

FONTERRA ANNUAL MEETING 2018

Notice of Annual Meeting of Shareholders and Explanatory Notes

10.30AM ON THURSDAY, 8 NOVEMBER 2018
FONTERRA LICHFIELD SITE
CORNER SH1 AND WILTSDOWN ROAD
LICHFIELD



Dairy for life

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FONTERRA CO-OPERATIVE GROUP LIMITED ANNUAL MEETING FOR 2018

Fonterra's Annual Meeting will be held at the Fonterra Lichfield Site, Corner of State Highway 1 and Wiltsdown Road, Lichfield at **10.30am on Thursday, 8 November 2018**.

Please use the main entrance and follow the signs to vehicle parking. It is a safety requirement of the site that all attendees wear flat, closed-in footwear.

Annual Meeting Documents

Each Shareholder has been sent:

- This Notice of Meeting booklet, which includes:
 - Letter from the Chairman
 - Notice of Meeting (including the text of the matters to be voted on by Shareholders) (Part One)
 - Explanatory Notes regarding each of the matters to be voted on by Shareholders (Part Two).
- A Fonterra Board of Directors Election Voting Paper
- A Shareholders' Council Voting Paper (for Shareholders in Wards 7 and 19 only)
- A combined Annual Meeting Voting Paper/Proxy Form. Use this Voting Paper:
 - If you are attending the Annual Meeting to vote in person.
 - If you are unable to attend the Annual Meeting, and you do not wish to vote by internet or post, you can appoint a proxy to attend and vote on your behalf by completing the Proxy Form 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, 6 November 2018**.
 - If you are a company or other body corporate, you can appoint a representative to attend and vote on your behalf by completing the Proxy Form

Further instructions are on the back of the Proxy form.

You can vote on the matters to be considered at the Annual Meeting by **internet** or **post**. The instructions on how to vote in this manner can be found on the Voting Papers.

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 Voting Paper, and count, all **internet** and **postal** votes.

For the Annual Meeting you can also vote by proxy, or by attending the meeting in person.

All internet, postal and proxy votes must be received by the Returning Officer by **10.30am on Tuesday, 6 November 2018**.

A Shareholder's voting entitlement is based on their milksolids production, with one vote for every 1,000kg of milksolids supplied during the season ended **31 May 2018**.

If a Shareholder did not supply last season but now owns an existing farm that supplied last season, the voting entitlement 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 the Board's estimate of milksolids production for this season. Milk supplied on Contract Supply and milk which is not backed by shares or counting vouchers is excluded from milksolids production when calculating voting entitlements.

In accordance with the Companies Act, the Board has fixed **5.00pm on 10 October 2018** as the date for determining voting entitlements of Shareholders for this meeting.

Accordingly, those persons who are, at **5.00pm on 10 October 2018**, registered as Shareholders will be entitled to vote at the Annual Meeting in respect of the shares registered in their name on that date backed by production.

A Shareholder's voting entitlement for a farm is shown on the Voting Paper enclosed for that farm with this pack. If a Shareholder appoints a proxy, the proxy will exercise that Shareholder's voting entitlement as described above.

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 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.

Results of Voting

The results of voting at the Annual Meeting will be posted on Farm Source at www.nzfarmsource.co.nz and our My Co-op app as soon as vote counting is complete and the Chairman has declared the results.

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 invited members of the media.

2018 Fonterra Elections and Annual Meeting

Dear farmers,

Our 2018 Annual Meeting will be held at our Lichfield site in the Waikato on Thursday 8 November.

Lichfield is the largest cheese plant site in New Zealand and processes up to approximately 8 million litres of milk per day into cheese and whey products.

The two cheese plants at Lichfield produce Edam, Gouda, Cheddar, Parmesan, Swiss, Egmont and low and unsalted cheeses destined for more than 25 export markets, including Japan, USA, South Korea, Mexico and Russia.

At this year's meeting Miles and I will review the Co-operative's performance against our strategy and update you on the progress with our portfolio review. We will also recognise long-standing Directors John Wilson and Nicola Shadbolt who retire from the Board at the conclusion of the meeting.

Shareholders are being asked to vote on five ordinary business resolutions to approve the remuneration of Directors, Councillors and the Directors' Remuneration Committee Members, approve the appointment of the Auditor and to approve the Shareholders' Council programme and budget.

This year there will also be a resolution to ratify the appointment of Independent Director, Clinton Dines. Each of these ordinary resolutions require at least 50 per cent support from voting farmers to be passed.

There is also a proposal for consideration by Shareholders. Further detail on the proposal and the resolutions are included within this booklet.

If you can't attend the meeting in person, you can cast your vote by internet, post, or by way of proxy. Further instructions on how to vote by all of these methods can be found on the voting papers in your voting pack.

A video of key items from the meeting will be available on Farm Source at www.nzfarmsource.co.nz from Friday 9 November.

I look forward to seeing as many of you as possible at Lichfield.



John Monaghan

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

10.00am - Registration / Morning Tea
10.30am - Welcome Welcome / Introduction – John Monaghan, Chairman of the Board
10.45am – Annual Meeting Proceedings Chairman's Review Chief Executive Officer's Presentation
Approval of Remuneration of Directors, Shareholders' Councillors and Directors' Remuneration Committee Members Directors' Remuneration Committee Review – David Gasquoine, Chairman Resolution 1: Approval of remuneration of Directors Resolution 2: Approval of remuneration of Shareholders' Councillors Resolution 3: Approval of remuneration of Members of Directors' Remuneration Committee
Appointment of Auditor Resolution 4: Appointment of PricewaterhouseCoopers 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 Clinton Dines
Shareholders' Council Report Chairman's Review – Duncan Coull Approval of Shareholders' Council Programme and Budget Resolution 6: Approval of the Shareholders' Council programme and budget
Shareholder Proposal Resolution 7: Mr Beach's Proposal
Voting Paper Collection
Announcement of Resolution Results
General Business
1.00 / 1.30pm - Closing / Lunch (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 ("Company") will be held on **Thursday, 8 November at 10.30am at the Fonterra Lichfield Site, Corner of State Highway 1 and Wiltsdown Road, Lichfield.**

John Monaghan
Chairman, on behalf of the Board
Notice of Meeting dated 15 October 2018

Business

Welcome/Introduction

Annual Meeting Proceedings

Chairman's Review

Chief Executive Officer's Presentation

Approval of Remuneration of Directors, Shareholders' Councillors and Directors' Remuneration Committee Members

Directors' Remuneration Committee Review

Resolution 1: Approval of remuneration of Directors

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

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

Resolution 2: Approval of remuneration of Shareholders' Councillors

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

"To approve the remuneration of Shareholders' Councillors, as recommended by the Directors' Remuneration Committee."

Resolution 3: Approval of remuneration of Members of the Directors' Remuneration Committee

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

"To approve the remuneration of Members of the Directors' Remuneration Committee, as recommended by the Board."

Appointment of Auditor

Resolution 4: Appointment of PricewaterhouseCoopers as auditor and authorisation of the Directors to fix the auditor's remuneration

To consider the appointment of PricewaterhouseCoopers as

auditor of the Company and authorisation of the Directors to fix the auditor's remuneration and, if thought fit, to resolve:

"To appoint PricewaterhouseCoopers 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 Clinton Dines

To consider and, if thought fit, to resolve:

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

Shareholders' Council Report

Chairman's Review

Approval of Shareholders' Council Programme and Budget

Resolution 6: Approval of Shareholders' Council programme and budget

To receive and discuss the Shareholders' Council report (including the Milk Commissioner's report) for the 2017/18 season (contained in the Shareholders' Council's 2018 Annual Report to Shareholders) and the Shareholders' Council's programme and budget for the current season and, if thought fit, to resolve:

"To approve the Shareholders' Council's programme and budget for the current season."

Shareholder Proposal

Resolution 7: Mr Beach's Proposal

To consider and, if thought fit, to resolve:

"To direct the Board to initiate within three months a formal Co-operative-wide discussion (to be completed by 1 May 2019) regarding whether the existing share system should be replaced with the New Share Proposal so that all suppliers are equal."

Voting Paper Collection

Announcement of Resolution Results

General Business

EXPLANATORY NOTES TO NOTICE OF ANNUAL MEETING

Welcome

The Chairman will welcome Shareholders.

Annual Meeting Proceedings

Approval of Remuneration of Directors, Shareholders' Councillors and Directors' Remuneration Committee Members

Resolution 1: Approval of remuneration of Directors

In accordance with clause 34.1 of the Company's Constitution, the Directors' Remuneration Committee ("Committee") met in July 2018 to consider, and recommend to Shareholders, the form and amount of the Directors' remuneration. The Committee comprises six Shareholders and is chaired by Mr David Gasquoine.

Between 2014 and 2016 the Committee recommended that Directors' remuneration remain unchanged, which was appropriate given the very challenging economic conditions experienced by Shareholders.

In 2017 the Committee noted that market data showed that remuneration levels for Directors had increased significantly since the Fonterra Directors' remuneration was last increased in 2013. The Committee recommended increases to the remuneration level for Directors, in line with recent market movements. The Committee made this recommendation in 2017 to ensure that Fonterra continued to attract and retain the very best director candidates, one of the key objectives of the Governance and Representation Review recommendations.

The Committee also recommended that a discretionary pool of fees be available for remunerating Directors for additional workload or additional Committee or working group duties.

It was recommended that this discretionary pool of \$75,000 per annum would be allocated at the discretion of the People, Culture and Safety Committee of the Board and the Chairman of the Board.

The Committee believes it is important to set realistic fee levels, having particular regard to the broader market and the workload requirements, to ensure highly skilled directors are attracted and retained on the Board.

In 2018 the Committee engaged EY to provide a report on director remuneration practices in Australia and New Zealand. The Committee reviewed the EY report and assessed workload expectations and market trends including the remuneration structure and levels of other comparable companies. The Committee discussed relativities between different roles, the nature of the Company and the division of workload between the Board Committees. The Committee noted that the \$75,000 discretionary pool of fees put in place in November 2017 had not been used to date.

In considering its recommendation the Committee noted that Fonterra Directors' base remuneration was at market but when combined with no additional fees for Board Committee memberships, Fonterra Directors' remuneration was below market. The Committee also noted that the 2018 general market trend was for a small increase in directors' remuneration.

The Committee determined that with the discretionary pool that was put in place in 2017, the Board has the tools to adequately remunerate Directors for additional workloads including multiple Committee memberships.

As such the Committee determined to recommend no change to Director remuneration in 2018.

The Committee's recommendation to Shareholders in relation to the remuneration of Directors is:

That the remuneration for the Directors be approved at the following amounts from the date of this Annual Meeting:

- Chairman **\$430,000 p.a.** (no change)
- Director **\$175,000 p.a.** (no change)

In addition, at the discretion of the Board, the Chair of each permanent Board Committee may be paid an additional \$35,000 p.a., unless that person is the Chairman of the Board or already in receipt of a Committee Chair allowance (no change).

- Discretionary Pool

Up to **\$75,000** per annum (in aggregate), be provided for fees for Directors to be remunerated for additional duties, workload and responsibilities (in each case not to exceed \$25,000 per annum per Director); such fees to be allocated at the discretion of the People, Culture and Safety Committee of the Board and the Chairman of the Board and the tabling of details of such fee payments to the Directors' Remuneration Committee annually (no change).

The Committee has also approved the expense reimbursement policy for both Directors and Shareholders' 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 remuneration of Shareholders' Councillors

In accordance with By-law 3.1 of the Shareholders' Council By-laws, the Directors' Remuneration Committee met in July 2018 to consider, and recommend to Shareholders, the form and amount of the remuneration to be paid to Shareholders' Councillors.

The Committee noted that the number of Council wards had been reduced to 25 from the date of the 2017 Annual Meeting.

The Committee considers the Councillor's representative role to be an important one for the Co-operative, and that the level of the honoraria needs to be sufficient to attract and recognise Shareholders of a high calibre serving in that capacity.

Between 2014 and 2016 the Committee recommended that Shareholders' Councillor honoraria remain unchanged, which was appropriate given the very challenging economic conditions experienced by Shareholders.

In 2017 the Committee recommended increases to the Shareholders' Councillor honoraria.

The Committee believes that the Shareholders' Council honoraria remains appropriate and has determined to recommend no change in 2018.

The Committee reviews with the Chair of the Shareholders' Council the allocations made from the discretionary pool in the prior year, and is comfortable that the pool was utilised in a reasonable manner consistent with the intent of the recommendation.

The Committee's recommendation to Shareholders in relation to the remuneration of Shareholders' Councillors is:

That the honoraria for the Shareholders' Councillors and the Chairman of the Council be approved at the following amounts from the date of this Annual Meeting:

- Chair **\$100,000 p.a.** (no change)
- Deputy Chair **\$60,000 p.a.** (no change)
- Councillors **\$35,000 p.a.** (no change)
- Discretionary Pool

Up to **\$100,000** per annum (in aggregate), be provided for additional honoraria of Project Leaders and Subcommittee Chairpersons of the Shareholders' Council (in each case not to exceed \$17,500 per annum per person); and for ordinary Councillors representing the Council at its request on external Committees; such provisions to be allocated in whole or part at the discretion of the Chairman of the Shareholders' Council and the tabling of details of such honoraria payments to the Directors' Remuneration Committee annually (no change to the amount of the current pool arrangement).

Resolution 3: Approval of remuneration of Members of the Directors' Remuneration Committee

The Board met to consider, and recommend to Shareholders, the form and amount of the remuneration to be paid to Members of the Directors' Remuneration Committee. The Directors' Remuneration Committee comprises six elected Shareholders.

The Board noted that the Directors' Remuneration Committee members' honoraria had been increased in 2017.

The Board recommends no change be made in 2018.

The Board's recommendation to Shareholders in relation to the remuneration of Members of the Directors' Remuneration Committee is that the remuneration be set at the following amounts from the date of this Annual Meeting:

- Chairman **\$2,000 p.a.** (no change)
- Member **\$1,000 p.a.** (no change)

Furthermore, Members of the Directors' Remuneration Committee are entitled to be paid for reasonable expenses incurred in connection with the business of the Committee, in line with the policy for remuneration of Directors and Shareholders' Councillors.

Appointment of Auditor

Resolution 4: Appointment of PricewaterhouseCoopers as auditor and authorisation of the Directors to fix the auditor's remuneration

The Companies Act 1993 requires the Company to appoint an auditor. Section 207S of the Companies Act 1993 provides that the fees and expenses of an auditor appointed at an Annual Meeting can be fixed in the manner determined at that meeting.

PricewaterhouseCoopers has audited the Company's financial statements for the year ended 31 July 2018.

The Directors recommend that PricewaterhouseCoopers be appointed as auditor for the coming year. The Directors recommend that Shareholders authorise the Board to fix the auditor's remuneration.

An RFP process is currently underway for the provision of external audit services for the financial year ended 31 July 2020.

Ratification of Appointment of Director

Resolution 5: Ratification of appointment of Mr Clinton Dines

The Company's Constitution requires that the Shareholders of the Company ratify the appointment of each Director appointed by the Board in accordance with clause 12.4 of the Constitution. This is to take place at the first Annual Meeting of the Company following that Director's appointment and, where the appointment is for a term exceeding three years, shall be ratified by Shareholders every three years.

Mr Clinton Dines was appointed by the Board in accordance with clause 12.4 of the Constitution and his appointment is required to be ratified by Shareholders at the 2018 Annual Meeting.

The Fonterra Board has determined that Mr Dines qualifies as an Independent Director.

Mr Dines' remuneration and benefits, as with all of the Independent 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 Independent Directors at the same level as Elected Directors.

Details of his qualifications and experience are set out below.

Clinton Dines

Clinton Dines was President of BHP Billiton China for 7 years and worked within the BHP Billiton business in China for over 20 years, initially as the Company's Senior Country Executive. Prior to joining BHP Billiton Clinton worked for a number of entities based in China and in total spent 36 years living and working in China and is a fluent Mandarin speaker.

Since retiring from BHP Billiton in 2009 Clinton has acted as a Non-Executive Director of a number of entities and currently serves as a Non-Executive Director of North Queensland Airports and Zanaga Iron Ore Company. Clinton also works as a Partner in the Strategic Corporate Advisory of Moreton Bay Partners. He was the Executive Chairman of Caledonia Asia from 2010 to 2013 and is an Adjunct Professor at Griffith University's Asia Institute and is a member of the Griffith University Council. Clinton has extensive experience as a senior executive in China and Asia businesses, including global manufacturing and commodity businesses.

Approval of Shareholders' Council Programme and Budget

Resolution 6: Approval of Shareholders' Council programme and budget

Under this item of business the Chairman of the Shareholders' Council will, in accordance with the requirements of the Company's Constitution:

- Report on the Council's view as to the Company's direction, performance and operations for the preceding season

- Report on the activities undertaken by the Council in the preceding season
- Present the Council's programme and budget for the current season
- Present the Milk Commissioner's Report
- Comment on other dairy industry matters

Shareholders are then asked to approve the programme and budget of the Shareholders' Council for the 2018/19 season:

	FY2018 Budget \$000	FY2018 Actual \$000	FY2019 Budget \$000
Operating Costs:			
Communications	80	32	65
Councillor Honoraria, Staff Salaries and Associated Costs	1,875	1,827	1,825
Professional Services - Milk Commissioner, Milk Price Panel appointees, Legal	100	102	110
Meetings and Engagement	350	397	350
Administration	30	30	35
Total Operating Costs	2,435	2,388	2,385
Connection – contribution to costs of MyConnect conference and Purpose review, Understanding Your Co-operative Programme, Councillor Development and Business Study Trip, Shareholder Engagement	602	555	670
Governance Development Programme	146	123	146
Guardianship - Fonterra Elections (Returning Officer and director candidate meetings costs)	0	0	250
Performance – costs of external analyst including for Value Review	55	98	175
Total	3,238	3,164	3,626

BUDGET

Council seeks Shareholder approval for a budget of \$3.626 million for FY2019 as summarised above.

This is an increase over budgeted and actual spend in FY2018 due to:

- **Value Creation Review:** Council has commissioned an independent advisor to determine the value creation for farmers relative to their investment since the inception of Fonterra.

- **Purpose Review:** A Council initiated workstream that seeks to provide greater clarity as to who we are, why we exist and the legacy our people would like to see our Co-op create. Being united in our Purpose will drive strong belief and enable us to create a Vision we all aspire to, and ensure strategy is aligned to - which are vital to the ongoing success of our Co-op. As Fonterra's current and future owners, it is up to us to ensure that our Purpose and Vision extends from our farms to the world.
- **Fonterra Elections** (Director Election, Directors Remuneration Committee Election and Shareholders' Councillor Elections): The costs of the Returning Officer and director candidate meetings have previously been met by the Fonterra Corporate Affairs business unit. Given Council's role in the elections it seems more appropriate for these costs to be met from Council's budget.

As noted, the FY19 budget includes contributions to the costs of the 2019 MyConnect conference (\$210,000) and Purpose review (\$65,000). The balance of costs for these items will be met by Fonterra business units.

In November 2017 Fonterra Shareholders approved a budget of \$3.238 million for FY18 of which \$3.164 million (98%) was utilised. Council meeting expenses exceeded budget due to additional meetings. The Understanding Your Co-operative Programme had a record number of participants resulting in actual costs exceeding those budgeted. These cost overruns were managed by not undertaking other budgeted engagement initiatives.

WORK PROGRAMME

Council's work programme for FY2019 includes:

Performance Monitoring

- Review and report on the outcome of the review of value creation for Shareholders since Fonterra's inception.
- Receive and review Fonterra's Statement of Intentions (SOIs) for FY2019.
- Receive and review Fonterra's strategy, three-year business plan and budget.
- Monitor and report to Shareholders on Council's view of Fonterra's direction, performance and operations, including a commentary on actual achievements compared to the Board's SOIs.
- Continue to work with the Board to evolve a balanced and meaningful performance and reporting framework.
- Understand Fonterra's reasons for any business investments, acquisitions and disposals.
- Report on areas of concern and interest as required.

Connection

Purpose and Vision

- Continue to work with the Board on the Purpose review.
- Review the Co-op's philosophy in light of the outcomes of the Purpose review.

Learning, Development and Succession

- Provide relevant learning and development programmes for Shareholders.
- Provide two appointees to the Governance Development Committee, and receive and consider the Governance Development Committee's annual report on its activities, proposed programme and budget.
- Administer the Governance Development Programme.
- Administer relevant training programmes for Shareholders' Councillors.

Representation

- Engage with officials and make submissions on behalf of Fonterra farmers on the DIRA review.
- Gather and regularly report farmer feedback and views to the Board.
- Consider and investigate any issues referred to Council by Shareholders.
- Meet as a full Council with the full Fonterra Board at least twice during the season.
- Meet with individual members of the Board from time to time as required to perform Council's functions.
- Attend meetings of and represent Fonterra farmers' views to the Board's Co-operative Relations Committee.
- Work to improve Shareholder participation in the Co-operative through providing opportunities for meaningful connection and improving Shareholders' awareness of the importance of engaging with their Co-op.
- Help develop farmers' understanding of our Co-op's strategy and how key Board decisions relate to that strategy.
- Comment to Fonterra farmers on Fonterra and dairy industry matters as they arise.

Guardianship

Independent Appointments

- Appoint the Milk Commissioner.
- Appoint one independent appointee to the Independent Selection Panel (Directors' Election).
- Appoint two representatives to the Board's Milk Price Panel (one of whom must be an independent appointee).
- Appoint one trustee in relation to the operation of the Fonterra Shareholders' Fund.

Co-operative Governance

- Act as a sounding board for the Co-op's Board on matters that impact our individual farming businesses.
- Receive information on and report on the management and operation of the Fonterra Shareholders' Fund.
- Meet with the Milk Price Panel on at least two occasions to receive an overview of the Panel's activities and discuss Milk Price issues.

- Continue to assess the Board's governance practices.

Fonterra Elections

- Manage the Director elections process in consultation with the Board, appoint a Returning Officer to conduct the Fonterra Directors' and Directors' Remuneration Committee Elections, and organise the director candidate meetings.
- Conduct a post-event review of the Fonterra Directors' Election process.
- Appoint two Council observers for Board Nominations Committee meetings when it considers candidates for Farmer Director Elections.

Council Operations

- Convene a minimum of six meetings of the full Council during the year and hold other conference call meetings as required.
- Use Committees and project teams to undertake Council's work programme and address issues in a timely and cost-effective manner.
- Report to Shareholders on Council's activities in the FY2019 Shareholders' Council Annual Report.

Fonterra Constitution and By-laws of the Shareholders' Council

- Propose any changes to the Fonterra Constitution and Council By-laws which the Council considers to be in the best interests of Fonterra Shareholders.
- Review any proposed changes to Fonterra's Constitution.

Shareholder Proposal

Under clause 15.1 of the Constitution, a Shareholder may give written notice to the Board of a matter which the Shareholder proposes to raise for discussion or resolution at the next meeting of Shareholders at which the Shareholder is entitled to vote. Under the provisions of clause 9 of the first schedule to the Companies Act, the Shareholder may include a statement of not more than 1000 words in support of the proposal, together with the name and address of the proposing Shareholder.

Resolution 7: Shareholder Proposal - Mr Murray Beach's Proposal

The Company has received the following proposal from Mr Murray Beach for Shareholder consideration and resolution at the Annual Meeting.

"To direct the Board to initiate within three months a formal Co-operative-wide discussion (to be completed by 1 May 2019) regarding whether the existing share system should be replaced with the New Share Proposal so that all suppliers are equal."

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

The Shareholders' Council has also advised that it unanimously does not support the proposal.

This Shareholder proposal requires the support of farmer Shareholders holding 50% of the voting rights at the Annual Meeting.

The proposing Shareholder, Mr Murray Beach, was entitled to provide a statement in support of the proposal. The following was supplied:

NEW SHARE PROPOSAL

A farmer has 100,000 shares at \$5.50 = \$550,000 Change these to \$2.00 shares

This gives the farmer 275,000 \$2.00 shares

The farmer must keep 100,000 shares worth \$2.00. These could be called his milking quota shares.

This farmer still has 175,000 shares worth \$2.00 that he can sell or transfer. We'll call these his saleable/transferrable shares. The saleable/transferable shares can only be sold to a Fonterra farmer.

If the farmer increases production by 10,000 Milk Solids, he can transfer 10,000 of his saleable/transferable shares to his milking quota shares.

This will give him 110,000 milking quota shares and reduce his saleable/transferable shares to 165,000.

The outsiders' shares, known as the units could be changed to \$2.00 shares and the dividend will have to be honoured on them.

All existing schemes, 6 years to share up, 10 years to share up, contract milk and Mymilk to be replaced by the \$2.00 share over a period of time, say 3 years.

These can be bought from any farmer wishing to sell some of his saleable/transferable shares.

FARM SALES

The farm can be sold with the milking quota shares either incorporated in the price or added on top of the price. These shares are to be connected to the farm as part of the business and are to be sold with the farm.

Fonterra will have to buy back the saleable/transferable shares. These shares are to be bought out of the Retained Dividend Pool.

SO HOW DO WE GET THIS TO WORK

We set 5% as a dividend target but making sure that there is enough money going into the retained dividend pool so that there is no redemption risk to the Co-Op.

Since the change in capital structure, the dividend has averaged at 4.9% and there has been an average of 7 cents retained, therefore 5% is a fair and realistic starting point.

The retained Dividend Pool buys shares from shareholders leaving. All shares bought out of the Retained Dividend Pool drop out of the system.

The Retained Dividend Pool will pay out shareholders that are

leaving within three years from date of notification that they are leaving.

THE RETAINED DIVIDEND POOL REPLACES REDEMPTION

As the shares decrease the dividend should increase. So for that reason the dividend is to be reviewed every second year, taking into account the current interest rate and how much is in the Retained Dividend Pool.

So now we have the Co-op in a position where in 3 years every farmer will have \$2.00 shares to their milking quota. This will encourage farmers to stay with Fonterra. It will put all farmers on an even playing field. This will eliminate the discontent. It will stop farmers leaving, this will safeguard Fonterra's milk supply. As farmers increase production it will start to take the saleable/transferable shares out of the system. This will make it easier for farmers that are struggling as they won't have to buy shares for their extra effort. They'll think this is not such a bad Co-op to milk for.

The ultimate goal is for the saleable/transferable shares to phase out, leaving all suppliers with \$2.00 milking quota shares. This way everybody is the same and it gets rid of a lot of complicated administration also saving the Co-op money.

The contract milk, new identities Mymilk and increased production will take out a lot of the farmer saleable/transferable shares.

We need to know the percentage of contract milk, new identities and Mymilk so that the farmers with saleable/transferable shares can sell to that percentage.

So there is no confusion: Contract milk, Mymilk, 6 years to share up and 10 years to share up amount to about 3%.

Therefore you can only sell about 3% of your saleable/transferable shares, the rest of your saleable/transferable shares sit there and receive the dividend.

If the Retained Dividend Pool builds up we may be able to increase the percentage of saleable/transferable shares that can be sold.

If the dividend is 27 ½ cents on a \$5.50 share, the dividend on a \$2.00 share is 10 cents but you have 2 ¾ times as many shares, giving you exactly the same amount of dividend money.

Farmers that took the 20% special share offer at \$7.92 four years ago and were given vouchers in their place will be able to transfer 20% of their saleable/transferable shares to their milking quota shares. This will not cost the farmer a cent and will give the farmer full voting rights. The farmer will have exactly the same share value.

It will take 20% of the saleable/transferable shares out of the system and won't cost the Co-op a cent either.

It will stop shares going to outsiders that we have to honour the dividend on.

The banks won't lose security.

The New identities, Contract milk and Mymilk will be able to fully share up to their milking quota at \$2.00 per share, so there is something in this for them as well. This way everybody will be the same.

How do we set the share price? The fairest way would be to take the average over the previous 12 months prior to the voting papers going out.

Example as to how the new Share Proposal will work (SUPPORTING STATEMENT)

A farmer milks to 100,000 MSolids. He's previously sold 20% of his shares at \$7.92 which were replaced with vouchers. This means he owns 80,000 shares.

80,000 shares at \$5.50 = \$440,000.00

Change these to \$2.00 shares = 220,000 shares

This gives him 80,000 milking quota shares at \$2.00 and 140,000 saleable/transferable shares. He transfers 20,000 saleable/transferable shares to his milking quota shares getting rid of his vouchers and increasing his milking quota shares to 100,000. He's now fully shared -up with full voting rights. By doing this the saleable/transferable shares drop back to 120,000. Fonterra saves 20% redemption should this person decide to leave.

He has a good season and increases production by 10,000 milk solids, so he transfers 10,000 of his saleable/transferable shares to his milking quota shares. He now has 110,000 milking quota shares and 110,000 saleable/transferable shares. This can save Fonterra another 9% redemption.

He now decides to sell 3% of his saleable/transferable shares to a new identity or contract milker.

That's another 6,000 shares sold. He now has 110,000 milking quota shares and his saleable/transferable shares are down to 104,000. Fonterra saves another 3% redemption.

Now this guy decides to sell his farm so he sells the 110,000 milking quota shares to the new purchaser.

Fonterra's Retained Dividend Pool will only have to pay out the 104,000 saleable/transferable shares which are left at \$2.00 costing the Co-op \$208,000. That's a lot better than 440,000. It's cut the redemption by over 50% on that farm. It also gets rid of 104,000 shares.

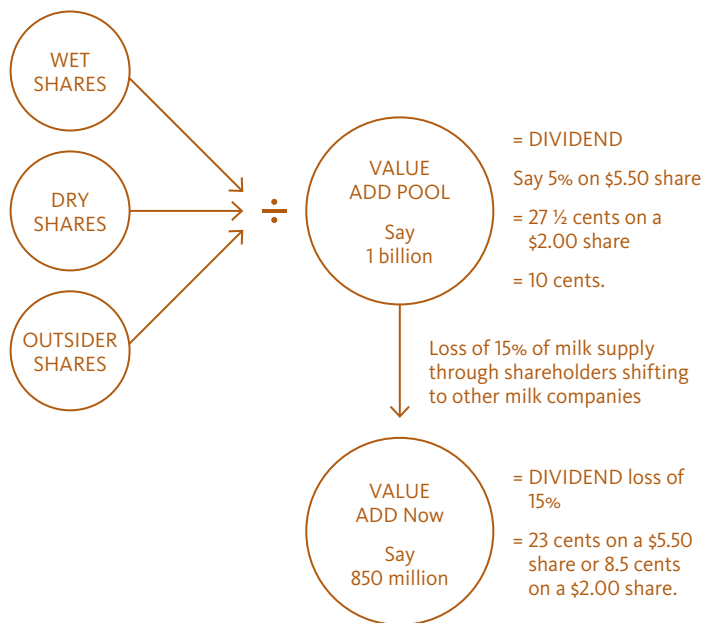
The new farm buyer is in at \$2.00 a share so the chances of him moving to another milk company are less.

Every time there is a farm sale all the existing farmers get more added to their dividend as there are less shares to divide into the value added money.

HOW I SEE IT AT THE MOMENT

When Fonterra stopped paying Redemption if left outsiders to buy up those shares from the people jumping ship.

This has caused the same amount of shares to be out there but the value add pool has decreased due to the loss of milk.



So the shares are staying the same and the Value Add Pool is decreasing through loss of milk and will continue to do so unless we change the system to stop people leaving.

LET'S GET DOWN TO THE BASICS

What happens if we lose another 15% over the next 5 to 10 years? This could put Fonterra down to 65%. That's pretty scary with 21,400 employees and the same overheads. I can't see that lending towards high milk prices.

The problem is the high share price, it encourages people to leave. The second problem is there are too many shares.

If we fix the share price, it stabilises the price, it can't go up or down, so it stabilises your security as well. You know exactly where you are from year to year. The issue is are you milking cows or playing a share market?

So what does the New Share Proposal Achieve?

1. It helps every farmer and the Co-op.
2. It replaces redemption with the Retained Dividend Pool.
3. It encourages farmers to stay with Fonterra.
4. You can increase production without having to buy shares.
5. It fixes the share price.

6. It lets farmers on six years to share up, ten years to share up, contract milk and Mymilk buy shares at \$2.00.
7. It buys out leavers shares increasing the dividend to every shareholder.
8. It stops outsiders buying anymore shares.

It's a good proposal, read it carefully and see how it works on your own individual case, then tell your neighbour. I wasn't asked to bring it forward again for no reason.

I mentioned earlier that there's too many shares.

It's like this: If you have \$100 and there are 10 shareholders, you get \$10 each. If you have \$100 and there are 5 shareholders you get \$20 each.

The amount of our money that Fonterra has invested is only returning 25 - 30 cents dividend to us. With less shares this should increase.

So is there Redemption. Redemption comes across as a dirty word. If there are 300 farm sales a year doing 100,000 milk solids at say \$5.50 a share, under this system it would equate to 105 million and if some of those shareholders had vouchers or increased production might only be 90 million, so it's not that bad.

The theory is if we all put a little bit into buying out the shares, as we get rid of the shares, we'll all get a little bit back.

If the remit gets past the first vote maybe the directors might consider putting a little bit into the Retained Dividend Pool out of what they already retain. That would certainly up their rating.

Fonterra cannot have their cake and eat it too. The problem is the shares are not dropping out of the system, but the milk supply is dropping. In other words we have the same costs but less income. We can cut back on the costs and run more efficiently but we need to save the income as well and that's what this proposal is out to achieve.

I was asked to bring this forward again and to see what shareholders thought of it. I took it to eleven shareholders and got their opinions. Out of the eleven there were seven that supported the remit, three undecided and one against.

Five of these shareholders had been a dairy farm director at some stage of their life. I am only allowed 1,000 words, so if anyone wants to know what those shareholders opinions were, ring or e-mail me.

Murray Beach

Ph: 03 574 2036

e-mail: info.morepork@slingshot.co.nz

Note: The figures used in this proposal are to explain how the proposal works, therefore they are not 100% accurate.

The Board comments on Mr Beach's Proposal

Your Board recommends that you vote AGAINST this proposal.

The Board notes that the New Share Proposal presented by Mr Beach repeats in most respects the New Share Proposal put forward by Mr Beach at the 2015 Annual Meeting which over 91% of Shareholders voted against. The small changes made by Mr Beach to the current form of the New Share Proposal do not shift the fundamental issues that compromised the earlier proposal.

In summary, the proposal would not be in the best interests of our Co-operative for the following reasons:

1. The proposal is detailed but contains a number of inconsistencies and unworkable features. Any proposal to change fundamental features of the Company's capital structure should be properly considered and debated before being recommended to Shareholders. The Board considers that a discussion with Shareholders regarding Mr Beach's proposal would not result in sufficient amendment to Mr Beach's proposal to make it workable or favourable for the Company or provide any tangible benefits to Shareholders.
2. The proposal is inconsistent with the Company's current capital structure. Mr Beach has advised that he believes his proposal would not re-introduce redemption risk. This is incorrect. Mr Beach's proposal would re-introduce redemption risk which was removed by the changes made to the Constitution by Shareholders as part of Trading Among Farmers. The retained dividend pool suggested by Mr Beach to address redemption risk would require Fonterra to retain additional earnings which means Shareholders would receive a reduced dividend each year. If the pool was insufficient to redeem the shares of those leaving our Co-operative, other funding sources within the Company's balance sheet would need to be found. In effect, all remaining Shareholders would be funding those leaving the Co-operative which means redemption risk would be re-introduced.
3. The proposal is also inconsistent with the current statutory framework provided for in the Dairy Industry Restructuring Act 2001. The re-introduction of redemption risk would undermine the Company's financial strength which would impact the Company's strong credit rating and its ability to secure debt funding on favourable terms.
4. The proposal is economically unsound in a number of key respects, and aspects would not be able to be put in place legally. Mr Beach has provided no analysis of the impact of the proposal on the Company and its Shareholders, including any risk analysis, financial benefits and costs, public policy impact or unintended consequences.
5. The Board considers that a nominal share that fails to reflect the investment being made by Shareholders over time in the Company would not be in the best interests of Shareholders or the Company, and could result in decisions and incentives that undermine value.

6. The proposal would undermine the ability of the Company to pursue its strategy, and a Co-operative-wide discussion regarding whether it should replace the existing share system would create an unnecessary distraction to management, the Board and Shareholders, especially at a time when the Board and management are focused on lifting performance and taking stock of our businesses.

The Shareholders' Council has reviewed Mr Beach's Proposal

The Shareholders' Council acknowledges and respects the rights of Shareholders to propose resolutions for consideration by all Shareholders.

The Shareholders' Council considered Mr Beach's proposal and unanimously voted to not support it for the reasons set out below:

1. Mr Beach states that 'the problem is the high share price' and that there is a second problem of 'too many shares'. Mr Beach asserts his proposal will 'stop farmers leaving' the Co-op, will 'encourage farmers to stay' with the Co-op, will 'put all farmers on an even playing field' and will 'eliminate the discontent'. Council does not share these views. Whilst Council acknowledges the loss in share of NZ milk collection, that there are challenges for some farmers with the current capital structure and that a Co-operative wide discussion on capital structure is appropriate from time to time, it considers that at the present time Board and management need to primarily focus on lifting the Co-op's performance. For its part, Council will continue to educate all farmers on the benefit of being in a Co-op, who we are and why our Co-op exists.
2. Any proposal to change Fonterra's capital structure must be thoroughly developed, and then robustly reviewed, analysed, critiqued and debated before it is put to shareholders to vote on to ensure it achieves its desired objectives and that there are no unintended consequences for the Co-op as a whole, both for our business and ourselves as shareholders.
3. Council notes Mr Beach's comment in his Supporting Statement that the 'figures used in [the] proposal are to explain how the proposal works, therefore they are not 100% accurate'. Shareholders should not be asked to support a proposal that is not factually correct.
4. The aspect of the proposal that enables production to increase without the purchase of shares is contrary to the Co-operative Principles. Whilst Council supports the review of those Principles from time to time they are the framework or boundaries within which the Co-op operates. Compromising these Principles without careful consideration could damage the heart of the co-operative and undermine an essential part of who we are.
5. The proposal does not work in all stated respects – for example, redemption risk. Circumstances could arise such that the retained dividend pool is insufficient to fund the redemption of shares by departing shareholders.

6. Council is concerned that the proposal would put further pressure on the balance sheet.
7. A nominal value share does not recognise the investment made by shareholders over time in the Company and as a result removes value from shareholders, and is therefore not in the best interests of shareholders.



If undelivered please return to:

The Returning Officer
Fonterra Elections 2018
PO Box 3138
Christchurch 8140
Free phone 0800 666 034

FONTERRA ANNUAL MEETING 2018

ANNUAL MEETING PROXY PAPER INFORMATION

10.30AM ON 8 NOVEMBER 2018. FONTERRA LICHFIELD SITE, CORNER SH1 AND WILTSDOWN ROAD, LICHFIELD

HOW TO COMPLETE THE PROXY PAPER AND APPOINT A PROXY:

- 1. Appoint a proxy:** Provide the full name and address of your chosen proxy in the box labelled "Primary Proxy". A proxy need not be a Shareholder.

The Chairman of the Meeting is willing to act as your primary proxy. If you wish to appoint the Chairman of the Meeting you can simply write "Chairman of the Meeting".

It is recommended that you appoint an alternate proxy as well, in case your primary proxy is unable to attend on the day of the Annual Meeting. Please provide the full name and address of your alternate proxy in the box labelled "Alternate Proxy".

Please note: You do NOT need to appoint an alternate proxy if the Chairman of the Meeting is your primary proxy.
- 2. Instruct your proxy how to vote:** You can instruct your proxy how to vote by placing a tick in either the "For" or "Against" box. Your proxy CANNOT change the direction of your vote if you instruct them how to vote in this manner. If you do not instruct your proxy how to vote by placing a tick in either the "For" or "Against" box, then your proxy can vote as she/he determines.
- 3. Sign the form:** Each Shareholder must sign the paper:
 - Individuals/Sole Proprietors: the Shareholder must sign the paper.
 - Companies: a duly authorised representative of the company must sign the paper.
 - Joint Shareholders (including trusts, partnerships and estates): it is your responsibility to ensure that the person(s) signing this paper is/are authorised to sign on behalf of, and bind, all joint holders.
 - Attorneys: if the paper is signed under a power of attorney, it must be accompanied by a signed certificate of non-revocation of the power of attorney. The power of attorney under which the paper is signed must be sent with the paper if the power of attorney has not been previously produced to the Company.
- 4. Return the form:** Return the proxy paper as soon as possible. It must be received by the Returning Officer no later than 10.30am on Tuesday, 6 November 2018.
 - Mail by separating, folding and inserting the proxy paper into the freepost envelope provided.

To ensure your Voting Paper reaches the Returning Officer before the close of voting please **post no later than Thursday, 1 November 2018.**

HOW TO APPOINT A CORPORATE REPRESENTATIVE:

In the case of a Shareholder that is a company or other body corporate, a representative can be appointed to attend the Annual Meeting by completing the proxy form. In this form, proxy can mean proxy or representative appointed for a company or other body corporate or entity.

ERRORS AND OMISSIONS:

By signing and returning the proxy paper, you authorise Fonterra, in its sole discretion, to rectify any errors in, or omissions from, the paper form, including by inserting and correcting details.

REVOKING YOUR APPOINTMENT:

If you change your mind on the appointment of a proxy or representative, you can revoke the appointment by written notice to the Company. Such notice must be received at the registered office of the Company - Fonterra Annual Meeting, Fonterra Co-operative Group Limited, Private Bag 92032, Auckland 1142 (or fax to 09 374 9451) no later than 10.30am on Tuesday, 6 November 2018.

FONTERRA ANNUAL MEETING 2018

COMBINED ANNUAL MEETING VOTING/PROXY PAPER



You can vote in **ONE** of the following four ways:

1. INTERNET VOTING

Vote via Farm Source website (at nzfarmsource.co.nz)

- Login using your Farm Source login and password
- Follow the voting links from the homepage
- Enter your Personal Identification Number (PIN) and password – see below.

IMPORTANT: By entering the PIN and password you warrant and undertake that you are authorised to exercise the vote of this Shareholder.

After voting online do not submit this Voting Paper - it can be destroyed.

PIN

PASSWORD

2. POSTAL VOTING

Post the completed Voting Paper to electionz.com in the freepost reply envelope provided.

To ensure your Voting Paper reaches the Returning Officer before the close of voting please **post no later than Thursday, 1 November 2018.**

3. AT THE MEETING

If you plan to attend the meeting, bring this form with you.

Voting instructions:

- Indicate your vote with a tick
- When advised by the Chairman of the Meeting, pass the completed Voting Paper to an official of the meeting.

4. BY PROXY

Appoint a person to attend the Annual Meeting and vote on your behalf. A proxy need not be a Shareholder. To ensure your Proxy Paper reaches the Returning Officer before the close of voting please **post no later than Thursday, 1 November 2018.**

Internet, postal votes and proxy appointments must be received by [electionz.com Ltd](http://electionz.com) no later than: 10.30am on Tuesday, 6 November 2018

For enquiries phone the ELECTION HELPLINE: 0800 666 034



Use this paper to vote by post or by attending the Annual Meeting to vote in person.



	Supply No.:																
	Details of person completing this Voting Paper:																
	First Name:	<table border="1" style="width: 100%;"> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> </table>															
Surname:	<table border="1" style="width: 100%;"> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> </table>																
	Signature:																

Indicate your vote with a tick ✓		FOR	AGAINST
1	Resolution 1: Approval of remuneration of Directors	<input type="radio"/>	<input type="radio"/>
2	Resolution 2: Approval of remuneration of Shareholders' Councillors	<input type="radio"/>	<input type="radio"/>
3	Resolution 3: Approval of remuneration of members of the Directors' Remuneration Committee	<input type="radio"/>	<input type="radio"/>
4	Resolution 4: Appointment of PricewaterhouseCoopers as auditor and authorisation of the Directors to fix the auditor's remuneration	<input type="radio"/>	<input type="radio"/>
5	Resolution 5: Ratification of appointment of Mr Clinton Dines	<input type="radio"/>	<input type="radio"/>
6	Resolution 6: Approval of Shareholders' Council programme and budget	<input type="radio"/>	<input type="radio"/>

Shareholder Proposal		Indicate your vote with a tick ✓	FOR	AGAINST
7	Resolution 7: Mr Beach's Proposal		<input type="radio"/>	<input type="radio"/>

FONTERRA ANNUAL MEETING 2018
ANNUAL MEETING PROXY PAPER



Only use this paper if you **do not** plan to attend the meeting but wish to be represented by a proxy holder at the meeting.

A: Shareholder Details	
Name	Supply Number:
	Party Number:

B: Appointment of Proxy

If you wish to appoint someone as your proxy, write their full name and address below. The Chairman of the Meeting is willing to act as a proxy.

Primary Proxy: I/We appoint:

Full name of your proxy:

Full address of your proxy:

as my/our proxy to vote for me/us on my/our behalf at the Annual Meeting of Shareholders to be held at 10.30am on Thursday, 8 November 2018 and at any adjournment of that Annual Meeting.

Alternate Proxy: You do not need to appoint an alternate proxy but it is recommended that you do so, unless you are appointing the Chairman of the Meeting as proxy. The Chairman of the Meeting is willing to act as an alternate proxy. If the person I/we have appointed is unable to be my/our proxy then I/we appoint:

Full name of your alternate proxy:

Full address of your alternate proxy:

C: Voting Instructions You only need to complete this section if you want to instruct your proxy holder how to vote.

		FOR	AGAINST	Shareholder Proposal		FOR	AGAINST
1	Resolution 1	<input type="radio"/>	<input type="radio"/>	7	Resolution 7 Mr Beach's Proposal	<input type="radio"/>	<input type="radio"/>
2	Resolution 2	<input type="radio"/>	<input type="radio"/>				
3	Resolution 3	<input type="radio"/>	<input type="radio"/>				
4	Resolution 4	<input type="radio"/>	<input type="radio"/>				
5	Resolution 5	<input type="radio"/>	<input type="radio"/>				
6	Resolution 6	<input type="radio"/>	<input type="radio"/>				

Signature(s) of Shareholder(s) named in Section A (Please see signing instructions on the next page.)

By signing this form, I/we warrant and undertake that I/we are authorised to sign on behalf of, and bind, the Shareholder(s) named in Section A.

Name of Shareholder	Signature
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Full name and title of signatory	Date
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Name of Shareholder	Signature
---------------------	-----------

Full name and title of signatory	Date
----------------------------------	------

Full name and title of signatory	Date
Signature of Signatory	Signature of Signatory

Name of Shareholder	Signature

Full name and title of signatory	Date
----------------------------------	------

If you are appointing a proxy, return this paper as soon as possible. It must be received by the Returning Officer **no later than 10.30am Tuesday, 6 November 2018.**

Mail by separating, folding and inserting this proxy paper into the freepost envelope provided.

FONTERRA ELECTIONS 2018 BOARD OF DIRECTORS

CANDIDATE PROFILES



FONTERRA
SHAREHOLDERS'
COUNCIL



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NOTE ON CANDIDATE STATEMENTS

Each Candidate Profile Statement contains a maximum of 1,000 words (excluding the Candidate Interest Statement) provided by the candidate.

The Returning Officer and Fonterra Co-operative Group Limited note that 'shareholdings' in Fonterra or other companies disclosed by candidates may include shares held by third parties in which candidates have a relevant interest as defined by the Financial Markets Conduct Act 2013.

Any emphasis (including capitalisation, italics, bolding, underscoring and bullet points) has been added by the candidate.

The Returning Officer and Fonterra Co-operative Group Limited accept no responsibility for the content, or accuracy of the content, contained in Statements supplied by candidates.

Warwick Lampp, Returning Officer – 2018 Fonterra Elections

Freephone 0800 666 034

iro@electionz.com

FONTERRA DIRECTORS ELECTION INTRODUCTION

Voting is now open for the election of THREE (3) Directors to the Fonterra Board.

This year there are five candidates: three Independent Nomination Process candidates Jamie Tuuta, Ashley Waugh and Peter McBride, and two Self Nomination Process candidates John Nicholls and Leonie Guiney.

Jamie Tuuta, Ashley Waugh and Peter McBride were nominated by the Fonterra Board after being recommended by the Independent Selection Panel. The process for their nomination was supported by the Shareholders' Council in accordance with the Independent Nomination Process.

The Fonterra Board has provided details of the Attributes and Skills the Board is seeking in the 2018 Directors' Elections (pages 2-4 of this booklet).

The three candidates recommended by the Independent Selection Panel have been assessed against the desired Attributes and Skills. The Independent Selection Panel Report outlining the process followed is on page 5 of this booklet. The Panel's assessment of their three recommended candidates is included prior to each of these candidate's Profile Statements.

The Self Nomination Process allowed any Fonterra Shareholder (with the support of not less than 35 different Shareholders) to put themselves forward as a Director candidate and be considered for election by their fellow Shareholders alongside the previously announced Independent Nomination Process candidates. John Nicholls and Leonie Guiney are standing through the Self Nomination Process in 2018.

First Past the Post Majority Voting

To be elected to the Board a candidate must obtain more than 50 per cent support from Shareholders who have voted. Of the candidates that get 50 per cent support the three candidates with the highest proportion of votes will be appointed. Each Shareholder can vote Yes for up to three of the candidates (but can choose to vote Yes for none of the candidates, or for only one or two of the candidates).

If not enough candidates obtain 50 per cent support:

- Another election must be held for the unfilled positions.
- The Shareholders' Council will have discretion to set rules for a second election depending on circumstances at the time – the focus will be on the most efficient process.
- If it sees a need, the Board can use its constitutional power to make a temporary appointment to fill the vacancy until the next election (but may not appoint an unsuccessful candidate).

Fonterra Director Candidate Meetings

Fonterra Shareholders have the opportunity to meet and ask questions of the Director candidates at seven meetings throughout the country.

Chaired by the Fonterra Shareholders' Council, these meetings provide a setting in which candidates meet with and answer questions from Fonterra Shareholders with a focus on explaining how their governance skills and attributes meet the requirements of the Co-operative.

The format of the meetings will be that of a panel discussion whereby candidates are first provided an allotted time to introduce themselves before the Chair takes questions from the floor and moderates.

The dates and locations of the meetings are as follows:

Date	Time	Location	Venue
Tuesday, 23 October	10.00am	Gore	Heartland Hotel, 100 Waimea St, Croydon, Gore
Tuesday, 23 October	7.00pm	Ashburton	Ashburton Hotel, 11/35 Racecourse Rd, Allenton, Ashburton
Wednesday, 24 October	10.30am	Palmerston North	Awapuni Racecourse, Racecourse Rd, Palmerston North
Wednesday, 24 October	7.00pm	Stratford	Stratford Golf Club, Pembroke Road East, Stratford
Thursday, 25 October	11.00am	Rotorua	Holiday Inn, 10 Tyron St, Whakarewarewa, Rotorua
Thursday, 25 October	7.00pm	Hamilton	Mystery Creek Events Centre, 125 Mystery Creek Rd, Hamilton
Friday, 26 October	11.30am	Whangarei	The Barge, 474 Maunu Road, Whangarei

ATTRIBUTES AND SKILLS

All of our Directors must believe in and value the Co-operative and be able to demonstrate that they have the attributes and skills needed to deliver governance at a level expected for a global dairy business.

Directors on most boards operate within a band of governance experience, from the most experienced through to those who are newer to the particular role, organisation or industry. Over time, newer directors gain more experience and this helps ensure that there is succession on a board as well as a range of views and perspectives.

In order to attract the best candidates for our Board, we need to access the attributes and skills that we know are in our farmer shareholder base that will result in the right balance of experience and ability on the Board over time. It is important for candidates and for all our farmer shareholders to be clear on what is required on our Board to deliver the necessary performance and to set up our Co-operative for success in the future.

Based on our discussions during the Governance and Representation Review and the extensive work we have done on what makes for a well-functioning board, the Board has identified a list of attributes (described below) that each Director of our Co-operative must be able to demonstrate. For some of these attributes, a Director will continue to develop expertise but it is important that they are able to show that they have the attribute and the ability to keep developing in their role as Directors of our Co-operative.

In addition to these required attributes, our Board requires a set of skills to deliver good governance. There is no expectation that each Director will have all of these skills but it is important that they are appropriately represented across the Board. Some Directors will have strengths in some of the skills while others might be still developing them or will be able to rely on fellow Directors to provide guidance and expertise in particular areas.

It is also important that the skills required for our Board take into account the types of opportunities and challenges that the Co-operative will face in the future, and ensure we are developing the skills that may not be needed currently but will be critical going forward.

This means that the search for skills on the Board should always be looking to extend and build on current expertise. It is very unlikely that the Fonterra Board Skills List (described below) will at any given point in time show that all skills are currently being delivered – it should show the aggregate skills that are shared across the Board as well as the skills that will be needed to deliver on the strategy in coming years. This approach has resulted in a balanced mix of skills related to the current requirements of the Co-operative, which will continue to be enhanced to match Fonterra's future requirements.

A Director needs to demonstrate each of the attributes but does not need to be able to demonstrate each of the skills. The key requirement for a Director is that they are able to meet the governance requirements at the level required for our Co-operative. From time to time, we will identify particular skills that may be needed on the Board.

Attributes

We consider that there are certain attributes that all of our Directors must be able to demonstrate. These are:

- Understanding of and commitment to the highest standards of governance including an understanding of the collective group decision making processes adopted by the Fonterra Board
- Understanding of and empathy with the Co-op
- Ability and knowledge to comprehend the wider commercial and economic framework in which Fonterra operates
- Broad governance experience
- Proven track record of creating value for shareholders
- Global perspective
- Time available to undertake a Director's responsibilities
- Sound judgement
- Ability to apply strategic thought to important issues
- Ability to constructively question, challenge and critique
- Unquestioned honesty and integrity.

Skills List

Our strength as a co-operative relies on us being able to maximise the opportunity for our farmer shareholders to move from their farming businesses to the board room.

An appreciation of the experience and skills required to make that transition and access to adequate training are essential for any farmer shareholder who wants to become a Fonterra Director.

We expect our Board to include Directors with on-farm dairy knowledge based on having run or owned a dairy operation as a member of our dairy Co-operative, who are well versed in what drives Fonterra's Farmgate Milk Price and profitability in our global Co-operative, and who demonstrate strong co-operative values.

For a number of Directors' Elections, we have used a skills list made up of the skills the Board requires to govern Fonterra - a complex, international co-operative, operating in multiple markets, answering to diverse stakeholders, and delivering value to its owners. This skills list has been updated regularly and published in Farm Source and the documents for the Directors' Elections each year. The list has also been used to help with the selection and appointment of our Independent Directors. In addition to keeping the skills list updated, the Board has considered the relative weighting of how much of each skill is needed on the Fonterra Board. This weighting can be used to establish how much of each skill we need on the Board over time (ie. how many Directors need to exhibit each skill and to what level).

Skill Category	Definition
In Depth Dairy Farming Experience	Has deep "on farm" dairy knowledge, having run or owned a dairy operation as a member of our dairy Co-operative.
Dairy Industry / Understand Value Drivers of Milk Price / profit	Well versed in and has in-depth expertise in what drives Fonterra's milk price and of the profit drivers of the global Co-operative.
Financial Experience	Has strong financial skills and knowledge gained through business management or is a highly experienced auditor, or has functional expertise in a senior financial position to make them a qualified financial expert.
Risk Management Experience	Has had senior level experience in, or has advised at a high level to organisations that have significant risk management including reputational risk management.
Global Manufacturing / Commodity Experience	Has experience running manufacturing assets in order to maximise financial return/or experience at a senior level in a global commodity business.
Global Consumer Experience	Has had a senior level role in a consumer-oriented, retail or consumer goods company with significant global brands.
Effective leadership	Demonstrated governance leadership experience of large and complex organisations. A strong understanding of the leadership needs of a modern Co-operative. Experience managing multiple stakeholders and developing talent.
Commercial / Value creation track record	Has functional experience as a leader of a large operating business or has been the primary person responsible for driving significant value creation of either a private or public organisation, including developing strategy and leading implementation.
Global Experience / Understanding	Has a deep understanding of international issues, has had on the ground experience in Asia or other emerging markets, or has a proven global mindset.
Technology Strategy and Governance	Has knowledge and experience in the governance, strategic use and risk management of technology including information systems.
Corporate Sustainability and Responsibility Expertise	Has knowledge and a strong understanding of corporate sustainability including the management of social, environmental and economic factors and their contribution to long-term value creation.
Innovation and Research and Development	Has experience in or a strong understanding of the management or governance of research and development and applied innovation.

Skills Matrix

The Fonterra Board has produced a Skills Matrix. The purpose of the Skills Matrix is to show:

- the aggregate skills of the current Board
- for each skill the required level of that skill across the whole Board and the desired level of that skill

The Board has determined these required and desired levels based on the right mix of skills to govern Fonterra currently, the present composition of the Board and the future strategic needs of the business.

The Skills Matrix uses blue horizontal bars to show the current aggregated skill of the Board. The whole of each blue bar represents the current Board's aggregated level for each skill, and the lighter shading within those bars represents the skills of the directors who are retiring by rotation in the current year (but eligible for re-election).

The darker shading represents the skills of directors who are not retiring in 2018.

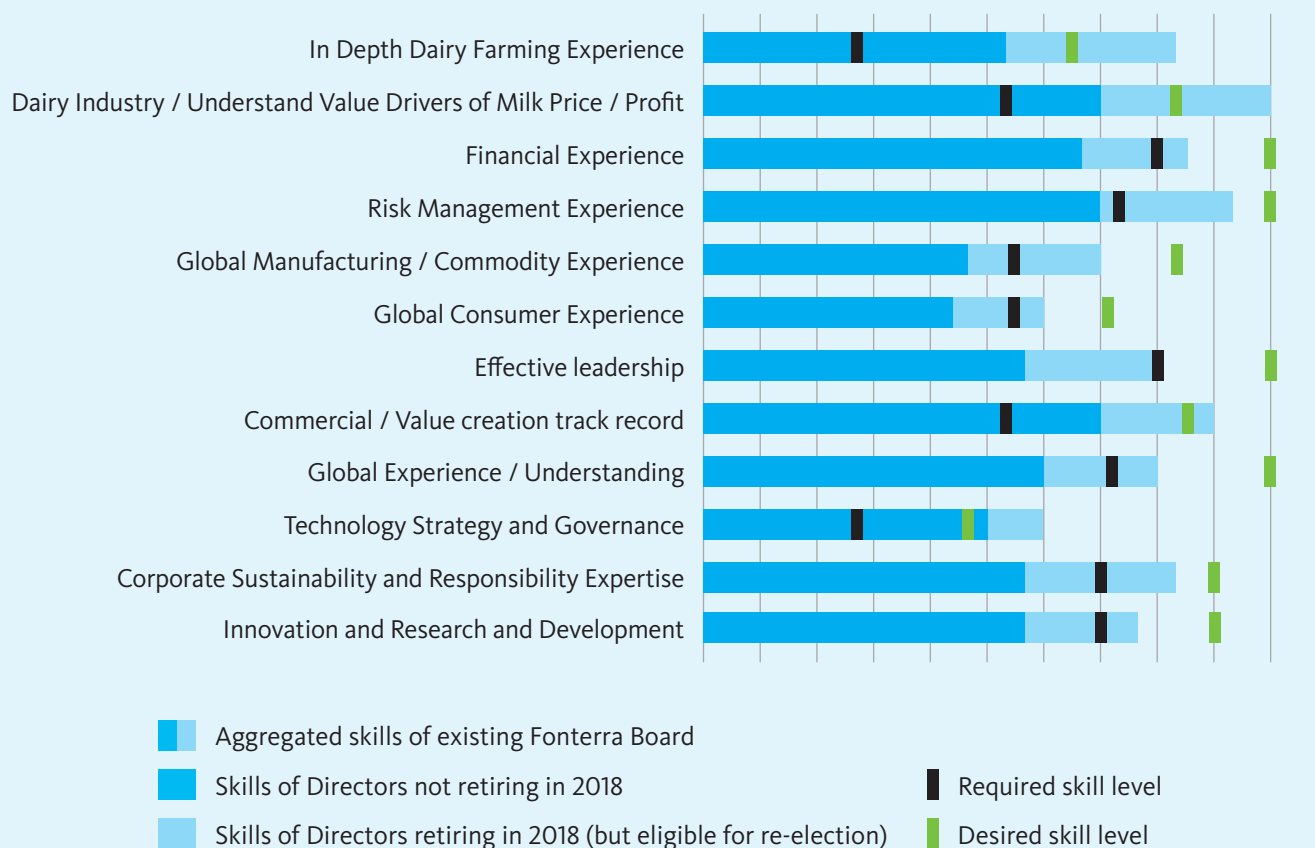
The Skills Matrix was provided to prospective candidates to show them the skills that the Board is looking for over time, and should be used as guidance. The Skills Matrix was supplied to the Independent Selection Panel to assist them as they assessed the best candidates for the Board, and the Matrix will also provide useful information for farmers when making voting decisions.

Based on this Skills Matrix (see below) the Board has prioritised a list of targeted skills for the Board:

- Effective Leadership
- Global Experience/Understanding
- Financial Experience, and
- Global Consumer Experience.

The Board has included Effective Leadership as a targeted skill in 2018. The Board continuously aims to build the level of governance leadership experience on the Board.

2018 Skills Matrix – Aggregated Skills of existing Fonterra Board



REPORT OF INDEPENDENT SELECTION PANEL

Appointed In Respect of Fonterra Co-operative Group Limited (Fonterra) Election of Directors

Introduction

This report sets out the 2018 process undertaken by the Independent Selection Panel (**Panel**) to rigorously assess and evaluate potential Farmer Director candidates and make recommendations to the Nominations Committee of the Fonterra Board (**Nominations Committee**) in respect of the upcoming Fonterra 2018 election of directors.

The Panel was formed in 2016 by the Fonterra Board of Directors and the Fonterra Shareholders' Council. The membership and operations of the Panel are independent of Fonterra.

The Panel Members for 2018 are as follows:

- Dame Alison Paterson, Independent Chair appointed by the Panel members
- Mr John Spencer, Independent Member appointed by the Fonterra Board
- Mr Tony Carter, Independent Member appointed by the Fonterra Shareholders' Council

The objectives of the Panel are:

- To have high quality Farmer Director candidates nominated for election to the Board of Fonterra; and
- That Shareholders will be better informed in the electoral process.

2018 Process Undertaken by the Panel

The Panel met in May and June to:

- Appoint an independent secretariat to assist the Panel;
- Note the required attributes and skill requirements for director candidates;
- Agree the Panel Search Brief for director candidates; and
- Agree the timetable to be followed in respect of the 2018 process to be conducted.

The Panel engaged an independent search agent to assist the Panel in their assessment activities, including contacting candidate-nominated referees.

Following review of the nominations received, the Panel decided to interview a short-list of the candidates that had applied.

The Panel instructed the independent secretariat to arrange interviews with the selected candidates. The interviews were all conducted over a two-day time-period. Time was allowed for deliberation after each interview and following conclusion of all interviews.

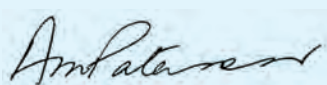
During the selection process, the Panel undertook a rigorous assessment of each candidate's attributes, skills and experience relative to those identified in the 2018 Candidate Handbook published by Fonterra, with particular regard given to the four targeted skills identified by the Fonterra Board.

The Panel considers that the interview process was conducted in such a way that each candidate had the same opportunity to demonstrate why their attributes and skills meant they should be recommended by the Panel to the Nominations Committee of Fonterra for consideration to stand for election.

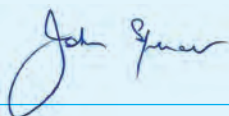
The Panel unanimously selected three candidates to recommend to the Nominations Committee to stand for election as directors of Fonterra. These three candidates were considered to have best demonstrated all of the attributes and a range of the skills expected of directors of Fonterra (as described in the 2018 Candidate Handbook). When making the recommendation to the Nominations Committee, the Panel provided the Nominations Committee with the Panel's rationale for each candidate's inclusion and an overview of the Panel's assessment findings.

Yours faithfully

Independent Selection Panel



Dame Alison Paterson



Mr John Spencer



Mr Anthony (Tony) Carter

3 September 2018

Jamie TUUTA

Independent Nomination Process Candidate

Mobile: 027 484 3644

Email: jamie.tuta@gmail.com



After being recommended by the Independent Selection Panel, Jamie Tuuta was nominated as a candidate by the Fonterra Board. The process for his nomination was supported by the Shareholders' Council in accordance with the Independent Nomination Process.

Independent Selection Panel (ISP) Assessment

An experienced and youthful Maori leader, Jamie Tuuta grew up in Taranaki and sees the considerable role Fonterra plays in the creation of wealth for the area, as well as New Zealand and Maori land-based entities. He has held a range of governance positions in dairy farming, iwi commercial development, fisheries, investment, health, Maori leadership development, tourism and education. Jamie is the former Chair of Parininihi ki Waitotara Incorporation (PKW) – a large, land-based farming and dairy operating company, and the Ngati Mutunga ki Wharekauri Asset Holding Company. An extensive governance career includes former directorships of Tuiora Ltd, Taranaki Investment Management Ltd, Wools of New Zealand and the lobster export business, Port Nicholson Fisheries Ltd. In addition, he was also a member of the Government appointed Investment Advisory panel for the Primary Growth Partnership.

Jamie is passionate about investing in innovation and increasing the economic and environmental performance of our primary industries, particularly the Maori pastoral and fishing sectors. He has a particular interest in building and developing emerging talent.

Jamie is a recipient of the 2010 Sir Peter Blake Emerging Leadership Award. He was also the recipient of the Maori Young Business Leader of the Year Award in 2016.

ISP's Assessment of Jamie's Capabilities Relative to 2018 Attributes:

The Panel considered Jamie's governance capability to be very strong and demonstrated particularly by his recent, successful execution of the Maori Trustee role, where he had oversight of \$1bn of assets. The depth of his experience was also evident, his having had governance positions in iwi and Maori-owned organisations since his youth. This also spoke to him proving sound judgement. This was supported by his referees who also highly rated his ability in this area.

His fresh perspective in respect to his understanding and empathy with the Co-op also impressed the Panel. Jamie profoundly appreciates the contribution and participation of Maori to the Co-op and spoke powerfully about how

intergenerational stewardship of the land changed the economic focus of Maori-owned farms operating within the organisation. This cultural lens on what is an important issue for Fonterra, demonstrated strategic thought and proved highly illuminating.

The Panel also considered his knowledge of the commercial and economic framework in which Fonterra operates and his broad governance experience to be very solid. Despite his experience being mainly in the iwi sector, the Panel viewed his experiences within those organisations to be wide-ranging. In that regard too, he had delivered value to shareholders.

Jamie's forthright, thought-provoking, but respectful style demonstrated an ability to effectively question and critique in an authentic presentation at interview.

ISP's Assessment of Jamie's Capabilities Relative to 2018 Skills:

Leadership was the priority skill, where Jamie not only demonstrated significant current ability, but also considerable potential for development to an even higher level in the future. The Panel considered him to have a natural authority or 'Mana' which was presented with an impressive confidence and humility.

Jamie's connections into Government are both very established and are continuing to grow. He is a sought-after speaker on the subject of Maori governance and is part of a recent New Zealand delegation to the United Nations to contribute that perspective.

He has some experience and understanding of the global marketplace through his governance roles, particularly within fisheries – Moana NZ and Port Nicholson Fisheries Ltd - and Tourism NZ, and certainly has the ability to grow in that area. The Panel considered his financial experience to be solid, given the level of responsibility as Maori Trustee (previously detailed).

In relation to the wider skill set required, he has solid understanding of dairy farming and the value drivers of milk price, particularly through his Chair role at the dairy

operating company, PKW Farms Ltd. Multiple governance roles have given him a solid understanding of risk.

Jamie has an innate, cultural commitment and appreciation

of corporate social responsibility and the Panel felt he would add value and a deeper insight in that area.

Candidate Profile Statement

I am passionate about the New Zealand primary sector and the benefits of a strong cohesive co-operative that delivers to farmer shareholders and the broader community.

Why am I standing?

Fonterra is critical to New Zealand's success economically and environmentally and we must ensure that we take the necessary steps to make Fonterra the global leader.

In doing this Fonterra has the role of maximising the value of our farmers' milk and making quality decisions regarding capital allocation. In order to do this we need a board that:

- Is committed to and owns the strategy;
- Has an effective governance culture that sets the example for the wider organisation;
- Holds the management to account;
- Ensures the probity of financial reports and a high standard of compliance with regulatory environments.

We are operating in a very dynamic environment that requires the Co-operative to understand our risks, and devise means to reduce exposure and build our resilience. We have mounting public pressure domestically and need to win the confidence of the government whilst at the same time ensuring that we continue to focus on a consumer led strategy that is globally competitive and delivers value to our shareholder farmers.

The co-operative philosophy is one which aligns with my own values and the Maori world view that I bring. I work on the basis that as a board member of Fonterra you are the guardian of the future against the claims of the present. This approach requires careful balancing of often competing tensions to ensure equity among our farmer shareholders both current and future. We have a legacy to uphold and build on.

I am very passionate about Fonterra delivering value to farmer shareholders. I believe Fonterra should be the exemplar for other New Zealand and global companies. Fonterra has the opportunity to lead the way in being a company that demonstrates appropriate environmental, social and cultural standards alongside outstanding financial performance.

Empathy with Farmers and the Co-op

I have a deep understanding of dairy farming as an owner and director. I am a shareholder of PKW Incorporation a large land based farming business in Taranaki and had the privilege of being a director and chair of the Incorporation for 6 years before being appointed the Maori Trustee.

As the Maori Trustee and CEO of Te Tumu Paeroa for the past 7 years I have worked closely with farmers and land owners to develop resilient businesses for the future. I have also maintained a close connection with the evolution of the co-op over the years given its importance to my area of work.

Governance Experience

I am an experienced governor and have held a range of governance positions over the past 20 years in the areas of iwi development, agribusiness, fishing, investment, health, housing, tourism, philanthropy and education.

My breadth of experience and leadership across multiple sectors and businesses including a deep understanding of the Maori economy would be of benefit to the board and the Co-operative.

I am a director of Moana New Zealand Ltd an export fishing company and Taranaki Whanui Ltd an iwi investment entity. I chair Te Ohu Kaimoana Trustee Ltd, Te Rūnanga o Ngāti Mutunga, the Taranaki Mounga Project and Maori Television. I am also a board member of Tourism New Zealand which is responsible for marketing New Zealand as a destination globally.

I am a former director of Wools of New Zealand, Port Nicholson Fisheries Ltd a lobster export business, Taranaki Investment Management Ltd which owned VDL in Tasmania and the New Plymouth PIF Guardians Ltd a perpetual investment fund owned by the New Plymouth District Council.

I was the chair of Parinihi ki Waitōtara Incorporation a large land based farming business, and the Ngāti Mutunga ki Wharekauri Asset Holding Company. I was also a member of the Government appointed Investment Advisory Panel for the Primary Growth Partnership and a steering group member of the Te Hono Primary Sector Bootcamp.

Through my role as Maori Trustee I was also a trustee and director of multiple land trusts, farming and kiwifruit enterprises.

Risk and Financial Matters

I have a sound understanding of risk and financial matters from both an executive and governance perspective. I have been a member of a number of audit and risk committees across a range of sectors.

Global Experience

I have current and previous experience as a director of companies that operate and or export globally in the seafood, strong wool and tourism sectors. Through these roles, I have had the opportunity to deepen my understanding of global markets through exposure to the challenges and opportunities of operating globally. I have also participated in market visits and undertaken professional development.

Qualifications and Awards

I have a BSc and have undertaken professional development here in New Zealand and offshore.

- Young Maori Business Leader of the Year Award 2016
- Te Hono Boot Camp (Stanford University) 2015
- New Zealand Boot Camp (Stanford University) 2014
- Maori Leaders Boot Camp (Stanford University) 2013
- Primary Sector Boot Camp (Stanford University) 2012
- Sir Peter Blake Emerging Leadership Award 2010
- Fonterra Governance Development Programme - 2010-2011
- 2005 & 2010 – IOD - 5 Day Company Directors Course
- First Nations Futures Fellowship - Business and Environmental Management Programme (Stanford University, USA) 2007-2008
- Deliberative Democracy and Sustained Dialogue Training - 2005 – 2006
- Bachelor of Science BSc

Current Governance Roles:

- Maori Trustee – Statutory Trustee (ends October 2018)
- Chairperson - Maori Television (Broadcasting/Media)
- Board Member – Tourism New Zealand (Tourism/Marketing)
- Chairperson -Te Rūnanga o Ngāti Mutunga
- Chairperson - Taranaki Mounga Project Limited (Environmental Restoration Partnership)
- Director – Taranaki Whanui Limited (Iwi Investment)
- Trustee – Venture Taranaki Trust (Economic Development Agency)
- Chairperson - Te Ohu Kaimoana Trustee Limited (Fishing)
- Director – Aotearoa Fisheries Limited/Moana New Zealand (Fishing)
- Director - Tamaki Makaurau Community Housing Limited (Housing)
- Advisor – NEXT Foundation Advisory Board (Philanthropic)

I welcome the opportunity to contribute to the future of Fonterra.

Candidate Interest Statement

Listed below are details of all business, investment and other relationships I have with Fonterra Co-operative Group Limited and its subsidiaries (the “Fonterra Group”) (including as a supplying shareholder), or with any third party that transacts with the Fonterra Group or carries on business in competition with the Fonterra Group:

- I am an owner and shareholder of Fonterra via my shareholding in Paraninihi ki Waitotara Incorporation (shareholder number 2026573), trading as PKW Farms LP jointly with associated persons (as defined in the Financial Markets Conduct Act 2013) which holds 3,161,362 Fonterra shares.

To the best of my knowledge and belief the disclosures set out above are full and complete.

Ashley WAUGH

Independent Nomination Process Candidate

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Email: awan4080@gmail.com



Ashley Waugh was endorsed as a candidate by the Fonterra Board.

After being recommended by the Independent Selection Panel, Ashley Waugh was nominated as a candidate by the Fonterra Board. The process for his nomination was supported by the Shareholders' Council in accordance with the Independent Nomination Process.

Independent Selection Panel (ISP) Assessment

Ashley Waugh is a company director and passionate dairy farmer who has served on the Fonterra board for three years.

He farms 300 cows with his wife Catherine and has a commercial background, starting his career at Ford Motor Company, before joining the former Dairy Board where he held senior, executive trans-Tasman positions until 2001. He then joined Australia's National Foods, going on to become Chief Executive and Managing Director.

During a period of eight years there, he led a deal that resulted in large-scale food and beverage company Kirin acquiring National Foods. Kirin merged National Foods with Lion Nathan in 2009, and Ashley returned to New Zealand. The move ended a longstanding international career.

His wife has a Taranaki dairying background which influenced the couple to buy a dairy farm in Te Awamutu. Ashley is a former Chair of Moa Brewery and also sits on the boards of Seeka Kiwifruit Industries Ltd and Colonial Motor Company.

ISP's Assessment of Ashley's Capabilities Relative to 2018 Attributes:

The Panel considered Ashley to be a strong performer when assessed against the attributes required by the Fonterra board.

Members viewed his governance level, understanding of the Co-op and also its commercial and economic framework to be very strong, as might be expected from an incumbent board member.

He has broad governance experience and really shines in his understanding of global markets and trading cultures in the food industry, notably at National Foods and with the NZ Dairy Board, where he has had significant, international experience and which the Panel thought to be exceptionally valuable to the Fonterra board.

Ashley spoke convincingly about his focus on commercial performance and strategy. The Panel believed he demonstrated that he is a very effective, strategic thinker and sound judgement-maker with a fearless approach to robust questioning and challenge around the board table.

His track record of driving commercial success through his previous executive roles gave the Panel clear evidence of his ability to add value for the shareholder.

As Group Executive and CEO at National Foods for example, he had oversight of growth in revenues from \$1.2bn to \$2.5bn.

In general, the Panel considered Ashley's focus generally to be highly commercial, but attractively sensitive to co-operative values and ethos.

ISP's Assessment of Ashley's Capabilities Relative to 2018 Skills:

Measured against Fonterra's priority skills, the Panel viewed Ashley's appreciation of global markets and consumers as very extensive and also very aligned to the food sector and the international markets relevant to the Co-op, such as Asia and Pacific regions.

His financial understanding, particularly in relation to the Co-op's activities and decision-making was solid. The Panel questioned him on Fonterra's recent, poor performance and he maintains there is more work to be done on strategy and culture. Panel members were convinced Ashley could add value in these areas and in the process of determining strategy for a more successful future.

Ashley's leadership capability is very solid, and he demonstrated a deep understanding of the milk price and its drivers to the Panel, as perhaps would be expected of a Fonterra director with three years of experience on the board.

Manufacturing and value creation however are in Ashley's blood and the Panel viewed these skills as his greatest strengths. He was not able to demonstrate a deep understanding of new technologies, but was able to articulate a commitment to innovation, research and development in an environment of corporate social responsibility not just in his Fonterra role, but in his executive background. As CEO of National Foods Australia for example, he restructured the company from a production-led culture to an innovative, customer focused FMCG business.

Overall, the Panel considered Ashley to be an energetic and ambitious contributor, offering a number of high-level skills required by the Fonterra board.

Candidate Profile Statement

Who am I?

Catherine and I farm south of Te Awamutu at Pokuru with our long-term sharemilkers Eddie and Sue Krielen. We calve down about 300 cows on this property which we run as a system 2 seasonal supply operation and I am actively involved in the management of our farm here in the Waikato.

We have various family members involved in dairy farming across the Waikato, Taranaki and Southland so as a family, we are well committed to Fonterra.

Along with my role as a director of Fonterra, I am also on the boards of Seeka Kiwifruit in Te Puke and The Colonial Motor Company in Wellington.

Three Years Service

I take all of my directorships seriously and believe that if you are going to do something, give it your all and always put your best foot forward. This has certainly been the case in terms of being a Director of Fonterra which is a demanding role in terms of time commitment and intellectual challenge.

Having worked for the New Zealand Dairy Board in my corporate career and already being an experienced governor I did feel well prepared in taking up my directorship at Fonterra. Never-the-less it is still a challenging role but one I have enjoyed.

I do not take your support for granted and feel that you have entrusted me to be a governor of your investments, and I owe it to you to do justice to that responsibility.

I have served on a range of Fonterra sub-committees in the past three years which has given me an excellent overall knowledge of "Today's Fonterra". I have been involved with the Co-operative Relations Committee, the Milk Price Panel and am currently on the Audit and Finance Committee and am Chair of the Risk Committee.

Three More Years

Those shareholders who supported me at the last election will recall I committed to a minimum of six years – I am looking for your support at this election to serve for a further three years.

My background as a Senior Executive in the global dairy market, and my previous role of CEO of Australia's largest food and beverage company (National Foods) results in me being well matched to the Skills Matrix requirements for this election cycle – my resume demonstrates a career of effective leadership, global experience in the dairy sector especially in the branded food business and I am financially astute as an experienced executive.

Passion

The information above tells you that I am suited to the challenge of representing you on your board. But let me outline for you what I'm passionate about:

1. I believe we need a strong co-operative in New Zealand that works hard to maximise performance, dividend return to shareholders on top of a transparent globally competitive milk price – the changing landscape of the New Zealand dairy industry with increasing numbers of "corporate" players means we need to keep the industry honest – and the way to do that is to have a strong Co-op committed to maximising total return to our shareholders.
2. Our social licence to farm is coming under threat. We are operating in a changed political environment and changing environmental regulation is a certainty. We have done a lot to address this as Fonterra shareholders to get in front of this environmental challenge but it appears we are struggling to win the hearts and minds of New Zealanders – this has got to change.

We are an important part economically and socially in our rural communities and I get very annoyed by those who portray us as environmentally destructive, and a commodity trader – we are much much more than that – we need to be proud of Fonterra and what it stands for and what Fonterra does for us and New Zealand.

3. DIRA represents as much an opportunity as it poses an issue for Fonterra. Thinking about our Co-op's future and ensuring we drive change that is healthy for our business in the long term means thinking through strategically where we want our business to be; negotiating that position with Government will be a challenge for the board and the wider farming community.
4. I am passionate about holding management to account to deliver superior commercial performance – not good; not OK; but superior measured against the return we get on the funds we have invested in our shares. Our dividend is that measure of success. It's simply not good enough to fall off the log one in three years and this frustrates all of us.

It is difficult for you as shareholders to judge your directors on this issue of holding management to account. I feel I get the balance about right – pressure on management to perform is important, but so too is encouraging them to exceed our expectations.

Thank you for reading my profile - I have and will continue to work hard for you and our Company should you elect me to your board.

Candidate Interest Statement

Listed below are details of all business, investment and other relationships I have with Fonterra Co-operative Group Limited and its subsidiaries (the "Fonterra Group") (including as a supplying shareholder), or with any third party that transacts with the Fonterra Group or carries on business in competition with the Fonterra Group:

- I am a supplying shareholder of Fonterra via my shareholding in Puke Roha Ltd, trading as Primrose Hill Farm jointly with associated persons (as defined in the Financial Markets Conduct Act 2013) and hold 115,812 Fonterra shares.

Directorships:

- Seeka Kiwi Fruit Industries – Te Puke
- The Colonial Motor Company Ltd

To the best of my knowledge and belief the disclosures set out above are full and complete.

Peter McBRIDE

Independent Nomination Process Candidate

Mobile: 021 481 907

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After being recommended by the Independent Selection Panel, Peter McBride was nominated as a candidate by the Fonterra Board. The process for his nomination was supported by the Shareholders' Council in accordance with the Independent Nomination Process.

Independent Selection Panel (ISP) Assessment

A highly respected and longstanding leader in the kiwifruit industry, Peter McBride was elected to the Zespri board at the age of 38 and now serves as Chair. Peter has a deep connection to the land, having been raised on a farm in Manawaru, Waikato. In addition to kiwifruit, he has extensive dairy farming experience and interests. Following university, he spent four years managing properties in the horticulture sector before switching to dairy and assuming contract milking and 50/50 sharemilking roles in the South Waikato for 9 years. He maintains involvement through a private interest in dairy farming and operates Trinity Lands as CEO. He has a reputation for being an inspiring individual with significant commercial, global experience and an intuitive understanding of trade and customer relationships in the primary sector. He is passionate about the co-operative model and believes he has the credibility, energy and commitment to make a significant contribution to Fonterra.

ISP's Assessment of Peter's Capabilities Relative to 2018 Attributes:

The Panel acknowledged Peter showed an extremely strong alignment to the attributes required by the Fonterra board.

He was able to demonstrate a very high standard of governance in his career to date, a passion for the Co-op and for the broader co-operative ethos, both through his role as Chair of Zespri and his life-long dairy farming background and continuing farming interests as CEO of Trinity Lands.

Whilst he has served on the board of Zespri for 16 years – 5 years as Chair – the Panel considered he had very broad, governance experience because of the challenges presented by the role and a related role at the Kiwifruit Vine Health (KVH) organisation, which he had also previously chaired.

The Panel viewed his track record of adding value for shareholders as exemplary. Peter also spoke with understated satisfaction about the judgement calls he and the team made in response to the high-profile PSA disease crisis, which had proved to be highly effective and made under great pressure from shareholder/growers and central

Government. This also spoke to his ability to apply strategic thought to important issues.

The Panel assessed his decision-making to be highly intuitive and supported by a strong focus on business ethics, global compliance frameworks and company culture.

Peter's global perspective comes from extensive travelling to view Zespri's overseas markets and the Panel were satisfied he had a very good understanding of the practicalities of overseas operations, including trading in different consumer cultures and the audit of customers globally.

Peter will soon be retiring from the Zespri board and therefore has the availability as well as the ambition and energy to contribute fully to the Fonterra board.

Despite his many achievements to date, Peter showed a high degree of self-awareness and humility with regard to the extent of his knowledge of Fonterra as a company, without being on the board, which was admired by the Panel.

ISP's Assessment of Peter's Capabilities Relative to 2018 Skills:

In relation to the identified priority skills, Peter demonstrates solid financial understanding which stems from his governance role and his executive position. The Panel clearly appreciated his effective oversight of a business with market capitalisation of \$1bn. He also has a solid understanding of risk management, having been on the Zespri Audit and Risk Committee for more than six years.

Peter impressed the Panel with his leadership track record. He has faced considerable challenges in his Chair role at Zespri in particular, dealing with a complete turnaround of the business following the PSA crisis (previously mentioned), a Serious Fraud Office investigation lasting 4 years, the introduction of an NZ Kiwifruit Industry Strategy project and the implementation of unpopular constitutional change – a result which further demonstrated to the Panel his influencing capability. Peter has a rather quiet

and reserved personality, yet the Panel observed that his communication style as a leader was compelling in its focus, succinctness and authenticity.

In terms of global experience, the Panel acknowledged his extensive foreign travel experiences and exposure to international markets. Peter's understanding of direct consumer and trade marketing of an effective consumer brand were also recognised by the Panel to be potentially very valuable to the Fonterra board.

In the wider skills context, the Panel rated Peter's understanding of farming and the value drivers of the milk price as strong. His ability to add value for shareholders has been evidenced in the commercial success of Zespri.

Overall, the Panel considered Peter's skills, experience and personal style to be a potentially exciting addition to the Fonterra board.

Candidate Profile Statement

I was born in the Waikato and raised on a Dairy farm near Manawaru.

After graduating from University I spent 4 years managing properties in the Horticulture sector before switching to Dairy and assuming contract milking and 50/50 share milking roles in the South Waikato for a period of 9 years.

In 1999 I returned to the Kiwifruit sector managing large scale orchard developments. My corporate governance career started when I was elected to the Zespri Board at the age of 38. I am 54 years of age and married to Linda, with four adult children.

ATTRIBUTES:

I believe I do have the attributes necessary to be an effective Fonterra Director. I understand well the role and responsibility of a Director, the importance of mutual respect, consensus and binding decision making and Board confidentiality. I have a proven track record of both leading through a crisis and driving real value for both farmers and shareholders. I have a strategic and global mindset, very focused on performance and have no interest in petty politics or Industry tribalism. My understanding of and commitment to the Co-op ethos is clearly demonstrated through the long-term commitment of the businesses I am involved with and lead.

TARGETED SKILLS:

Effective Leadership – Prior to assuming the role as Chairman of Zespri I was tasked with leading the response to PSA in the NZ Kiwifruit Industry as the inaugural Chairman of KVH. This was an incredibly challenging role as we faced a very uncertain future. During my role as Chairman of Zespri there have been a number of critical challenges and accomplishments:

- Historical customs duty issues in China; complex legal, cultural and ethical issues.

- A Serious Fraud Office Investigation that went on for over 4 years.
- Engagement in and Leadership of the NZ Kiwifruit Industry Strategy Project.
- Amendments to the NZ Kiwifruit Industry Regulations through positive Government engagement.
- Constitutional change that lead to limitations being placed on shareholders that enhanced grower ownership and control of the company to better reflect our co-operative ethos.
- The development of a Sales and Marketing hub in Singapore where our new CEO is domiciled now, to truly become a consumer orientated market led global business.
- Driving performance in terms of record grower returns, orchard values, share value growth and company market cap.

Global Experience / Understanding – I have travelled extensively over the last 16 years with a particular interest in global supply locations and interacting with farmers prior to my role as Chairman and since then more of an in-market focus. I have travelled mostly to and have the best understanding of culture and business in China, Japan, Taiwan, Korea, SE Asia, Italy, France, Spain, Germany, Benelux, Brazil and Chile.

Financial Experience – In my governance role I have had oversight for a business with a market cap of in excess of \$1B, (relatively light in terms of capital intensity) and a revenue line of \$2.39B. I have been a member of the Audit and Risk committee for over 6 years. In my current management roles, I have responsibility for over \$460M of agribusiness assets.

I am financially literate and I understand effective risk management.

Global Consumer Experience – I have had Governance experience as part of a Board that now oversees \$165M in direct consumer and trade marketing. Zespri is an effective global consumer brand, it is recognised as the No 1 fruit brand in China and within the top 5 fruit brands in most of our major markets. I have a good understanding of the strategy and key performance measures that are required in relation to effective marketing and innovation.

WHY FONTERRA?

- I am coming towards the end of my Governance career at Zespri and believe I have the experience, credibility, energy and personal commitment to make a significant contribution to NZ Agribusiness and to Fonterra.
- It is critical for NZ farmers that the Dairy Industry has a successful Co-op leading it, that is an absolute non-negotiable. There are many complex issues facing the business, least of all environmental sustainability, risk of diminishing supply, capital structure and efficacy and increased competition.
- Fonterra has some key challenges to re-establish its relationships with the NZ Government, the NZ public and indeed to win back the hearts and minds of its own shareholders and farmers. We want to be proud of our vocation and our company.

QUALIFICATIONS:

Bachelor of Horticulture (Massey)
PG Dip. Com – Agribusiness (Lincoln)
Certificate in Company Direction
Kelloggs Rural Leadership Program (Lincoln)

CURRENT GOVERNANCE ROLES:

Chairman and Director of Zespri Group Ltd
Director of Zespri International Ltd and other subsidiaries
Director of Zespri Innovation Co Ltd
Managing Director of South-East Hort Ltd and other subsidiaries
Member of the Executive Board of the New Zealand China Council
Director of the New Zealand International Business Forum

Candidate Interest Statement

Listed below are details of all business, investment and other relationships I have with Fonterra Co-operative Group Limited and its subsidiaries (the “Fonterra Group”) (including as a supplying shareholder), or with any third party that transacts with the Fonterra Group or carries on business in competition with the Fonterra Group:

- I am a director and supplying shareholder of Fonterra via my shareholding in Crocodile Farms Ltd, which holds 486,773 shares
- I am Chief Executive Officer of supplying shareholder Trinity Lands Ltd, which holds 4,996,815 shares.

To the best of my knowledge and belief the disclosures set out above are full and complete.

John NICHOLLS

Self Nomination Process Candidate

Mobile: 0275 416 117

Email: john@rylib.co.nz



John Nicholls is standing as a candidate under the Self-Nomination Process. He did not participate in the Independent Nomination Process, and so was not considered for nomination by the Fonterra Board or support of the Shareholders' Council.

John provided the following statement, and the assessments and views on attributes and skills are his own.

Candidate Profile Statement

What do we need?

Vision, Culture, Strategy and Execution are needed for business to succeed.

When we voted to create Fonterra 17 years ago, our vision was for a Company that would lead on the global stage, would create new and sustainable wealth for our industry and would be a national champion that all New Zealanders would be proud of.

New Zealanders continue to see us as greedy and uncaring. Our successes are marred by some major economic losses within Fonterra. While risk is a constant in business, when it is most needed effective leadership seems to be absent.

As farmers, we have invested much more on-farm than we do in Fonterra. A strong, capable and forward-looking Fonterra is critical to help us protect and enhance this investment on-farm. The loyalty and engagement of our fellow farmers and support of New Zealanders is critical to a strong Fonterra, yet we are losing their trust.

We need to turn this around with a long-term, intergenerational focus. We need a business that we, our families/whanau and our communities will be proud of. A business that the next generation want to be part of – asking “why not?” instead of “why?” If Fonterra cannot achieve this, we risk a future where time and energy are diverted from the market to focus on a senseless battle for milk procurement and the opportunity for industry leadership will be lost.

We can do this through engaging with our shareholders and New Zealand stakeholders; working with them to create a vision for our company and industry that New Zealand is proud of.

We've become isolated, misunderstood and defensive. We're seen as the enemy and perceived negatively. Our campaigns to fix this communicate that we're big and important, but fail to communicate that we care deeply about New Zealand and New Zealanders.

Our Fonterra needs a culture that is agile and nimble, responsive to the needs of customers and stakeholders. We need to celebrate our regional strengths and build on our

provenance; the Waikato river, Mount Taranaki, Southland grass-fed and Canterbury alpine waters.

Strategy and execution are the tools to deliver on our vision and culture. They're important, we need to get them right, we need to understand them and deliver on them. We need to drive financial performance, strengthen our balance sheet and right-size our cost base.

The work ahead will be tough, but if we get our vision and culture right, execute strategy that our shareholders and stakeholders believe in, we can create a Fonterra that we are all proud of.

Who am I and What Do I Bring?

I am a first generation dairy farmer (and make my living from dairy farming). My wife Kelly and I own Rylib Group which has six dairy farms in Mid Canterbury. We are a family values-based business that has worked extremely hard over the years to be committed to people, culture, environmental excellence and growth. Our company brand and reputation is what defines us and what drives us to succeed.

I graduated from Massey University in 1989 with a Degree in Agriculture and Post Graduate Diploma in Agricultural Science. I started my career in dairy farming in 1996, converting a sheep farm in South Wairarapa. In 2005 we shifted our focus to Mid Canterbury and currently employ 30 staff, milking over 5,000 cows producing 2,500,000 kg/ms.

I was privileged to serve for three years on the Shareholders' Council, including on the Performance Committee, Fair Value Committee and as an observer on the Milk Price Committee. During this time, I gained a greater understanding of the importance of serving the co-operative and developed broad and sound knowledge of the commercial and economic framework that Fonterra operates within.

I am an experienced company director and have served on the Board of MHV Water (formerly Mayfield Hinds Irrigation Ltd) and was elected Chair in 2013. MHV Water is New Zealand's largest inter-generational irrigation co-operative, owned by 200 farming entities and supplying irrigation water to over 50,000 hectares of land in the Ashburton District.

As Chair I have helped lead the organisation, and our shareholders, through a period of major change as we have taken on greater environmental responsibility. With the support of our shareholders we formed MHV Water from the merger of two neighbouring irrigation companies. We have expanded our scheme to better utilise the water resources available and now manage nutrient consents on their behalf.

I have also served and currently serve on other local Boards.

I have travelled extensively through Europe, Asia, North Africa, South America and the USA looking at diversifications and industry leading initiatives. I attended the BNZ Pasture to Plate Agribusiness Tour of China in 2015.

Values and capability are the key attributes of leadership. To create the Fonterra that we want, we need directors who bring the values that we share as farmers and who have the capability to make a difference.

Those who know me would call me tough but fair. I believe that actions speak louder than words and I strive to act with honesty and integrity. I work hard to bring energy and focus, I hold myself and others to account and I'm not afraid to make hard decisions when needed. I believe in developing people; I respect others and grow the people within my own business. I seek and welcome feedback so that I can challenge the status quo.

Why I have elected to stand as a Self-Nominated Director?

We need Fonterra to have Co-operative Directors who have the governance and commercial skills to make a positive contribution. While the independent nomination process seeks to achieve this, it is not yet fully fit-for-purpose. It inherently favours candidates whose primary career has been off-farm (or are already on the Fonterra Board) at the expense of directors whose livelihood depends on dairy farming. It provides shareholders with too little choice and I question whether any of our great industry leaders of the past would have made it in this process.

Candidate Interest Statement

Listed below are details of all business, investment and other relationships I have with Fonterra Co-operative Group Limited and its subsidiaries (the "Fonterra Group") (including as a supplying shareholder), or with any third party that transacts with the Fonterra Group or carries on business in competition with the Fonterra Group:

I am a supplying Shareholder of Fonterra (in my name) jointly and with associated persons (as defined in the Financial Markets Conduct Act 2013) as follows:

- Ma Taua Dairies Ltd 466,000 Co-operative shares
- Delarbe Farm Ltd 262,000 Co-operative shares
- Fairmont Farm Ltd 336,000 Co-operative shares
- Mahanga Dairies Ltd 395,000 Co-operative shares
- Kairoa Dairies Ltd 374,000 Co-operative shares
- Akitu Dairies Ltd 181,000 Co-operative shares

To the best of my knowledge and belief the disclosures set out above are full and complete.

Self-Nominated Candidate Endorsements

John Nicholls is a Self-Nomination Process Candidate. Each self nominated candidate must be supported by not less than 35 Shareholders.

The following Shareholders support his nomination.

Entity Name	Farm ID	Shareholder Name
EK & MJ Chisnall Ltd	37066, 37067, 37072, 39625, 37189, 37184	Evan Chisnall
Greig Farming Ltd	45300	Owen Greig
Couper & Couper Ltd	11705	Simon Couper
Diversion Farm Ltd	46170	Lloyd Rayner
D&D Dairies Ltd	46049	Greg Duckett
Three Spring Dairies Ltd	37225	Willy Leferink
Keswick Farm Dairies Ltd	38747	Richard Stalker
Clearview Farms Ltd	78915	Phillip Herdman
Melrose Dairy Ltd	37065, 37064, 37068	Mark Slee
Pahautea Limited Partnership	46158	Alexander Bidwill
AR Mockford Family Trust	73808	Allan Mockford
Rotopai Farms Ltd	46102, 46103, 46104	Stewart Weatherstone
Amuri Dairying Ltd	37905, 37912, 37919	Andrew Benton
Delvin Kapuni Ltd	41652	Steve Poole
GRALYN FAMILY TRUST NO1 & NO2	42974	Graham Robinson
Wilmar Farms Partnership	10202	William Tye
Gow Family Trust	21743	Matthew Gow
Back Track Dairies Limited	37240, 37241	Jeremy Casey
Glenheath Farming Company Ltd	47271	John Gunson
Westmorland Estate Ltd	76727	Sue Fish
Aranui Dairies Ltd	45549	Andrew Gillespie
MD & DW Heenan	35302, 35303, 35304	Denis Heenan
Ardno Farms Ltd	35312, 35314	Nick Hamilton
HK & HR Boyd Family Trust	32793	Howard Boyd
Engliston Pastoral Co Ltd	32506	Hamish English
Paul Turner Farm Trust	35203, 35207	Paul Turner
Sole Farms Ltd	32648	John Hickman
Strathyre Farms Ltd	32683	John Hickman
Maxwell Farming (Mossburn) Ltd	32796	Alan Maxwell
Hillpark Dairy	37208	Charles Whitehead
Claxby Estate Ltd	38701, 38702	Margaret Spencer-Bower
Longland Dairies Ltd	37110	Martin Furrer
Circle Hill Ltd Partnership	38262	Robert McNab
Kenmare Dairy Ltd	37804	Emlyn Francis
MOBH Farm Partnership	32355	Tim Montgomerie

Leonie GUINEY

Self Nomination Process Candidate

Mobile: 0272 933 228

Email: lffoster@xtra.co.nz



Leonie Guiney is standing as a candidate under the Self-Nomination Process. She did not participate in the Independent Nomination Process, and so was not considered for nomination by the Fonterra Board or support of the Shareholders' Council.

Leonie provided the following statement, and the assessments and views on attributes and skills are her own.

Candidate Profile Statement

My objective is to contribute to a strong Fonterra, that makes prudent choices with shareholder capital, in the long term interests of Fonterra's owners. This would see NZ dairy farmers choosing to contribute both milk and capital to a co-operative that maintains a comparative advantage onshore and offshore.

My significant stake in the co-operative I serve, ensures I bring an owner's interest to my governance role. A lifetime working with farmers in and outside NZ, brings empathy with farmers and a clear understanding of our competitive place in the world.

I believe Fonterra's strategy should reflect and exploit our on farm comparative advantages in NZ.

I am a co-operative advocate, because well governed co-operatives prioritise producers, respect their past and work for inter-generational success.

Having served on Fonterra's finance and risk and co-op relations committees, I have sought to understand the relative contributions of our ingredients, food service and consumer branded business to our co-operative purpose – to maximise the wealth of our owners via the sale of their milk. My focus is in concentrating both people and capital resources where we have strengths and where it is hard for others to compete. This requires some departure from current Fonterra strategy.

I will not defend loss making investments in the name of 'integrated strategy'. Fonterra has made some poor choices and we can only strengthen Fonterra with some hard calls to exit non-core investments and focus on our core competitive strengths.

Fonterra should not be a farmer. We have a strong advantage in quality ingredients supplied to companies that have established brands and in food service.

We have a strong future continuing to invest in R&D for valuable ingredients which can be achieved without having to split up our co-operative. Capital has not been limiting. Undisciplined allocation of it has.

Supply loyalty is earned.

Background

Mother of 4, married to Kieran, I keep physically and intellectually fit.

Most of my career has been helping farmers clarify their business objectives and successfully ride the dairy cycles. 5 years working in the Irish dairy industry crystallised for me where our competitive advantages lie, with Fonterra inherent in that.

Graduating Bachelor Agricultural Science, Massey University in 1989, I joined the Dairy Board consulting officers. 1995 saw me "adopted" by an Irish entrepreneur to work for Golden Vale Co-operative Ireland, with a brief to make the suppliers profitable. That mentor ensured exposure to exceptional European CEOs, governors and strategic thinkers.

Keynote speaker for Agritech NZ in a roadshow around the UK, I also toured USA to write for NZ Dairy Exporter comparing the economics of confinement farming with pasture systems and presented to the Large Herds Australia.

Returning to NZ in 2000, I lectured in Dairy Production at Lincoln, joined FarmRight consultancy and was also contracted to BNZ on their growth programme for farmers - strategic planning, leadership and wealth creation.

Initially contract milking, Kieran and I then took on 2, large sharemilking jobs. Buying our first farm in 2005, winning Canterbury Sharemilker of the Year in 2006, we have since converted 3 more dairy farms and purchased 2 run offs. The consistent financial performance and pasture focus that allowed our business growth were in demand by European farmers seeing me invited back to Europe in 2006 and 2008 to present to conferences.

My belief in the co-operative model saw me present at Parliament to the Agriculture Select Committee on DIRA in 2012.

By 2012 we supplied 1 Million kg of fully shared milksolids to Fonterra from 3,000 cows. We got there with aggressive leverage but an extremely disciplined focus - only investing where return on capital leaves a margin above interest cost, from profitable farming. By April 2013 ASB included me on a

China Study tour.

The way we govern our own farm businesses allows me the financial and time freedom to contribute outside the farm. Our multi farm business has simple, replicable systems in place, led by great people who have had the purpose, profit drivers and values of our business well instilled. Accountability comes with the responsibility they have earned.

That allowed us move our family to France for a year in 2013. When I travel I network - working with Moorepark (Ireland) scientists, visiting Fonterra's Heerneveen plant, touring Holland with a co-operative strategist - focusing on member engagement, and interviewing Freisland Campina directors.

Deliberate, varied, international networking has been key to my ability to make an informed contribution to Fonterra.

In 2014 I presented to Positive Farmer's Conference, Ireland, on clarity of purpose, and the benefits of financial discipline, voted best speaker.

I've completed The Leading Board Cooperative Governance and IOD Corporate Governance courses.

Returning to our farms, we won the low input NZ Dairy Business of the Year, before my election to Fonterra in 2014. Our sharemilkers are now the award winners.

In Fonterra, I encouraged a culture of post investment review and transparent comparison, to better inform future investment.

I am the financial manager of our companies, in which calculated, risk taking has been a feature.

I relish the exposure to financial and risk management at scale in Fonterra. Experience has taught me the best form of risk management is the price you pay when you invest, management accountability for consistent financial performance thereafter, and appropriate balance sheet management.

Decisions of the type the Fonterra executive must make are not made well by acclamation. One of my strengths is accessing information for informed questioning. I am prepared to articulate a researched alternative view in the interests of the better outcomes that come from informed debate. I'm guided **always** by clarity on why and for whom, Fonterra exists.

Success in any business is dependent on how we perform under pressure. That requires transparent analysis of the bad with the good.

I see very clearly how we can solve Fonterra's reputational issues.

It was a privilege to serve on the Fonterra Board for 3 years and I would appreciate your support to further contribute to our future.

Candidate Interest Statement

Listed below are the details of all business, investment and other relationships I have with Fonterra Co-operative Group Ltd and its subsidiaries (the "Fonterra Group") including as a supplying shareholder, or with any third party that transacts with the Fonterra Group or carries on business in competition with the Fonterra group.

I am a supplying Shareholder of Fonterra (in my name) jointly and with associated persons (as defined in the Financial Markets Conduct Act 2013) as follows:

• 36705 KJ & LF Guiney, Shamrock Fern Dairies Ltd	Co-operative shares 278,663	Vouchers 68,072
• 36789 KJ & LF Guiney, Hillcrest Dairy Ltd	Co-operative shares 170,681	Vouchers 37,867
• 36707 Wimborne Dairy Farm Ltd	Co-operative shares 260,422	Vouchers 62,865
• 36699 Greenburn Dairy Farm Ltd	Co-operative shares 169,058	Vouchers 38,396

I am a Director and shareholder of:

- Shamrock Fern Dairies Ltd ; Hillcrest Dairy Ltd ; Wimborne Dairy Farm Ltd (KJ and LF Guiney, RD Smith) ; Greenburn Dairy Farm Ltd (KJ & LF Guiney, RD Smith); Bobby Square Ltd

I am a shareholder of:

- Foxburn Ltd

To the best of my knowledge and belief the disclosures set out above are full and complete.

Self-Nominated Candidate Endorsements

Leonie Guiney is a Self-Nomination Process Candidate. Each self nominated candidate must be supported by not less than 35 shareholders.

The following Shareholders support her nomination.

Entity Name	Farm ID	Shareholder Name
McFetridge Farms Ltd	21263	Dennis McFetridge
Challenge Farms Trusts Partnership	36126, 36128, 36130, 36146	Elsbeth Ludemann
Tussock Road Dairy Farm Ltd	36186	Eric Ludemann
Koromiko Dairies Ltd	21639	Henry Bragg
DL & KM Walker	21517	Dennis Walker
Why-one Farm Ltd	21507	Darryl Jensen
Rowe Farms Ltd	21518	Grant Rowe
Pax Hickson Trust	21575	Andre Hickson
Invernia Holdings Ltd	36218	Russell Hurst
Wilson Farms Ltd	19595	Naiouli Wilson
PukeRaukau Trust Partnership	21567	Kathleen Morrow
HGD & JB Spratt	21614	Derek Spratt
Acacia Flats Ltd	21610	Errol Watts
Mac's Holdings Ltd	21522	Geoffrey McNaughton
GD & IC McNaughton	21508	Isolbel McNaughton
Benco Farms Ltd	21374	Brendon Bragg
Mallith Ag Ltd	36272	Michael Smith
Riverstone Farms Ltd	36266	Michael Smith
WJ & JG Pile Family Trust	36283	Jessica Pile
Pile 2005 Ltd	36282	Jessica Pile
Willowview Pastures Ltd	36314	Geoff Taylor
Searles Dairy Ltd	36311	Mark Searle
Willowcreek Trust	36276	Paul Smith
ANNAROSS FAMILY TRUST NO2	36258, 36182, 37152	John Dekker
Dekker Dairies Ltd	36238	John Dekker
Triple 4 Peebles Ltd	36256	John Dekker
Pineview Dairy Farm Ltd	37452	Anthony Thomas
NL & DN Smith Ltd	36285	Neil Smith
Te Rahu Farms Ltd	22107	Donald McLeod
Dreamfields Farm Ltd	21820	Bruce Woods
Gen Set Ltd	36260	Pat Finlay
PT & AH Borrie Farms Ltd	36264	Peter Borrie
R & M Borrie Ltd	36173, 36246, 36198	Rogan Borrie
Win Dee Farms (2007) Ltd	78795	Shirley Trumper
Midway Farm Ltd	37052	Dean McConnell



If undelivered please return to:

The Returning Officer
Fonterra Elections 2018
PO Box 3138
Christchurch 8140
Free phone 0800 666 034

FONTERRA ELECTIONS 2018

BOARD OF DIRECTORS

VOTING PAPER



Dairy for life

Election of THREE (3) Directors

You can vote in **ONE (1)** of the following **two (2)** ways:

1. INTERNET VOTING

Vote via Farm Source website at:
www.nzfarmsource.co.nz

- Login using your Farm Source login and password.
- Follow the voting links from the homepage.
- Enter your Personal Identification Number (PIN) and password – see below.

IMPORTANT: By entering the PIN and password you warrant and undertake that you are authorised to exercise the vote of this Shareholder.

After voting online, you should not submit this Voting Paper and it can be destroyed.

PIN 123456 **PASSWORD** abcdef

2. POSTAL VOTING

Post your completed Voting Paper(s) in the freepost envelope provided no later than **Thursday, 1 November 2018** so it reaches the Returning Officer **before** the close of voting.

*Please only use **one** of these voting methods.*

Voting closes at:
10.30AM ON TUESDAY, 6 NOVEMBER 2018

For enquiries phone the ELECTION HELPLINE: 0800 666 034

First Past the Post, Majority Voting

To be elected to the Board a candidate must obtain more than 50 per cent support from Shareholders who have voted. Of the candidates that get 50 per cent support, the three candidates with the highest proportion of YES votes will be appointed.

If not enough candidates obtain 50 per cent support:

- Another election must be held for the unfilled positions
- The Shareholders' Council will have discretion to set rules for a second election depending on circumstances at the time – the focus will be on the most efficient process.
- If it sees a need, the Board can use its constitutional power to make a temporary appointment to fulfil requirements of the Constitution until the next election.

Postal Voting Instructions

This is a First Past the Post, Majority vote to elect THREE (3) Directors.

- You must cast a vote (either YES or NO) for **each** and **every** candidate.
- You may only vote YES for a maximum of **THREE (3)** candidates. If you vote YES for more than three candidates, all your votes will be invalid.
- You **can** vote NO for as many candidates as you wish, including all of them.
- Vote by placing a tick "✓" in the YES or NO circle next to the name of each candidate.

VOTE HERE
YES **NO**

☐☐

Jamie TUUTA

Independent Nomination Process Candidate

☐☐

Ashley WAUGH

Independent Nomination Process Candidate

☐☐

Peter McBRIDE

Independent Nomination Process Candidate

☐☐

John NICHOLLS

Self Nomination Process Candidate

☐☐

Leonie GUINEY

Self Nomination Process Candidate

FONTERRA
SHAREHOLDERS'
COUNCIL



FONTERRA ELECTIONS 2018 SHAREHOLDERS' COUNCIL

CANDIDATE PROFILES WARD 7 - WAIPA



FONTERRA
SHAREHOLDERS'
COUNCIL



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DISCLAIMER STATEMENT BY FONTERRA CO-OPERATIVE GROUP LIMITED

Each Candidate Profile Statement contains a maximum of 400 words (excluding the Candidate Interest Statement) provided by the candidate.

The Returning Officer and Fonterra Co-operative Group Limited note that 'shareholdings' in Fonterra or other companies disclosed by candidates may include shares held by third parties in which candidates have a relevant interest as defined by the Financial Markets Conduct Act 2013.

Any emphasis (including capitalisation, italics, bolding, underscoring and bullet points) has been added by the candidate.

The Returning Officer and Fonterra Co-operative Group Limited accept no responsibility for the content, or accuracy of the content, contained in Statements supplied by candidates.

Warwick Lampp, Returning Officer – 2018 Fonterra Elections

Freephone 0800 666 034

iro@electionz.com

THE FONTERRA SHAREHOLDERS' COUNCIL ELECTION

There are 25 Shareholders' Councillors representing Fonterra shareholders in 25 Wards throughout New Zealand.

Voting is now open for the election of a Councillor to represent shareholders in Ward 7 Waipa.

There are three candidates – Mike Montgomerie, Andrew Reymer and Nick Palaiet.

VOTING METHOD

Voting for Shareholders' Councillors uses the Single Transferable Voting (STV) System and is on the basis of two votes per shareholder. Both votes may be used by the shareholder, or one may be given to a sharemilker. Votes are not weighted by milksolids production.

THE SHAREHOLDERS' COUNCIL REPRESENTATION ROLE

The Shareholders' Council's representation role on behalf of shareholders is an important contributor to Fonterra's governance framework, and is set out in our Constitution and Council's By-laws. Shareholders' Councillors are expected to commit an average of one day per week to their role.

Council's activities can be summarised under three main themes:

1) Monitoring:

- Council acts as the Co-operative's cornerstone shareholder monitoring and reporting on the performance of the Co-operative against specified targets and its strategy.
- Council provides farmers with an objective, independent opinion on matters which they deem to be significant from an owner's perspective.

2) Farmer Connect:

- Council is responsible for ensuring we have an informed and connected farmer base within the Co-operative.
- Council represents the collective view of farmers up to the Board, and provides farmer-minded analysis of key Board decisions back out to the farmer base.
- Council works with the Board to develop a pipeline of future leaders through educational programmes such as the Understanding Your Co-operative Programme and the Governance Development Programme.
- Council plays a supportive role in developing farmers' understanding of our Co-operative's strategy and how key Board decisions relate to that strategy. Importantly, Council educates farmers on the benefit of being in a co-operative, who we are and why our Co-operative exists.

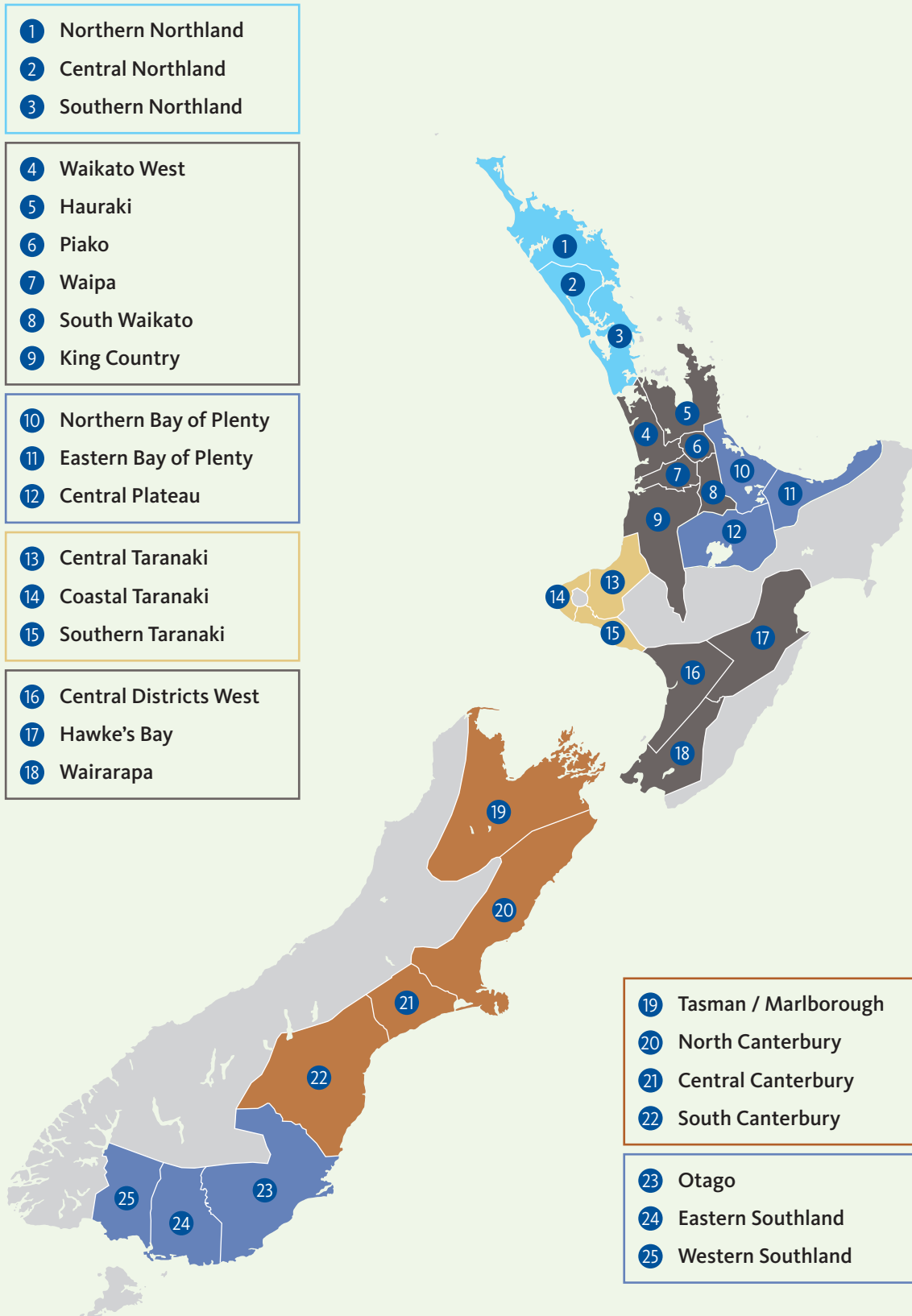
3) Guardians of our Co-operative Principles:

- Council is the guardian of our Co-operative Principles and acts as a sounding-board for the Board on matters that impact our individual farming businesses.
- Council has other formal and constitutional roles including:
 - Managing the Director elections process in consultation with the Board.
 - Approving the company's mission statement and values as proposed by the Board.
 - Appointing the Milk Commissioner.
 - Considering and, in consultation with the Board, proposing changes to Part A of the Constitution.
 - Ability to call a Special Meeting of shareholders.
 - Consulting with the Board in relation to the Fonterra Shareholders' Market and Fonterra Shareholders' Fund.
 - Consulting with the Board in relation to the Milk Price Manual and Principles.
 - Sitting on the Board's Co-operative Relations Committee.

KEY QUALITIES AND CAPABILITIES OF A COUNCILLOR

- Passion for the Co-operative and an understanding of the co-operative ethos that underpins it.
- Honesty and integrity.
- Courage to question/challenge the status quo.
- In-depth farming knowledge.
- Awareness of the regulatory frameworks in which the Co-operative operates.
- An understanding of the key drivers of wealth - milk price and profit.
- Business acumen - financial literacy and ability to think strategically.
- Communication skills, including presentation/public speaking capability.
- Interpersonal skills - approachable nature, empathy towards fellow farmers.
- Time available to undertake the required Councillor responsibilities.
- A commitment to on-going training including building broad-based Co-operative and governance knowledge to enhance their effectiveness in the role.

SHAREHOLDERS' COUNCIL WARDS



Mike MONTGOMERIE

MAUNGATAUTARI

Mobile: 0274 543 892

Email: montgomeriemike@gmail.com



I am a fifth-generation farmer who grew up at Cambridge. My wife and I own a 400-cow farm at Maungatautari where we live with our 4 sons.

Before going farming I gained a law degree from the University of Otago, then worked as a commercial lawyer in Wellington. After three years in the law I returned to the Waikato and have had a 23-year career dairy farming around Cambridge.

Over the past 3 years I have been studying part time at Waikato University for a Masters degree in law focusing on agricultural law. I have also been participating in Fonterra's Governance Development Programme.

Our co-operative has been built by generations of dairy farmers. Its continued success is vital to all of us. The Shareholders' Council has an important role to play in ensuring this success. The Shareholders' Council represents the interests of farmers, and holds Fonterra's Board of Directors to account, far more effectively than individual farmers ever could. We should be proud of our co-operative, but that does not mean we should refrain from criticising it when we see the need. If elected, I believe I would make a big contribution to the work of the Council. I have the necessary skills, background and time available to do the job well.

If elected, I would consider it a privilege to represent you. Thank you for your support.

CANDIDATE INTEREST STATEMENT

Listed below are details of all business, investment and other relationships I have with Fonterra Co-operative Group Limited and its subsidiaries (the "Fonterra Group") (including as a supplying shareholder), or with any third party that transacts with the Fonterra Group or carries on business in competition with the Fonterra Group.

I am a supplying shareholder of Fonterra (in my name) jointly with Associated Persons (as defined in the Financial Markets Conduct Act 2013) as follows:

- I am a director and 50% shareholder of Oreipunga Road Ltd with associated persons, which holds 156,326 shares.

To the best of my knowledge and belief the disclosures set out above are full and complete.

Andrew REYMER

OHAUPO

Mobile: 027 498 8496

Email: andrew@grasslandz.co.nz



Guarding the Co-op is the single simplest form of the Shareholders' Councillor's role. While the Board is charged with running the business, it is the Shareholders' Council that must hold it to the Co-op principles. Once this clear distinction is made, the rest falls into place. It is not our role to run the business, but simply to ensure it is run how we, the farmer shareholders would like to see it run.

What then are we looking for in a Shareholders' Councillor? Simply someone that keeps us connected to the Co-op and gives us the avenue for information to be passed both up and down. We want to know our opinions are heard, as well as have genuine 'tell us how it really is' reporting coming back down about our Co-op. I have always prided myself in my ability to bridge this gap, to be able to connect with farmers on the ground, but also the managers of the business. I enjoy people, understanding their thinking and connecting them with others.

While actively involved with the daily operation on our 500-cow farm in Ohaupo, I have the time to commit to the role to do it justice yet connected to the younger farmers coming through to understand their concerns and thinking.

We are in unique times with our Co-op with many obstacles ahead that will challenge our thinking as a co-op shareholder. Pressure is on to allow more non-share backed supply, increased processor competition and of course the DIRA review. This discussion must come from the Shareholder base upwards, and not the top down, and requires a strong Shareholders' Council. We are the guardian of the Co-op, the cornerstone shareholder, and it must remain so.

Having completed the Fonterra Understanding Your Co-operative course in 2014, I developed the passion that followed on from understanding. This led me to the Governance Development Programme which I completed in 2015. What was evident to me from that programme is that representation is key to shareholders' connection with the Co-op. Governance and representation are very different, but equally important. I am married to Liz with three budding All Blacks, Joshua 14, Curtis 13 and Nathan 9 who keep us focused on why we are in a co-op, so we have a strong industry to pass to the next generation.

CANDIDATE INTEREST STATEMENT

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I am a supplying shareholder of Fonterra (in my name) jointly with Associated Persons (as defined in the Financial Markets Conduct Act 2013) as follows:

- I am a supplying Shareholder of Ohaupo Dairies Ltd with associated persons, which is a fully shared up Fonterra supplier holding 223,937 shares.

To the best of my knowledge and belief the disclosures set out above are full and complete.

Nick PALAIRET

PATERANGI

Mobile: 0275 728 158

Email: palairetn@gmail.com



My name is Nick Palairet and I am standing for the Fonterra Shareholders' Council (SHC) in the Waipa ward. Given the recent performance of Fonterra it would be easy to sit back and criticise however I am choosing to be part of the solution. I am passionate about our Co-op and have been attending meetings with my father long before the formation of Fonterra.

I am 41 years old and married to Johanna and we have 3 daughters aged 7, 9 and 11. We live and farm in the Paterangi district and are currently in our 7th season of farm ownership. I am involved hands on in the day to day running of the farm

My previous roles and experience include 7 years in rural finance, a Regional Manager role with DairyNZ and 4 years as a Regional Sales Manager and Farm Systems specialist with a plant genetics company.

The Fonterra Shareholders' Council performs a very important monitoring and representation function and if elected I will see that this function is performed to the best of its ability. I have a skill set which will allow me to perform the role which includes: strong finance background and financial discipline which I demonstrate in my approach to farming, I enjoy getting the detail right and I set high standards which I hold myself accountable to and expect the same from the Co-op, I also have the mindset to challenge and question the status quo in a constructive manner.

The younger generation of dairy farmers are increasingly important to ensuring the future of Fonterra. With capital limitations and options for milk supply we need this group to aspire to belong to the Co-op and provide flexibility to make it possible for them to do so.

Through my banking, sporting, farming and social circles I am well connected and am able to relate to a wide range of people and viewpoints which would allow me to strongly represent your views if elected.

Now more than ever we need high quality people contributing to the Shareholders' Council. I encourage you to engage in your Co-op and vote for the person you think can represent your views and contribute the most effectively.

I invite you to contact me to discuss anything in further detail.

CANDIDATE INTEREST STATEMENT

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I am a supplying shareholder of Fonterra (in my name) jointly with Associated Persons (as defined in the Financial Markets Conduct Act 2013) as follows:

- I am a Shareholder of Te Pahu Lands Limited which is a 50% partner in Waiari Dairies Limited Partnership which holds 93,465 Fonterra Shares
- I am a Beneficiary of The Te Awamutu Trust and The Waitaki Trust which is a 66% shareholder in Streamline Dairies Limited which holds 367,565 Fonterra shares
- My wife, Johanna, works part time for Fonterra as a Sustainable Dairying Advisor

To the best of my knowledge and belief the disclosures set out above are full and complete.



If undelivered please return to:

The Returning Officer
Fonterra Elections 2018
PO Box 3138
Christchurch 8140
Free phone 0800 666 034



For the Shareholders' Council Election you have received two Voting Papers for each farm that you own in Ward 7.
Votes for the Shareholders' Council Elections are on a per farm basis, not on milksolids production.

You are automatically entitled to two votes. You may use your two votes in the following ways:

1. If you want BOTH YOUR votes to be the same just complete and return VOTING PAPER 1.
2. If you want your two votes to be different, or give the second vote to your sharemilker, tick the blue box below.

☐ I want my two votes to be different and have completed both Voting Papers / I have given Voting Paper 2 to my sharemilker to complete.

Ward 7 Waipa
Election of ONE (1) Councillor

You can vote in **ONE** of the following two ways:

1. INTERNET VOTING

Vote via Farm Source website at:
www.nzfarmsource.co.nz

- Login using your Farm Source login and password.
- Follow the voting links from the homepage.
- Enter your Personal Identification Number (PIN) and password – see below.

IMPORTANT: By entering the PIN and password you warrant and undertake that you are authorised to exercise the vote of this shareholder.

After voting online, you do not need to submit this Voting Paper and it can be destroyed.

PIN 123456 PASSWORD a b c d

2. POSTAL VOTING

Post the completed Voting Paper(s) in the freepost envelope provided no later than **Tuesday, 1 November 2018** so it reaches the Returning Officer **before** the close of voting.

*Please only use **one** of these voting methods*

For enquiries phone the ELECTION HELPLINE: 0800 666 034

Voting closes at:
10.30am on Tuesday, 6 November 2018

Postal Voting Instructions
(Please read carefully)

- Please rank the candidates you wish to vote for in your order of preference by clearly writing a “1” beside the name of the candidate you most prefer, a “2” beside the name of your second most preferred candidate, and so on.
- You can rank as many or as few candidates as you wish, **though your vote is most effective if you rank all candidates.**
- You can only write one number “1”, one number “2”, one number “3” and you must not give the same ranking to more than one candidate.
- **Do not** vote with a cross “x” or a tick, “✓”.
- If you make a mistake, cross it out and write the correct number next to it.

Number here	Ensure each number is written neatly inside the voting box next to each candidate.
<input type="text"/>	Mike MONTGOMERIE
<input type="text"/>	Andrew REYMER
<input type="text"/>	Nick PALAIRET



For the Shareholders' Council Election you have received two Voting Papers for each farm that you own in Ward 7.
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Ward 7 Waipa
Election of ONE (1) Councillor

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1. INTERNET VOTING

Vote via Farm Source website at:
www.nzfarmsource.co.nz

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- Follow the voting links from the homepage.
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Number here	Ensure each number is written neatly inside the voting box next to each candidate.
<input type="text"/>	Mike MONTGOMERIE
<input type="text"/>	Andrew REYMER
<input type="text"/>	Nick PALAIRET

FONTERRA ELECTIONS 2018 SHAREHOLDERS' COUNCIL

CANDIDATE PROFILES WARD 19 - TASMAN / MARLBOROUGH



FONTERRA
SHAREHOLDERS'
COUNCIL



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DISCLAIMER STATEMENT BY FONTERRA CO-OPERATIVE GROUP LIMITED

Each Candidate Profile Statement contains a maximum of 400 words (excluding the Candidate Interest Statement) provided by the candidate.

The Returning Officer and Fonterra Co-operative Group Limited note that 'shareholdings' in Fonterra or other companies disclosed by candidates may include shares held by third parties in which candidates have a relevant interest as defined by the Financial Markets Conduct Act 2013.

Any emphasis (including capitalisation, italics, bolding, underscoring and bullet points) has been added by the candidate.

The Returning Officer and Fonterra Co-operative Group Limited accept no responsibility for the content, or accuracy of the content, contained in Statements supplied by candidates.

Warwick Lampp, Returning Officer – 2018 Fonterra Elections

Freephone 0800 666 034

iro@electionz.com

THE FONTERRA SHAREHOLDERS' COUNCIL ELECTION

There are 25 Shareholders' Councillors representing Fonterra shareholders in 25 Wards throughout New Zealand.

Voting is now open for the election of a Councillor to represent shareholders in Ward 19 Tasman / Marlborough.

There are two candidates – Deborah Rhodes and Sue Brown.

VOTING METHOD

Voting for Shareholders' Councillors uses the Single Transferable Voting (STV) System and is on the basis of two votes per shareholder. Both votes may be used by the shareholder, or one may be given to a sharemilker. Votes are not weighted by milksolids production.

THE SHAREHOLDERS' COUNCIL REPRESENTATION ROLE

The Shareholders' Council's representation role on behalf of shareholders is an important contributor to Fonterra's governance framework, and is set out in our Constitution and Council's By-laws. Shareholders' Councillors are expected to commit an average of one day per week to their role.

Council's activities can be summarised under three main themes:

1) Monitoring:

- Council acts as the Co-operative's cornerstone shareholder monitoring and reporting on the performance of the Co-operative against specified targets and its strategy.
- Council provides farmers with an objective, independent opinion on matters which they deem to be significant from an owner's perspective.

2) Farmer Connect:

- Council is responsible for ensuring we have an informed and connected farmer base within the Co-operative.
- Council represents the collective view of farmers up to the Board, and provides farmer-minded analysis of key Board decisions back out to the farmer base.
- Council works with the Board to develop a pipeline of future leaders through educational programmes such as the Understanding Your Co-operative Programme and the Governance Development Programme.
- Council plays a supportive role in developing farmers' understanding of our Co-operative's strategy and how key Board decisions relate to that strategy. Importantly, Council educates farmers on the benefit of being in a co-operative, who we are and why our Co-operative exists.

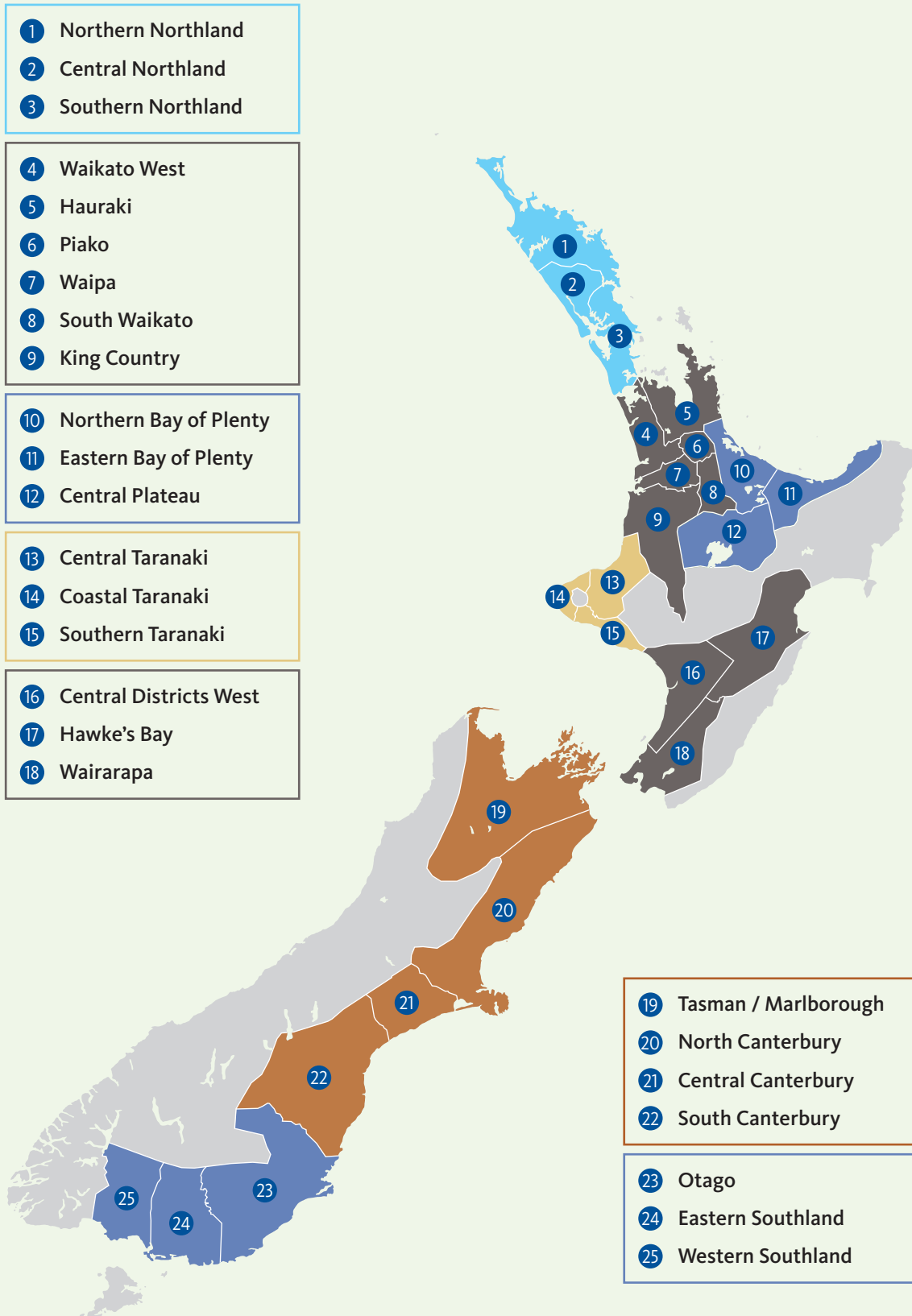
3) Guardians of our Co-operative Principles:

- Council is the guardian of our Co-operative Principles and acts as a sounding-board for the Board on matters that impact our individual farming businesses.
- Council has other formal and constitutional roles including:
 - Managing the Director elections process in consultation with the Board.
 - Approving the company's mission statement and values as proposed by the Board.
 - Appointing the Milk Commissioner.
 - Considering and, in consultation with the Board, proposing changes to Part A of the Constitution.
 - Ability to call a Special Meeting of shareholders.
 - Consulting with the Board in relation to the Fonterra Shareholders' Market and Fonterra Shareholders' Fund.
 - Consulting with the Board in relation to the Milk Price Manual and Principles.
 - Sitting on the Board's Co-operative Relations Committee.

KEY QUALITIES AND CAPABILITIES OF A COUNCILLOR

- Passion for the Co-operative and an understanding of the co-operative ethos that underpins it.
- Honesty and integrity.
- Courage to question/challenge the status quo.
- In-depth farming knowledge.
- Awareness of the regulatory frameworks in which the Co-operative operates.
- An understanding of the key drivers of wealth - milk price and profit.
- Business acumen - financial literacy and ability to think strategically.
- Communication skills, including presentation/public speaking capability.
- Interpersonal skills - approachable nature, empathy towards fellow farmers.
- Time available to undertake the required Councillor responsibilities.
- A commitment to on-going training including building broad-based Co-operative and governance knowledge to enhance their effectiveness in the role.

SHAREHOLDERS' COUNCIL WARDS



Deborah RHODES

COLLINGWOOD

Mobile: 0274 588 234

Email: tim.rhodes@xtra.co.nz



Part of the kiwi farmer cultural profile of knowing what is going on and making necessary changes, can align us more closely with our food business on a global profile as it can better protect our authenticity. Getting up in the morning to bring in my cows I can demonstrate that authenticity and as a Shareholders' Councillor I can protect it with governance, monitoring and being connected.

Guarding this right for farmers to protect their real food production whilst on their own land means acting as an advocate with honesty, impartiality and taking the farm voice to the company without dilution of intent, thus allowing for all to be part of the progress and profit.

As a second career person coming into dairy farming 9 years ago, I believed in the importance of belonging to a NZ business that was globally significant. I still do. As small dairy operators in Golden Bay, my husband and I live and breathe real events daily that demand live responses and decisions.

We, as all farmers, operate on-farm with full reality checks, a gift developed and acknowledged amongst ourselves and applied to making decisions in our business. Reality testing (checks) is a farmer-proven tool that I can offer up to the Council team that could get us ahead of potential failures. Monitoring is possible in many ways.

As New Zealand farmers we are prosperous and innovative. This cultural aspect of our nature lends itself to accepting change. Although at times we feel we have no control over major Board decisions we can still communicate our ongoing passion for what we do and stand a better chance of them getting it right next time.

I am well placed with established farm ownership, work and time (now with an older family) to advocate real live farmer responses and views to our Co-operative Board team. This means completing the communication loop between Fonterra to farmers and back again. I trained as a registered nurse in Nelson and Victoria University and went on to have many years of sales, marketing and project management experience based in Europe. As Chair for the Community Arts Council, I am already practising these aspects of 'co-operative' in a creative environment.

My breadth of connection to real producing and serving people means I understand individual voice, collective power and creative solutions as key policy for being representative of our farmer group.

CANDIDATE INTEREST STATEMENT

Listed below are details of all business, investment and other relationships I have with Fonterra Co-operative Group Limited and its subsidiaries (the "Fonterra Group") (including as a supplying shareholder), or with any third party that transacts with the Fonterra Group or carries on business in competition with the Fonterra Group.

I am a supplying shareholder of Fonterra (in my name) jointly with Associated Persons (as defined in the Financial Markets Conduct Act 2013) as follows:

- I am a supplying shareholder of Fonterra in the name of Rhodes Farming Partnership which holds 34,815 Fonterra Shares. To the best of my knowledge and belief the disclosures set out above are full and complete.

Sue (Susan) BROWN

COLLINGWOOD

Mobile: 027 829 5146

Email: suebrown.aorere@gmail.com



The Fonterra Shareholders' Council supports the re-election of Sue Brown.

During my term SHC has experienced a number of workstreams and developments that have been a privilege to be part of and inspire me to continue in the role. Most significant being the Governance and Representation Review (GRR) recommendations. I have also served on the Performance Committee, the Governance & Ethics Committee, and attended Chile and Australia study tours.

Looking back to when I first stood for SHC in 2015 I stated my goal was that *"all suppliers in Ward 26 (now Ward 19) find their representative body both accessible and valuable."* When the SHC representation review recommended review of ward numbers and boundaries that accessibility goal was tested.

For the 'top of the south' (now less than 190 suppliers) achieving the inclusion, in the SHC's New Structure Guidelines, the item that: *"There is a need to recognise/take into account that there are wards which are geographically unique"* was key to ensuring the reduction to 25 wards both recognised and confirmed the value of retention of a Tasman/Marlborough ward. Most importantly, it helps protect us from any future challenge to reduce the ward numbers further as that can only be achieved by constitutional change, a high bar.

Other outcomes of the GRR I consider highlights are the:

- Farmer Directors' Election process
- SHC strategic priorities refresh to "Connection, Guardianship and Monitoring" with reduction of SHC committees to three
- "My Connect" Programme launched and open to all shareholders.

I seek your vote for re-election sincerely. I have the skills, experience, motivation and time to contribute to the Shareholders' Council. It would be an honour to complete and deliver to Tasman/Marlborough shareholders two current SHC workstreams. They are very pertinent, and they are:

1. Purpose & Vision: SHC initiated this after noting high performing organisations are commonly 'purpose led', that their strategy follows purpose, rather than strategy informing purpose.
2. Value Creation: SHC has commissioned an independent report of Fonterra's financial performance since inception. This will be completed for inclusion into the 2018 Shareholders' Council Annual Report.

Bio:

My partner (John Nalder) and I have been dairy farming together for 23 years. Home is our dairy farm near Collingwood and we have a grazing support block at Upper Stanley Brook. I am Golden Bay Ward Councillor for Tasman District Council. Previous experience includes the Nelson/Marlborough Conservation Board, Golden Bay Federated Farmers, Fonterra Governance Development Programme and AWDT Escalator Course.

Thank you.

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I am a supplying shareholder of Fonterra (in my name) jointly with Associated Persons (as defined in the Financial Markets Conduct Act 2013) as follows:

- I am a director and shareholder of Nalders Ferntown (2001) Ltd which holds 93,652 Fonterra shares.

To the best of my knowledge and belief the disclosures set out above are full and complete.



If undelivered please return to:

The Returning Officer
Fonterra Elections 2018
PO Box 3138
Christchurch 8140
Free phone 0800 666 034

FONTERRA ELECTIONS 2018
SHAREHOLDERS' COUNCIL ELECTION
VOTING PAPER 1



For the Shareholders' Council Election you have received two Voting Papers for each farm that you own in Ward 19. Votes for the Shareholders' Council Elections are on a per farm basis, not on milksolids production.

You are automatically entitled to two votes. You may use your two votes in the following ways:

1. If you want BOTH YOUR votes to be the same just complete and return VOTING PAPER 1.
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☐ I want my two votes to be different and have completed both Voting Papers / I have given Voting Paper 2 to my sharemilker to complete.

Ward 19 Tasman / Marlborough
Election of ONE (1) Councillor

You can vote in **ONE** of the following two ways:

1. **INTERNET VOTING**
Vote via Farm Source website at:
www.nzfarmsource.co.nz

- Login using your Farm Source login and password.
- Follow the voting links from the homepage.
- Enter your Personal Identification Number (PIN) and password – see below.

IMPORTANT: By entering the PIN and password you warrant and undertake that you are authorised to exercise the vote of this shareholder.
After voting online, you do not need to submit this Voting Paper and it can be destroyed.
PIN 123456 PASSWORD a b c d

2. **POSTAL VOTING**
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*Please only use **one** of these voting methods*

For enquiries phone the ELECTION HELPLINE: 0800 666 034

Voting closes at:
10.30am on Tuesday, 6 November 2018

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(Please read carefully)

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- You can only write one number “1” and one number “2” and you must not give the same ranking to more than one candidate.
- **Do not** vote with a cross “x” or a tick, “✓”.
- If you make a mistake, cross it out and write the correct number next to it.

Number here

Ensure each number is written neatly inside the voting box next to each candidate.

Deborah RHODES

Sue BROWN

FONTERRA ELECTIONS 2018
SHAREHOLDERS' COUNCIL ELECTION
VOTING PAPER 2



Ward 19 Tasman / Marlborough
Election of ONE (1) Councillor

You can vote in **ONE** of the following two ways:

1. **INTERNET VOTING**
Vote via Farm Source website at:
www.nzfarmsource.co.nz

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Deborah RHODES

Sue BROWN

