



Market Announcement

27 April 2022

Communication to Fonterra farmers

The attached communication was provided to Fonterra Co-operative Group Limited farmers by the Chairman, Peter McBride, on 27 April 2022.

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For further information contact:

Fonterra Communications
24-hour media line
Phone: +64 21 507 072

CHAIRMAN'S EMAIL

27 APRIL 2022

Subject: Capital Structure Update - Government announcement on amendments to support Flexible Shareholding structure

Dear [name],

Today the Government announced that it intends to amend the Dairy Industry Restructuring Act 2001 (DIRA) to support the new Flexible Shareholding structure we voted in support of in December 2021.

The proposed DIRA regulatory amendments focus on:

- Specifically enabling Fonterra to cap the Fonterra Shareholders' Fund on a permanent basis.
- Strengthening the transparency and independence of the governance and operation of the current base milk price-setting regime.
- Supporting liquidity and transparency in the trade of Fonterra shares in its restricted farmer-only market.
- Reinforcing the importance of Fonterra accessing internal capital for investment in innovation.

The Government also announced that it would be consulting with interested and affected parties on the proposed amendments from April through May.

You can read more about the proposed amendments on [the MPI website](#).

I'd like to acknowledge Minister O'Connor and MPI for the constructive process to date and their work to develop proposed amendments to DIRA that support the Flexible Shareholding structure.

The Government's aspirations for our industry are well aligned to the Co-op's. We all want a high performing dairy industry, and a successful and innovative Fonterra is central to that.

A strong Fonterra can lead the industry, building New Zealand provenance, lifting the bar on environmental performance and ensuring sustainable returns for all New Zealand dairy farmers.

A Flexible Shareholding model will help our Co-op maintain a sustainable milk supply. A globally competitive Co-op of scale is in everyone's best interests.

Fonterra's scale efficiencies improve our ability to invest in on-farm support services, innovation, new market and product development - all of which creates value for New Zealand in terms of milk price and profits returned to rural communities, export performance, employment, environmental performance, and community development.

Next steps

The Government has signaled that while regulatory changes will not be in place by 1 June, it expects the amendments to DIRA to progress through Parliament this year.

We are preparing to implement the Flexible Shareholding structure as soon as possible and we will continue to keep you updated.

Share compliance obligations will remain on hold until at least six months after the effective date for the new structure.

We welcome the Government's support for our Flexible Shareholding structure and together with the Co-operative Council, we will be participating in the consultation process to ensure that the voices of kiwi farmers are heard.

Regards,

Peter.