



NZX Regulation Decision

Fonterra Co-operative Group (“FCG”)

Application for ruling on Fonterra Shareholders’ Market
Rule 5.1.2(c)

22 November 2016



Ruling on Fonterra Shareholders' Market Rule 5.1.2(c)

Decision

1. On the basis that the information provided by Fonterra Co-operative Group Limited (**FCG**) is complete and accurate in all material respects, NZX Regulation (**NZXR**) rules that for the purpose of Fonterra Shareholders' Market Rule (**Rule**) 5.1.2(c), the Internal Governance Resolutions are matters that do not require NZX to approve a notice of meeting under Rule 5.1.1.
2. The material information on which this decision is based is set out in Appendix One to this decision. This ruling will not apply if that information is not or ceases to be full and accurate in all material respects.
3. The Rule to which this decision relates is set out in Appendix Two to this decision.
4. Capitalised terms which have not been defined in this decision have the meanings given to them in the Rules.

Reasons

5. In coming to the decision to provide the ruling set out in paragraph 1 above, NZXR has considered that:
 - a. the policy behind Rule 5.1.2(c) is to provide NZX oversight of notice of meetings that contain resolutions of a certain nature. This includes resolutions other than those standard governance resolutions which are determined by Shareholders each year or resolutions which have other regulatory oversight, such as resolutions under the Takeovers Code. This oversight allows NZX to work with FCG to ensure that the notice of meeting and explanatory notes provide Shareholders with sufficient information to make an informed decision on the resolutions. The granting of this ruling will not offend the policy behind the Rule;
 - b. the Internal Governance Resolutions are similar in nature to the standard resolutions excluded under Rule 5.1.2(c), as they go to the governance of FCG, are matters shareholders are familiar with and they are voted on annually; and
 - c. the Internal Governance Resolutions are governed by FCG's Constitution and/or Shareholders' Council By-laws. Information related to the Internal Governance Resolutions is available to Shareholders in these governing documents, and will also be provided in the notice of meeting or supporting documents each year, by FCG.



Appendix One

1. Fonterra Co-Operative Group Limited (**FCG**) is an Issuer with Equity Securities Quoted on the Fonterra Shareholders' Market.
2. An aspect of FCG's corporate governance structure is the Fonterra Shareholders' Council. The Fonterra Shareholder's Council is an elected national body of farmer shareholders, independent of the FCG Board. Its functions are set out in FCG's Constitution.
3. FCG's Constitution also provides for Shareholders to elect an independent committee of six FCG shareholders to make recommendations on Director Remuneration (the **Directors' Remuneration Committee**).
4. FCG's Constitution requires that the Fonterra Shareholders' Council present its programme and budget to shareholders annually for approval (the **Budget and Programme Resolution**). The programme and budget is contained in the Shareholders' Council annual report which is circulated to Shareholders prior to the notice of meeting.
5. The Fonterra Shareholders' Council By-laws provide the Directors' Remuneration Committee shall consider, and recommend to Shareholders for their approval, the form and amount of remuneration of members of the Fonterra Shareholders' Council (the **Remuneration of Councillors Resolution**).
6. FCG's Constitution requires that the FCG Board, consider and recommend to Shareholders for their approval the form and amount of the remuneration to be paid to members of the Directors' Remuneration Committee (the **Remuneration of the Directors' Remuneration Committee Resolution**).
7. The Budget and Programme Resolution, the Remuneration of Councillors Resolution and the Remuneration of the Directors' Remuneration Committee Resolution (the **Internal Governance Resolutions**), are put to Shareholders annually, as a part of FCG's annual meeting.
8. The Internal Governance Resolutions are detailed in the notice of meeting or supporting documents provided to shareholders prior to each annual meeting.
9. FCG is required to seek NZXR's approval for a notice of meeting, unless it covers the standard resolutions, provided by Rule 5.1.2(c).
10. FCG have submitted, that the Internal Governance Resolutions are standard items of regular annual business for FCG, with Shareholders being adequately informed about the background and detail of these resolutions and that they are similar in nature to the other standard governance items listed at Rule 5.1.2(c).
11. FCG is seeking a ruling that the Internal Governance Resolutions are matters under Rule 5.1.2(c) that do not require NZX to approve a notice of meeting under Rule 5.1.1.



Appendix Two

Rule 5.1 Approval of Documents by NZX

5.1.2 The documents referred to in Rule 5.1.1 are:

....

- (c) any notice of a meeting of holders of Quoted Shares or Quoted Rights to consider any matter other than declaring a dividend, the consideration of financial statements and reports of Directors or auditors, the election of Directors of Fonterra, the fixing of the remuneration of Directors of Fonterra, a change of name of Fonterra, the appointment of, and fixing of remuneration of, auditors, or a resolution required or permitted under the Takeovers Code; and

