



NZX Regulation Decision

Fonterra Co-operative Group (“FCG”)

Application for a ruling on Fonterra Shareholders’ Market
Rule 1.7.1(d)

27 June 2017



Ruling on Fonterra Shareholders' Market Rule 1.7.1(d)

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 Fonterra Shareholders' Market Rule (**Rule**) 1.7.1(d), does not preclude the appointment of Bruce Hassall to the position of Independent Director of Fonterra by virtue of a child of Mr Hassall being employed in a non-decision making or non-senior role at FCG.
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 intention behind the definition of a "Disqualifying Relationship" is to preclude the appointment of Independent Directors who may, in respect of the company, be reasonably influenced in a material way; and
 - b. the paternal relationship of a director with one employee in a work force of 22,000 where the role undertaken is not that of a senior or decision making role, will not reasonably influence the director in a material way.

Confidentiality

6. FCG has requested that this application and any decision be kept confidential until FCG announces its intention to appoint Mr Hassall to the board of FCG.
7. In accordance with Footnote 1 to Rule 1.10.2, NZXR grants FCG's request.



Appendix One

1. Fonterra Co-Operative Group Limited (**FCG**) is an Issuer with Equity Securities Quoted on the Fonterra Shareholders' Market.
2. FCG seeks to appoint Bruce Hassall as an Independent Director.
3. A child of Mr Hassall's has been offered an entry level role in FCG's marketing team. Mr Hassall's child is an Associated Person of Mr Hassall under Rule 1.9.3(b).
4. Mr Hassall will therefore be deemed to have a Disqualifying Relationship by virtue of his child becoming an employee of FCG, as his child is likely to derive, in each financial year of employment at FCG, a substantial portion of their revenue from FCG.
5. FCG does not consider Mr Hassall's paternal relationship with one employee who does not occupy a senior or decision making role with FCG, is an association that could reasonably influence, in a material way, his decisions in respect of FCG.



Appendix Two

Rule 1.7.1 Disqualifying Relationship

- 1.7.1 Disqualifying Relationship means any direct or indirect interest or relationship that could reasonably influence, in a material way, the Director's decisions in relation to Fonterra.

Without limiting the definition, a Director shall be deemed to have a Disqualifying Relationship in the following circumstances:

....

(d) where:

- (i) the Director has a relationship (other than in his or her capacity as a Director of Fonterra) with Fonterra or a Substantial Product Holder of Fonterra; or;
- (ii) an Associated Person of the Director has a relationship with Fonterra or a Substantial Product Holder of Fonterra; and
- (iii) by virtue of the relationship in (d)(i) or (d)(ii) that Director or Associated Person of that Director is likely to derive in the current financial year of Fonterra, a substantial portion of his, her or its annual revenue from Fonterra during such financial year. For the purposes of this paragraph the annual revenue a Director or Associated Person of a Director derives from Fonterra does not include dividends and other distributions payable to all holders of a Class of Equity Securities.

