

CHAIRMAN'S EMAIL

14 May 2021

Subject: Capital Structure consultation

Email:

Dear [name]

It's been just over a week since we announced the start of our Capital Structure consultation and I'd like to thank the more than 900 farmers that have attended a meeting already.

We started this week with 400 farmers at the MyConnect conference in Auckland where Directors Leonie Guiney, Brent Goldsack and I participated in a panel discussion and Q&A on Capital Structure. I heard from a number of farmers that the session was valuable in helping them understand the options better. You can watch the video of our session on Farm Source.

Conversations at the regional meetings have already brought out a number of good ideas from farmers that the Board will be considering over the coming months – in particular, ideas for how we can better honour the loyalty of our farmers who are considering retirement and succession.

The meetings have also highlighted a few areas of the current preferred option that need more clarification.

- The preferred option includes a proposal to reduce the share standard from the current 1:1 to 1:4 (one share for every four kgMS supplied). This would give all farmers equal opportunity to have capital flexibility, making it easier for new farmers to join the Co-op and assisting with succession at the other end of the farming lifecycle. The current proposal does not include a share split, so the total number of shares would not change.
- Farmers who choose to reduce their shareholding down to the minimum 1:4 share standard would need to sell those shares in a farmer-owner market, at a price determined by farmers in the market. They would not be selling them directly back to the Co-op.
- During the current temporary cap, farmers are free to buy and sell shares in the Fonterra Shareholders Market, and investors, which may include us farmers, are free to continue buying and selling units on the NZX and ASX.

I want to reiterate that this is the Board's current thinking, but we are open minded about adjusting that direction based on the feedback from you on any of the options.

The regional director meetings continue next week. I encourage you to come along and have your say. You can find the consultation meeting nearest you in the events calendar on Farm Source.

Ngā mihi,

Peter