



## Market Announcement

---

25 November 2022

### Fonterra confirms timeline for capital structure implementation

Fonterra can today confirm that its new Flexible Shareholding capital structure is set to be implemented in late March 2023, subject to the Board being satisfied that the relevant preparations are completed before then.

The structure, which is laid out in a [step-by-step tool](#) for shareholders as well as this [Guide to Flexible Shareholding](#), is intended to make it easier for new farmers to join the Co-operative and for existing farmers to remain, by allowing greater flexibility in the level of investment required.

Chairman Peter McBride says Flexible Shareholding will support Fonterra's strategy by helping to maintain a sustainable milk supply, protecting farmer ownership and control, and supporting a stable balance sheet.

"Our Co-operative is already making good progress towards our 2030 strategic goals, and we believe moving to our Flexible Shareholding structure will help ensure that we stay on track," says Mr McBride.

The proposal to move to Flexible Shareholding received a strong farmer mandate in December 2021, with more than 85% of the total number of farmer votes cast in support of the recommendation.

Since then, the Co-operative has been working with the Government to get related changes made to the Dairy Industry Restructuring Act – the legislation that enabled the formation of Fonterra back in 2001.

Mr McBride says the passing of the relevant legislation in Parliament late yesterday evening provides farmer owners the clarity they have been wanting.

"This milestone gives us the confidence to put in place the transition to our Flexible Shareholding structure.

"We would like to take this opportunity to thank Minister O'Connor and the Government for passing the legislation through under urgency and giving the Co-op's shareholders this much needed certainty."

The decision to implement Flexible Shareholding in late March was made based on a number of considerations.

"We believe late March is the best date for implementation because it avoids our share trading black-out period associated with the Co-op's Interim Results. The black-out period would impact our ability to support liquidity in the market via the Transitional Buyback, which is part of the package of liquidity measures of up to \$300 million that we have previously announced," says Mr McBride.

“It also gives shareholders time to fully digest the detailed information we will be sending through ahead of the implementation date, and to seek advice from their financial advisors. We are mindful that it’s a busy time on farm, and that advisors may not be available over the summer holidays.”

In addition, Fonterra is aiming for new market making arrangements to become effective before Flexible Shareholding is implemented to help support liquidity.

The Co-operative intends to confirm the final implementation date at the same time as its Interim Results are announced – currently scheduled for 16 March 2023.

Attachment

- Chairman’s email

ENDS

**For further information contact:**

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

---

## Chairman's Email

25 November 2022

**Subject:** Flexible Shareholding to come into effect in late March

Dear [name],

Late yesterday evening the legislative changes to DIRA that are required to implement our Flexible Shareholding capital structure were approved by Parliament.

We would like to take this opportunity to thank Minister O'Connor and the Government for passing the legislation through under urgency and giving Fonterra's shareholders this much needed certainty.

This milestone gives us the confidence to put in place the transition to our Flexible Shareholding structure. Our priority is ensuring that the transition occurs in an orderly way and that farmers are well prepared.

We can now confirm that we will implement our Flexible Shareholding capital structure in late March 2023. This is subject to the Board being satisfied that the related preparations are completed before then.

We believe late March is the best date for implementation because it avoids our share trading black-out period associated with the Co-op's Interim Results. The black-out period would impact our ability to support liquidity in the market via the Transitional Buyback, which is part of the package of liquidity measures of up to \$300 million that we have previously announced.

This timeframe also gives you time to fully digest the detailed information we will be distributing ahead of the implementation date, and to seek advice from your financial advisors. We are mindful that it's a busy time on farm, and that your advisors may not be available over the summer holidays.

### Next steps:

- A new step-by-step guide to Flexible Shareholding is available [here](#). The guide covers information for Supplying Shareholders, Sharemilkers, Contract Milkers and Farm Lessors of a farm supplying the Co-op, who will all be able to apply to join and hold Fonterra shares as Associated Shareholders or Secondary Shareholders. It also covers Permitted Transferees.
- A more detailed overview of the structure is included in this [Guide to Flexible Shareholding](#).
- We will be holding a series of webinars as we approach the launch date where you will be able to ask questions about the process and learn about how the market making and buy-back arrangements will operate. Keep an eye out for reminders in your inbox and on the My Co-op app.
- The Board has confirmed that share compliance obligations will remain on hold for this current season, and has set a Compliance Date of 1 December 2023 for next season.
- We intend to announce the final implementation date, as well as the details of the Transitional Buyback, at the same time as we announce our Interim Results – currently scheduled for 16 March 2023.

We appreciate that this is a lot of information to take in. If you have any immediate questions, please speak to your Area Manager in the first instance.

Finally, on behalf of the Board, I'd like to thank you again for your support to get to this point. Flexible Shareholding will help us to maintain the sustainable supply of New Zealand milk required to meet our 2030 performance goals, which includes targeting a significant capital return to our shareholders and unitholders.

Peter.