election:** On an Election to elect a Ward Councillor or Ward Councillors (in the case of Wards that have two Ward Councillors and the Returning Officer has advised on the voting paper that two Ward Councillors are to be elected on that Election) to represent a Ward each Shareholder in that Ward that is supplying Milk to the Company shall have two separate voting papers. Each such Shareholder may transfer one voting paper to the Sharemilker with whom the Shareholder has entered into a sharemilking agreement in relation to the farm dairy to which the voting papers relate. For the avoidance of doubt, voting entitlement in respect of Ward Councillors is not related to Milksolids production.

2.9 **Declaration of result:** A declaration by the ~~chairperson of the Company~~ Returning Officer that a particular person or persons has or have been elected by a certain majority is conclusive evidence of that fact.

4.5 **Appointment to of Independent Selection Assessment Panel:** The Council shall jointly appoint with the Board an independent member (who may not be a Councillor) to the Independent Selection Assessment Panel.

6.1 **Definitions:** In these By-laws, unless the context otherwise requires:

“Independent Assessment Panel” has meaning set out in the Rules for Election of Directors, as altered from time to time.

“Rules for Election of Directors” means the rules approved by the Co-operative Council from time to time in accordance with clause 12.2 of the Constitution.

The Co-operative Council has approved the amendments to the Co-operative Council By-laws, subject to shareholders’ approval. The Co-operative Council recommends that shareholders vote to support the amendments to the Co-operative Council By-laws, as outlined in Resolution 7.

If Resolution 7 is passed by the requisite majority of 75 per cent or more of votes cast by shareholders entitled to vote and voting on the resolution, the Co-operative Council By-laws will be amended as set out above. If Resolution 7 is not passed then the Co-operative Council By-laws will not have been amended and the recommended changes will not take effect. This will mean that the Co-operative Council will be required to hold a special election or appoint an individual to fill any casual vacancy that arises.

Co-operative Council programme and budget

Resolution 8: 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 2024;

- 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 \$2.505 million for operating costs for FY25 and \$865,000 for other costs contributed to or met by the Co-operative Council, giving a combined total of \$3.370 million, as summarised below:

	FY24 Budget \$000	FY24 Actual \$000	FY25 Budget \$000
Co-operative Council operating costs:			
Councillor honoraria (refer Resolution 2 for amounts), and Council staff salaries and associated costs	1,970	1,931	2,040
Co-operative Council meetings – including accommodation and travel for Council meetings, Board/Board Committee meetings, and meetings with external stakeholders	200	199	200
Communications – including Annual Report design and print	13	13	13
Councillor Ward meetings – including travel and catering	18	17	18
Councillor training and development – including course/facilitator costs, and new Councillor introduction programme	15	10	15
Insurance and IT costs – including Councillor liability insurance and staff information technology costs	60	38	39
External analyst support:	95	71	180
- Financial			
- Letter of Members' Expectations survey			
Total Co-operative Council operating costs	2,371	2,279	2,505
Other costs contributed to or met by the Co-operative Council:			
Connection			
Understanding Your Co-operative Programme	250	58	200
Governance Development Programme	110	84	100
Accountability			
External analyst – financial markets research and analysis required by the Dairy Industry Restructuring Act 2001	100	104	105
Guardianship			
Fonterra Director election:			
- Returning Officer costs	133	123	125
- Director candidate meetings	35	33	35
- Independent Assessment Panel and secretariat, independent agent and candidate interview expenses	141	127	115
- Printing and mailhouse costs	33	28	30
Professional Services - Milk Commissioner costs, fees and other costs relating to the Co-operative Council appointees to the Milk Price Panel, legal costs	123	90	155
Total other costs contributed to or met by the Co-operative Council	925	647	865
Combined Total	3,296	2,926	3,370

Budget

In November 2023, Fonterra shareholders approved a budget of \$3.296 million for FY24. Actual costs incurred were \$2.926 million (89% of budget).

Material variations between FY24 budgeted and actual expenditure, and FY24 actual expenditure and FY25 budgeted expenditure, are explained below:

- **Councillor honoraria and staff costs:** Council staff salaries include an incentive component based on Fonterra's actual achievement against key measures. Variations therefore arise between budgeted and actual incentive payments. The FY25 budget includes the honoraria increases recommended by the Directors' Remuneration Committee (which are subject to shareholder approval, refer to Resolution 2), increased payments to Councillors who take on additional responsibilities, and increases in Council staff salaries as recommended by Fonterra.
- **Councillor training and development:** The FY24 budget made allowance for externally facilitated training which was not utilised as some Council development was facilitated by Fonterra management. The FY25 budget makes allowance for some relevant externally facilitated training.
- **Insurance and IT costs:** The FY24 budget included an allowance to fill a potential gap in insurance cover which did not eventuate. The FY25 budget allows for a 3% premium increase.
- **External analyst support:** Council's external financial analyst (Northington Partners) provides independent analysis each quarter of Fonterra's performance (which is budgeted under 'Co-operative Council operating costs') and the twice-yearly independent financial markets research and analysis required by the Dairy Industry Restructuring Act 2001 (which is budgeted under 'Other costs contributed to or met by the Co-operative Council - Accountability'). The Council budget apportions Northington Partners' total costs between these two workstreams. The FY25 budget includes an additional \$100,000 allowance for independent analysis of the potential divestment of some or all of Fonterra's global Consumer business and integrated businesses of Fonterra Oceania and Fonterra Sri Lanka announced on 16 May 2024.
- **Understanding Your Co-operative Programme:** The FY24 budget contemplated three Understanding Your Co-operative Programme events. Only one event was held due to the Fonterra MyConnect conference in May 2024, which Council encouraged Co-op members to attend. The FY24 budget had allowed for three two-day Behind the Farm Gate events, which were shortened to one day events. The FY25 budget allows for three Understanding Your Co-operative Programme events in Auckland and three one-day regional Behind the Farm Gate events co-hosted with the Farm Source team.
- **Governance Development Programme:** This Programme is a joint initiative between the Board and Council, and costs are shared 50:50. FY24 costs were less than budgeted largely due to slightly reduced numbers of participants than allowed for and lower travel, accommodation and catering costs than budgeted. The FY25 budget allows for those variable costs to return to expected usual levels.

- **Elections:** FY24 costs were less than budgeted reflecting the number of Director candidates and that the Directors' Remuneration Committee election was uncontested. The FY25 budget reflects a reduction in some costs following the Independent Assessment Panel appointing a new independent agent.
- **Professional Services:** During FY24 Milk Commissioner costs for considering shareholder complaints and disputes were less than budgeted, and no legal costs were incurred by Council. The FY25 budget includes the usual allowance for Milk Commissioner costs for considering complaints and disputes, the new observer appointment made by Council to the Milk Price Panel and for additional legal costs expected to be incurred including for advice associated with the potential divestment of some or all of Fonterra's global Consumer business and integrated businesses of Fonterra Oceania and Fonterra Sri Lanka announced on 16 May 2024.

Work programme

Council's work programme for FY25 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

- Represent members' interests in relation to the May 2024 announced strategic reset and potential divestment of some or all of Fonterra's global Consumer business and integrated businesses Fonterra Oceania and Fonterra Sri Lanka
- Submit on behalf of members on the expected periodic review of the Dairy Industry Restructuring Act 2001
- Promote greater member understanding of Fonterra's Co-operative Philosophy, including the Co-operative Principles
- 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
- Jointly with the Board, formally review the 2021 Governance and Representation Review recommendations
- Administer the Governance Development Programme

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 2025 Annual Meeting.



Dairy for life



If undelivered please return to:

The Returning Officer
Fonterra Elections 2024
PO Box 3138
Christchurch 8140
Free phone 0800 666 034

[fonterra.com](https://www.fonterra.com)