

Fonterra Co-operative Group Limited

FSM Rules

14 May 2013

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### Section 1: Interpretation, Rulings, Waivers

#### 1.1 NZX

- 1.1.1 The Fonterra Shareholders' Market ("FSM") is a Registered Market under section 36F of the Securities Markets Act 1988. The FSM is a private market for the trading of Shares (and if Fonterra issues Rights in respect of Shares, those Rights).
- 1.1.2 NZX Limited ("NZX") is a Registered Exchange under the Securities Markets Act 1988 and is the operator of the FSM.

#### 1.2 Quotation

- 1.2.1 The only Class of Securities to be Quoted on the FSM shall be Shares and, subject to Fonterra's application for Quotation made in accordance with Rule 4.1, Rights to Shares that are already Quoted.

#### 1.3 Status of Rules

- 1.3.1 These FSM Rules ("Rules") form part of the FSM Market Rules, enacted pursuant to Section 36G of the Securities Markets Act 1988. These Rules are not regulations for any purpose.
- 1.3.2 These Rules and any Procedures made in accordance with Rule 1.5, constitute a contract between NZX and Fonterra for the benefit of every person who is or was a holder of Quoted Shares or Quoted Rights of Fonterra in the period in which Fonterra is or was Listed, and the Contracts (Privity) Act 1982 shall apply accordingly.
- 1.3.3 Fonterra covenants with NZX to observe the Rules and to perform the obligations which the Rules purport to impose on Fonterra, in the manner provided in the Rules.

#### 1.4 Amendment of Rules

- 1.4.1 The Rules may be amended from time to time in accordance with the process stated in the Market Operator Agreement.

1. NZX has entered into the Market Operator Agreement which includes provisions concerning amendments to these Rules. Those provisions include requirements that amendments to the Rules will be subject to the consent of both Fonterra and the Market Operator (with the consent of each party not to be unreasonably withheld). Fonterra will not be acting unreasonably if it does not consent to a proposed amendment which could prejudice Fonterra's status as a "co-operative company" under the Co-operative Companies Act 1996; or will, or will be likely to, in each case in Fonterra's reasonable

opinion, affect Fonterra's co-operative structure or ethos, or the nature of the FSM as a "private market"; or which relates to, or affects the operation of (or principles underlying) certain Rules; or would be likely to impose costs on Fonterra which are unduly burdensome. Notwithstanding the foregoing, amendments will be given effect to where required by law or where required by a regulatory body pursuant to any legislation.

**1.5 Procedures**

- 1.5.1 New Procedures, and changes to existing Procedures, may be approved from time to time in accordance with the process stated in the Market Operator Agreement. Procedures may not be inconsistent with the Rules and, in the event of inconsistency between any Rule and any Procedure, the Rules will prevail.
- 1.5.2 The Procedures do not form part of the Rules. However, if a Rule requires compliance with any part of the Procedures, failure to comply with that part of the Procedures is a contravention of the Rule.

**1.5 Effect of Amendment**

- 1.5.1 Unless expressly stated otherwise, where a Rule or Procedure is amended, deleted, or lapses, or otherwise ceases to have effect, that circumstance does not:
- (a) revive anything not in force or existing at the time at which notification of such change is given to Fonterra;
  - (b) affect the previous operations of that Rule or Procedure or anything done under that Rule or Procedure;
  - (c) affect any right, privilege, obligation or liability acquired, accrued or incurred under that Rule or Procedure;
  - (d) affect any penalty, forfeiture, suspension, expulsion or disciplinary action taken or incurred in respect of any contravention of that Rule or Procedure; or
  - (e) affect any investigation, disciplinary proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, suspension, expulsion or disciplinary action,

and any such investigation, disciplinary proceeding or remedy may be instituted, continued or enforced, and any such penalty, forfeiture, suspension, expulsion or disciplinary action may be imposed as if the circumstance had not taken effect.

- 1.5.2 Whenever a change is made to the Rules which requires a change to be made to the Constitution, Fonterra shall, at the first

reasonable opportunity, cause the Constitution to be changed.

NZX will generally regard the first annual meeting of Fonterra held six months or more after a change in the Rules as the first reasonable opportunity for a change in the Constitution.

- 1.5.3 Any transactions to which these Rules apply and which commenced prior to any amendments coming into force or is undertaken pursuant to any agreement entered into prior to any amendments coming into force, may proceed pursuant to the previously applicable Rules, provided that a waiver from any amended Rules applicable to such a transaction has been granted by NZX on or before the expiry of 3 months from their coming into force.

## 1.6 Interpretation

- 1.6.1 In these Rules the following terms bear the following meanings:

<b>Advertisement</b>	has the meaning given in the Securities Act 1978 and includes a statement or report made in accordance with either of sections 3(7) or 5(2CA) of that Act.
<b>Advisor</b>	has the meaning set out in the NZX Participant Rules.
<b>Appraisal Report</b>	means an appraisal report complying with Rule 1.7.
<b>Associated Person</b>	has the meaning given in Rule 1.8.
<b>Audit Committee</b>	means a committee of the Board formed in accordance with Rule 3.4.
<b>Authorised Fund</b>	means any person or persons authorised by the board of Directors of Fonterra to perform the role and functions of an "Authorised Fund" as set out in the Constitution.
<b>Authorisation Code or FIN</b>	means an alphanumeric identifier issued by NZX, Fonterra or Fonterra's registry, to a security holder that provides authority to access the security holder's account at Fonterra's registry.
<b>Average Market Capitalisation</b>	means, in relation to any transaction, the volume weighted average market capitalisation of Fonterra's Quoted Shares calculated from trades on the FSM over the 20 Business Days before the earlier of the day the transaction is entered into or is

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announced to the market.

<b>Bank</b>	means a registered bank in terms of the Reserve Bank of New Zealand Act 1989, a bank having recognition comparable to that of a registered bank under the law of Australia, the United States of America, Japan or the United Kingdom, or any other financial institution approved by NZX.
<b>Board</b>	means the board of Directors of Fonterra.
<b>Business Day</b>	means a time between 8.30 a.m and 5.30 p.m on a day on which NZX is open for trading.
<b>CDO</b>	means New Zealand Depository Limited.
<b>Chief Executive</b>	means any person occupying the position of chief executive of Fonterra by whatever name called.
<b>Class</b>	means a class of Securities having identical rights, privileges, limitations and conditions, and includes or excludes Securities which NZX in its discretion deems to be of or not of that Class.
<b>Code Company</b>	means an Issuer which is a code company as defined in the Takeovers Code.
<b>Common Shareholder Number or CSN</b>	has the meaning given in the NZX Participant Rules.
<b>Constitution</b>	means Fonterra's constitution.
<b>Convert</b>	in respect of a Security, means to convert that Security into, or exchange that Security for, a Security of a different sort, whether at the option of the holder, or of Fonterra, or otherwise, or to subscribe for or obtain a Security of a different sort pursuant to a right conferred by the first mentioned Security. "Conversion" and "Convertible" have corresponding meanings.
<b>Corporate Governance Best Practice Code</b>	means the code set out in Appendix 5.
<b>Custodian</b>	means a person designated as a "custodian" by Fonterra for the purposes of these Rules being a person whom the Board is satisfied

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	may act as a "custodian" in accordance with the Constitution.
<b>Dairy Farm</b>	means a farm in New Zealand that produces Milk as a business or part of a business.
<b>Depository Rules</b>	means CDO's Depository Operating Rules.
<b>Depository System</b>	has the meaning set out in the Depository Rules.
<b>Debt Security</b>	means a Security having any interest in or right to be paid money that is, or is to be, deposited with, lent to, or otherwise owing by, any person (whether or not the interest or right is secured by a charge over any property) and includes a debenture, debenture stock, bond, note, certificate of deposit and any other Security which NZX in its sole discretion declares by a Ruling to be a Debt Security but does not include any Security that NZX in its sole discretion declares by a Ruling not to be a Debt Security.
<b>Director</b>	means: <ul style="list-style-type: none"><li>(a) in relation to a company as defined in the Companies Act 1993, any person occupying the position of director of the company, by whatever name called;</li><li>(b) in relation to any other entity, any person occupying a position in that entity that is comparable with that of a director of a company as defined in (a).</li></ul>
<b>Disqualifying Relationship</b>	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: <ul style="list-style-type: none"><li>(a) the Director is a Substantial Security Holder of Fonterra or an Associated Person of a Substantial Security Holder of Fonterra (other than solely as a consequence of being a Director of Fonterra); or</li><li>(b) the Director or an Associated Person of the Director has a Relevant Interest in any FSF Units (otherwise than where Fonterra or a Related Company of</li></ul>



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Fonterra has a Relevant Interest in those FSF Units, or the Director or the Associated Person has a Relevant Interest in those FSF Units in their capacity as a trustee of a trust in respect of which they are not a beneficiary); or

- (c) the Director or an Associated Person of the Director has an interest in a Dairy Farm (otherwise than where Fonterra or a Related Company of Fonterra has an interest in that Dairy Farm, or the Director or the Associated Person has an interest in that Dairy Farm in their capacity as a trustee of a trust in respect of which they are not a beneficiary), where, for the purposes of this subclause (c), references to "interest" shall refer to any legal or beneficial ownership or right to derive a direct financial benefit; or
- (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 Security Holder of Fonterra; or
  - (ii) an Associated Person of the Director has a relationship with Fonterra or a Substantial Security 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.

For the purposes of this definition:

- (e) a Director of Fonterra will not be an Associated Person of a person (A) (and A will not be an Associated Person of the Director) where A is a company and the Director of Fonterra is a Director of A or a

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Director of a Related Company of A, and neither the Director of Fonterra nor any spouse, domestic companion, child or parent of the Director, or a nominee or trustee for any of them, is likely to derive, in the current financial year of Fonterra, a substantial portion of his, her or its annual revenue from A other than the receipt of reasonable director fees; and

- (f) a Director of Fonterra will not have a Disqualifying Relationship because:
  - (i) they are a trustee of a trust and in that capacity hold all the shares in the Custodian; or
  - (ii) they are a beneficiary of the trust referred to in (f)(i) in their capacity as a Supplying Shareholder; or
  - (iii) they are appointed by Fonterra to be a director of the Custodian or the Manager.

1. In considering whether a Director has a Disqualifying Relationship, Fonterra shall consider all the circumstances including the history of the relationship between Fonterra and the Director and/or any plans Fonterra may have concerning the relationship with the Director on an ongoing basis.

2. NZX considers that generally 10% of a Director's or an Associated Person of a Director's revenue will be a "substantial portion" of that Director's or Associated Person's annual revenue for the purposes of this definition.

### **Employee**

means an employee or officer of Fonterra or any of its Subsidiaries; a labour only contractor, consultant, or consultant company, who or which contracts with Fonterra or any of its Subsidiaries; any trustee or trustees on behalf of any of the above employees or officers; and any trustee or trustees of or in respect of any pension, superannuation or like fund established for the benefit of any of the above employees or officers.

### **Equity Security**

means a Security issued by Fonterra:

- (a) which confers a present or future right to participate in the assets of Fonterra after payment of claims payable under section

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313(1) of the Companies Act 1993; or

- (b) which confers a present or future right to participate in the income or profits of Fonterra; or
- (c) which carries, or will in future carry, a Vote, or a right to participate in the ultimate control of Fonterra; or
- (d) which under its terms of issue may be Converted into a Security of the nature referred to in (a) to (c) without:
  - (i) the agreement of the holder; or
  - (ii) approval of the precise terms and conditions of issue of the Security of the nature referred to in (a) to (c) on Conversion in the manner set out in Rule 6.2.1,

and includes any other Security issued by Fonterra which NZX in its sole discretion declares by a Ruling to be an Equity Security but does not include any Security issued by Fonterra that NZX in its sole discretion declares by a Ruling not to be an Equity Security.

1. A Convertible Security may be both a Debt Security and an Equity Security for the purposes of the Rules. However NZX will generally determine that where:

- (a) a Convertible Security (such as a capital note) is only Convertible with the agreement of Fonterra, or
- (b) the Securities into which the Convertible Security may Convert are not presently Quoted, or
- (c) the Issuer of the Convertible Security is a Subsidiary of Fonterra, who issues the Securities into which a Convertible Security will Convert,

the Convertible Security shall be deemed to be a Debt Security and not an Equity Security for the purposes of the Rules.

2. NZX may attach certain terms and conditions as NZX considers appropriate to a Ruling that a

Convertible Security is a Debt Security, including requiring the Security to be issued, or the Conversion rights approved, as if Rule 6.2 applied, before the Security can be converted (see also Rule 6.2.6(b)), and may also require the Offering Document for the Security to contain disclosures that would be required for an issue of Equity Securities (for example, about Fonterra's dividend policy).

<b>Executive Director</b>	means a Director of Fonterra who is also an Employee.
<b>Ex Date</b>	in relation to a benefit, means the second Business Day before the Record Date for that entitlement, unless NZX determines otherwise.
<b>FMA</b>	means the Financial Markets Authority established by Part 2 of the Financial Markets Authority Act 2011.
<b>Fonterra</b>	means Fonterra Co-operative Group Limited and, where applicable, has the extended meaning given in Rule 1.6.6.
<b>FSF</b>	means the Fonterra Shareholders' Fund, which is a unit trust established by trust deed.
<b>FSF Units</b>	means units in the FSF which entitle holders to an interest or right to participate in any capital, assets, earnings, royalties, or other property of the FSF, and which are, or are intended by the FSF to be, Listed on the NZSX.
<b>FSM</b>	means the Fonterra Shareholders' Market, as described in Rule 1.1.1.
<b>Head Security</b>	means, in relation to any benefit, the Security the holding of which immediately before the Ex Date confers the entitlement to the benefit.
<b>Head of Market Supervision</b>	means the person occupying the position of Head of Market Supervision of NZX, by whatever name called.
<b>Independent Director</b>	means a Director of Fonterra who is not an Executive Director and who has no Disqualifying Relationship.
<b>Independent Member</b>	means a Member who is independent, where, for the purposes of this definition, "independent" has the meaning given in

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section 5(1) of the Dairy Industry Restructuring Act 2001.

**Investment Statement** has the meaning given in section 38C of the Securities Act 1978.

**ISIN** means International Security Identification Number.

International Security Identification Numbers are allocated by NZX and the Reserve Bank of New Zealand for Equity and Debt Securities respectively. Numbers may be obtained on application to NZX or the Reserve Bank.

**Issuer** means any person which is or has been Listed.

**Listing** means in respect of:

- (a) Fonterra, the entry by Fonterra and NZX into the Market Operator Agreement whereby, inter alia, Fonterra agrees to comply with these Rules and NZX agrees to administer Fonterra's listing on the FSM; and
- (b) other Issuers, shall have the meaning given in the NZSX/NZDX Rules, and "Listed" and "List" have corresponding meanings.

**Manager** means the manager of the FSF from time to time.

**Market Operator Agreement** means the agreement entered into by NZX and Fonterra, as amended from time to time, whereby Fonterra agrees to comply with these Rules and NZX agrees to carry out operational and administrative functions in relation to the FSM, in accordance with the terms and conditions stated in that agreement.

**Material Information** in relation to Fonterra is information that:

- (a) a reasonable person would expect, if it were generally available to the market, to have a material effect on the price of Quoted Shares or Quoted Rights of Fonterra; and
- (b) relates to particular securities, and to Fonterra in particular, rather than to securities generally or Issuers generally.

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For the purposes of this definition information is generally available to the market:

- (c) if:
  - (i) it is information that has been made known in a manner that would, or would be likely to, bring it to the attention of persons who commonly invest in relevant securities; and
  - (ii) since it was made known, a reasonable period for it to be disseminated among those persons has expired; or
- (d) if it is likely that persons who commonly invest in relevant securities can readily obtain the information (whether by observation, use of expertise, purchase from other persons, or any other means); or
- (e) if it is information that consists of deductions, conclusions, or inferences made or drawn from either or both of the kinds of information referred to in paragraphs (c) and (d).

In this definition, relevant securities means securities of a kind the price of which might reasonably be expected to be affected by the information. Information that is notified to NZX for disclosure to the market in accordance with these Rules is generally available to the market under paragraph (c) of this definition immediately on it being made available to the market (without limiting how quickly the reasonable period of dissemination in paragraph (c)(ii) of this definition may be satisfied in other cases).

### **Member**

means a member of the Milk Price Panel, and "Members" means current members of the Milk Price Panel, as appointed from time to time.

### **Member of the Public**

means, in relation to Fonterra and/or Securities of Fonterra, any person other than:

- (a) a person who holds, or who is one of a group of Associated Persons who together hold, 10% or more of a Class of Securities; or
- (b) a person who has, or who is one of a

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group of Associated Persons who together have, the power (whether contingent or not) to appoint one or more Directors of Fonterra; or

- (c) any other person or member of a class of persons whom NZX, in its discretion, declares not to be a Member of the Public for the purposes of the Rules.

<b>Milk</b>	means whole milk, cream and any other component or classification of a mammary secretion of a cow, as may be specified by the Board.
<b>Milk Price</b>	means a price for Milk supplied to Fonterra by Shareholders in a Season.
<b>Milk Price Manual</b>	means the manual referred to in section 150F of the Dairy Industry Restructuring Act 2001, which sets out the policies and methodology for the Milk Price Panel to use in its determination of the Milk Price to be recommended to the Directors of Fonterra.
<b>Milk Price Panel</b>	means the Panel referred to in section 150D of the Dairy Industry Restructuring Act 2001 and established under Rule 3.5.1.
<b>Milk Price Principles</b>	has the meaning given to that term in the Constitution.
<b>Minimum Holding</b>	means a parcel or number of Securities as set out in Appendix 2.
<b>NZDX</b>	means the debt security market operated by NZX.
<b>NZSX</b>	means the main board equity security market operated by NZX.
<b>NZSX/NZDX Rules</b>	means the NZSX/NZDX Listing Rules, as amended from time to time.
<b>NZX</b>	means NZX Limited and includes its successors and assigns and as the context permits includes any duly authorised delegate of NZX (including the Tribunal).
<b>NZ Markets Disciplinary Tribunal</b>	means the body constituted by NZX under the NZ Markets Disciplinary Tribunal Rules and, where the context permits, includes the chairperson, deputy chairperson, any division or duly authorised delegate of NZ Markets Disciplinary Tribunal.
<b>NZ Markets</b>	means the NZ Markets Disciplinary Tribunal

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<b>Disciplinary Tribunal Rules</b>	Rules made by NZX from time to time.
<b>NZX Participant Rules</b>	means the NZX Participant Rules made by NZX from time to time.
<b>NZX Regulation Personnel</b>	means any person for the time being holding appointment, or designated, by NZX as NZX Regulation Personnel.
<b>Offering Document</b>	means an Investment Statement or a Profile.
<b>Officer</b>	bears the meaning assigned to the term “officer” in section 2 of the Securities Markets Act 1988.
<b>Option</b>	means an option to acquire a Security.
<b>Ordinary Resolution</b>	means (subject to Rule 1.6.8) a resolution passed by a simple majority of Votes of holders of Securities of Fonterra which carry Votes, entitled to vote and voting.
<b>Organising Participant</b>	means the Primary Market Participant which has undertaken the responsibilities of that position in respect of a Listing procedure, issue, Offering Document, or Advertisement.
<b>Primary Market Participant</b>	has the meaning given in the NZX Participant Rules.
<b>Participant</b>	means a person who CDO has allowed to be a Legal Title Transfer Depository Participant in accordance with the Depository Rules.
<b>Permitted Person</b>	means: <ul style="list-style-type: none"><li>(a) a person whose name is entered into the Share register of Fonterra as the holder of Shares;</li><li>(b) a person whose application to become a person referred to in (a) has been accepted in writing by Fonterra in accordance with the Constitution; or</li><li>(c) a Custodian.</li></ul>
<b>Procedures</b>	means procedures relating to the operation of the Rules.
<b>Profile</b>	means a document with the content required by Rule 6.1.3.



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<b>Prospectus</b>	means a Prospectus within the meaning of the Securities Act 1978.
<b>Quotation</b>	means, in respect of Shares or Rights, the granting of a right for Trading Participants to quote bids and offers for those Shares or Rights on the FSM. "Quote" and "Quoted" have corresponding meanings.
<b>Recognised Stock Exchange</b>	means a stock exchange approved by NZX from time to time as enforcing rules, procedures and requirements sufficiently similar to those of NZX to justify classification as a Recognised Stock Exchange for the purposes of the Rules. Full members of the World Federation of Exchanges (WFE) are recognised for this purpose.
<b>Record Date</b>	means the time fixed by Fonterra for the determination of the Security holders to whom an entitlement, right or obligation relating to the Securities of Fonterra shall apply.
<b>Related Company</b>	has the meaning given in section 2(3) of the Companies Act 1993 (read together with section 2(4) of that Act).
<b>Relevant Interest</b>	has the meaning given in the Securities Markets Act 1988.
<b>Renounceable</b>	in relation to a Right or offer of Shares means a Right or offer that is transferable by any holder for the time being to another person (whether or not an existing holder of any Shares to which the Right or offer relates).
<b>Right</b>	means any right to acquire any Share, whether conditional or not, and whether Renounceable or not.
<b>Rules</b>	means these FSM Rules as amended from time to time.
<b>Ruling</b>	means any decision or determination by NZX as to the meaning or interpretation or application of the Rules and includes any ruling, waiver, or revocation of a waiver given pursuant to Rules 1.9, 1.10, or 1.11.
<b>RVP or Registered Volume Provider</b>	has the meaning set out in the NZX Participant Rules.

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<b>Season</b>	has the meaning provided in the Dairy Industry Restructuring Act 2001, as amended from time to time.
<b>Security</b>	means any interest or right to participate in any capital, assets, earnings, royalties, or other property of any person and includes: <ul style="list-style-type: none"><li>(a) any renewal or variation of the terms or conditions of any existing security;</li><li>(b) any Debt Security; and</li><li>(c) any Option or Right;</li></ul>
<b>Settlement System</b>	has the meaning set out in the Depository Rules.
<b>Share</b>	means a co-operative share issued by Fonterra in accordance with the Constitution.
<b>Shareholder</b>	means a person whose name is entered into Fonterra's share register as the holder for the time being of one or more Shares.
<b>Shareholders' Council</b>	means the councillors who number not less than the required quorum, acting together as the Shareholders' Council, having been elected or appointed in accordance with the Constitution.
<b>Statement</b>	means a statement of holding of Securities complying with Rule 10.2.
<b>Subsidiary</b>	means: <ul style="list-style-type: none"><li>(a) a subsidiary within the meaning of section 5 of the Companies Act 1993 (read together with sections 6 to 8 inclusive of that Act); and</li><li>(b) an entity treated as a subsidiary or in substance subsidiary within the meaning of any financial reporting standard approved in terms of section 27(3) of the Financial Reporting Act 1993.</li></ul>
<b>Substantial Security Holder</b>	has the meaning given in section 2 of the Securities Markets Act 1988.
<b>Supplying Shareholder</b>	means any person who supplies Milk to Fonterra and is entered into Fonterra's share register as a holder of its Shares in accordance with the Constitution.
<b>Takeovers Code</b>	means the takeovers code recorded in the Takeovers Code Approval Order 2000.
<b>Trading</b>	has the meaning given in the NZX Participant

<b>Participant</b>	Rules.
<b>Treasury Stock</b>	means Shares, which have been acquired by Fonterra and are held by Fonterra as treasury stock pursuant to provisions of the Companies Act 1993 which enable treasury stock to be held by a company and includes Shares held by a Subsidiary of Fonterra other than in accordance with section 82(6) of that Act but excludes any Shares held by a Subsidiary of Fonterra in its capacity as the Custodian.
<b>Tribunal</b>	means the NZ Markets Disciplinary Tribunal.
<b>Vote</b>	means a right to vote at meetings of holders of Securities of Fonterra other than: <ul style="list-style-type: none"><li>(a) a right to vote solely upon matters of a nature immaterial or inconsequential to the control of Fonterra or to the control of any material part of the business or operations of Fonterra; or</li><li>(b) a right to vote only when a payment in respect of the Security in question is in arrears or some other default exists, or on a proposal to change the rights attaching to that Security, or in other circumstances of a special or remote nature; or</li><li>(c) a right to vote attaching to Securities which are not Equity Securities, exercisable only at meetings of holders of those Securities.</li></ul>

1.6.2 In these Rules:

- (a) headings to clauses are for reference only and are not an aid in interpretation;
- (b) references to statutory provisions will be construed as references to those provisions as they may be amended or re-enacted or as their application is modified by other provisions from time to time;
- (c) references to a person are to that person and that person's successors and permitted assigns;
- (d) all periods of time include the day on which the period commences and also the day on which the period ends;
- (e) any date which is not a Business Day, upon or by which

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anything is due to be done by any person, will be deemed to be a reference to the next Business Day;

- (f) words importing the plural include the singular and vice versa and words importing gender import all genders;
- (g) a reference to conduct or engaging in conduct includes a reference to doing, refusing to do or omitting to do, any act, including the making of, or the giving effect to a provision of, an agreement. Unless the contrary intention appears, a reference to doing, refusing or omitting to do any act or thing includes a reference to causing, permitting suffering or authorising the act or thing to be done or the refusal or omission to occur;
- (h) all warranties, representations, indemnities, covenants, agreements and obligations given or entered into by more than one person will be deemed to have been given or entered into jointly and severally;
- (i) any statement in these Rules stated to be to the best of a person's knowledge or to be so far as a person is aware (or any similar expression) will be deemed to include an additional statement that it has been made after due and careful enquiry;
- (j) if a word or expression is given a particular meaning, another part of speech or grammatical form of that word or expression has a corresponding meaning;
- (k) a reference to a Rule (e.g. Rule 2.3) includes a reference to all sub-Rules included under that Rule (e.g. Rule 2.3.3) and a reference to a Section (e.g. Section 2) includes a reference to all Rules and sub-Rules within that Section;
- (l) a reference to time is a reference to New Zealand time and references to monetary amounts are to New Zealand currency;
- (m) if the name of a body is changed in accordance with the law (whether or not the body is incorporated) or the name of an office is changed by law then a reference in these Rules to the body or office under any former name, except in relation to matters that occurred before the change took effect, is taken as a reference to the body or office under the new name;
- (n) the appendices to the Rules shall have the same force and effect as if set out in the body of the Rules;
- (o) the words "written" and "writing" include facsimile communications and any other means of communication resulting in permanent visible reproduction; and

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- (p) the word “person” includes any association of persons whether corporate or unincorporated, and any state or government or department or agency thereof, whether or not having separate legal personality.

1.6.3 In these Rules the following rules of interpretation apply:

- (a) an “agreement” also includes a contract, deed, licence, franchise, undertaking or other document (in each case, oral and written) and includes that agreement as modified, supplemented, novated or substituted from time to time;
- (b) “consent” also includes an approval, authorisation, exemption, filing, licence, order, permit, recording or registration (and references to obtaining consents are to be construed accordingly);
- (c) a “law” includes common or customary law and any constitution, decree, judgment, legislation, order, ordinance, regulation, statute, treaty or other legislative measure, in each case of any relevant jurisdiction (and “lawful” and “unlawful” shall be construed accordingly);
- (d) “rights” includes authorities, discretions, remedies, powers and causes of action;
- (e) a “holding company” means a company of which another company is a subsidiary;
- (f) “subsidiary” means a subsidiary of that company as defined in the Companies Act 1993 and includes an “in substance subsidiary” and any other company treated as a subsidiary of a company in accordance with generally accepted accounting practice, provided that the definition of “company” includes a company wherever incorporated;
- (g) “tax” includes any present or future tax, levy, impost, duty, rate, charge, fee, deduction or withholding imposed, assessed or levied by any governmental agency (whether state or local), and any interest, penalties, fines, costs, charges, and other liabilities arising from or payable in respect of such tax;
- (h) in the interpretation of a Rule, a construction that would promote the purpose or object underlying the Rules (whether that purpose or object is expressly stated in the Rules or not) is to be preferred to a construction which would not promote that purpose or object.

1.6.4 Unless otherwise defined in these Rules, the definitions in the NZX Participant Rules or the Depository Rules shall apply to capitalised terms in these Rules.

1.6.5 The footnotes to the Rules are intended as a guide for users and

an aid in interpretation and, only to that extent, form part of the Rules.

- 1.6.6 Reference to Fonterra in the Rules shall, as the context permits, extend to include all members (other than another Listed entity or a Subsidiary thereof or the Custodian) of any group of companies and/or other entities of which Fonterra is the holding company, or in which Fonterra otherwise has a controlling interest, to the extent that such extension is necessary to ensure that the object of the Rules is not frustrated or avoided by reason of the separate legal personality of members of the group. In relation to the disclosure of information the group includes any Associated Persons of Fonterra of which Fonterra has control in law or in fact, other than any such Associated Person which is another Listed entity or a Subsidiary thereof or the Custodian or the Manager. Assessment of the materiality of any information in relation to such group shall be treated as if the group constituted one business.
- 1.6.7 Subject to Rules 1.6.2 and 1.6.3, terms used in the Rules which have defined meanings in the Companies Act 1993, the Securities Markets Act 1988, the Securities Act 1978, the Co-operative Companies Act 1996 and/or the Dairy Industry Restructuring Act 2001 shall have the same meanings in the Rules unless the context requires otherwise.
- 1.6.8 If as a matter of law, or by reason of the provisions of the Constitution or other document, the holders of all Classes of Fonterra's Securities which carry Votes are not able to meet and vote at one meeting, then more than one meeting may be held and, for the purposes of the definition of Ordinary Resolution, regard may be had to the aggregate number of Votes cast in favour of and against the relevant proposal at all of the meetings held.

## **1.7 Appraisal Reports**

- 1.7.1 An Appraisal Report for the purposes of the Rules shall be made by an independent appropriately qualified person previously approved by NZX. If the report states that the reporter relies on information provided, or an opinion expressed, by another party (other than Fonterra or its Directors or employees) that other party shall also be approved by NZX.

1. Appraisal Reports are required by Rules 5.2.2 and 8.2.5.
2. NZX approval required of the person proposed as the reporter, or a person on whom the reporter relies, will be on a case by case basis, so that NZX can be satisfied as to the "independence" of the person in question in relation to the circumstances of each case.
3. As to independence, NZX should be advised when approval is being sought:

- (i) as to whether the person proposed has had or will have any relationship with the parties to the transaction; and
- (ii) as to whether any fee or benefit is payable to that person contingent on the success or implementation of the relevant transaction or any transaction complementary to or dependent on it; and
- (iii) of the number and nature of Appraisal Reports in respect of Fonterra prepared by the person proposed in the past five years; and
- (iv) of the business transacted with Fonterra by the person proposed in the past five years and, where the proportion of the proposed person's total revenue that business represented in the financial year that business was transacted exceeded 5% of the proposed person's total revenue, the actual amount of revenue that business represented; and
- (v) as to whether the proposed person has had any part in the formulation of the proposal of the transaction or any aspect thereof.

There may be further queries raised by NZX in any instance. For example, NZX may take the view that a person who has, or has had, a significant advisory or professional relationship with a party to the transaction or who might otherwise be seen as particularly close to the Directors or management, may have at least the appearance of being compromised by the relationship and will not be accepted for appointment by NZX.

1.7.2 An Appraisal Report shall:

- (a) be addressed to the Directors of Fonterra not associated with any relevant Associated Persons or, if there are no such Directors, to NZX, which at the expense of Fonterra will oversee the distribution of the report to holders of Securities of Fonterra. For this purpose "relevant Associated Persons" means the Associated Persons whose association or connection with Fonterra, or the Directors of Fonterra, or with the parties to a transaction or the anticipated acquirers of the Securities of an issue, results in a requirement that an Appraisal Report be obtained under the Rules; and
- (b) be expressed to be for the benefit of the holders of Equity Securities of Fonterra not associated with any relevant Associated Persons (as defined in (a)); and
- (c) state whether or not in the opinion of the reporter the consideration and the terms and conditions of the relevant

proposed issue or other transaction are fair to the holders of Equity Securities other than those associated with the relevant Associated Persons (as defined in (a)) and the grounds for that opinion; and

- (d) state whether or not in the opinion of the reporter the information to be provided by Fonterra to holders of its Equity Securities is sufficient to enable holders to understand all relevant factors, and make an informed decision, in respect of the question referred to in (c) and the grounds for that opinion; and
- (e) state whether the reporter has obtained all information which the reporter believes desirable for the purposes of preparing the report, including all Material Information which is or should have been known to any Director of Fonterra and made available to the Directors of Fonterra; and
- (f) state any material assumptions on which the reporter's opinion is based; and
- (g) state any term of reference which may have materially restricted the scope of the report; and
- (h) if it contains a disclaimer of liability, not purport to absolve the reporter from liability for an opinion expressed recklessly or in bad faith.

If the reporter forms the opinion that the relevant issue or other transaction has been structured wholly or partly with a view to conferring a benefit on the relevant Associated Persons (as defined in (a)), the reporter may have regard to, and mention, any alternative courses for acquisition or disposition of assets or services, or subscription for an issue, as the case may be, which seem to the reporter to be reasonably available to Fonterra. The reporter shall disregard any constraints arising from indications by the Directors of Fonterra that such alternative courses are not acceptable, or that they would not propose to pursue them, if any such reasons may be wholly or partly attributable to concerns about the interests of the relevant Associated Persons in distinction to the interests of the other holders of Equity Securities.

- 1.7.3 Fonterra may, if it so elects, circulate to holders of its Equity Securities a summary of an Appraisal Report, rather than the report in full. If Fonterra elects to circulate a summary then that summary shall be accompanied by a certificate from the reporter that the summary is accurate and not misleading to the beneficiaries of the report in all the circumstances likely to be generally known by the beneficiaries.

## **1.8 Associated Persons**



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- 1.8.1 In the Rules, a person is an Associated Person of another person if the first person is associated with the other in terms of Rules 1.8.2 to 1.8.6.
- 1.8.2 A person (the "first person") is associated with another person (the "second person") if, in making a decision or exercising a power affecting Fonterra, the first person could be influenced as a consequence of an Arrangement or relationship existing between, or involving, the first person and the second person.
- 1.8.3 Without limiting Rule 1.8.2, the first person is associated with the second person if:
- (a) the first person is a company, and the second person is a:
    - (i) Director of that company; or
    - (ii) Related Company of that company; or
    - (iii) Director of a Related Company of that company; or
  - (b) the first person is a spouse, domestic companion, child or parent of the second person, or a nominee or trustee for any of them or for the second person; or
  - (c) the first person is a Director of a company, or holds a Relevant Interest in Securities carrying more than 10% of the Votes of a company and the first person and the second person are parties to an Arrangement relating to the control of, or the control or ownership of Securities in, that company, which Arrangement affects Securities of that company carrying more than 30% of the total Votes attaching to Securities of that company; or
  - (d) the first person and the second person are acting jointly or in concert; or
  - (e) the first person and/or the second person propose to do, or are likely to do, anything which will cause them to become associated in terms of paragraphs (a) to (d) above or Rule 1.8.2.
- 1.8.4 The first person is not associated with the second person solely because:
- (a) the first person acts as a professional or business adviser to the second person, without a personal financial interest in the outcome of that advice; or

- (b) the first person is a Trading Participant or other person whose ordinary business includes dealing in Securities on behalf of others, and the first person acts in accordance with the specific instructions of the second person to deal in Securities; or
  - (c) the first person acts as a proxy or representative of the second person for the purposes of a meeting of holders of Securities of a company or other entity.
- 1.8.5 If the first person is associated with the second person in terms of Rule 1.8.2 to 1.8.4, then the second person shall be deemed to be associated with the first person.
- 1.8.6 Notwithstanding anything in this Rule 1.8, persons shall not be associated if NZX makes a Ruling that they are not associated.
- 1.8.7 For the purposes of this Rule 1.8, “Arrangement” means an agreement, arrangement, or understanding, whether express or implied, and whether or not legally enforceable.
- 1.8.8 Notwithstanding Rules 1.8.1 to 1.8.7, neither Fonterra nor a Director of Fonterra is an Associated Person of:
- (a) the FSF, nor of the Manager, trustee or Custodian in respect of the FSF acting in their capacity as such Manager, trustee or Custodian; or
  - (b) an RVP acting in its capacity as an RVP; or
  - (c) the trustees of the trust, the trustees of which are the holders of all the shares of the Custodian, where, in the case of the Director of Fonterra, that Director has been selected by Fonterra to be such a trustee,
- and no such person is an Associated Person of Fonterra or a Director of Fonterra.

1. The definition of “Associated Person” is broad. If there is any doubt as to whether any two or more persons are Associated Persons, Fonterra should seek a Ruling from NZX in terms of Rule 1.8.6.
2. If a connection between two persons of the nature referred to in Rule 1.8.3(c) or (d) is not related to the matter in respect of which the question of whether those persons are Associated Persons is required to be determined, NZX will readily grant a Ruling that those persons are not Associated Persons.

## **1.9 Disputed Interpretation**

- 1.9.1 In the event of a dispute or anticipated dispute between Fonterra and any Equity Security holder of Fonterra having the benefit of the Rules, as to the meaning of any of the provisions of the Rules, upon application of either of them, the matter may, if NZX elects to

exercise this power, be determined by NZX.

- 1.9.2 Any party to a dispute or anticipated dispute who is entitled to apply to NZX for a determination under Rule 1.9.1 and seeks such a determination shall give written notice to NZX. The notice shall contain a summary of the relevant facts known to the applicant and any explanation necessary to enable NZX to know the issues which are or may be in dispute and to identify which, if any, other parties or potential parties should be given notice of the application and invited to make submissions.
- 1.9.3 Before any action at law is commenced by a party to, or Security holder having the benefit (pursuant to Rule 2.1) of, the contract represented by the Rules, which involves determination of a dispute as to the meaning or application of the Rules, such party shall apply to have a determination made by NZX pursuant to Rule 1.9.1 as a condition precedent to the commencement of such proceedings.

Rule 1.9.3 is analogous to a Scott v Avery clause used in arbitration provisions, and is intended to have the same effect.

## **1.10 Rulings**

- 1.10.1 NZX may, and may on request by Fonterra, by written notice to Fonterra, make Rulings as to the meaning, interpretation or application of any one or more of the provisions of the Rules for such period and on such terms and conditions as NZX may determine.
- 1.10.2 Unless Fonterra establishes, to the satisfaction of NZX, grounds for maintaining confidentiality of NZX's decision with respect to a Ruling application made by Fonterra or, unless NZX determines in its sole discretion not to publish its decision with respect to a Ruling application, NZX will publish that decision and the identity of Fonterra and the facts of that application and the grounds for determining that application will be disclosed.

1. NZX will generally consider that Rulings sought in anticipation of a transaction will be grounds for confidentiality until such transaction is announced to the market. If the transaction does not proceed, the Ruling sought will not lose its confidentiality.
2. All applications for Rulings should be submitted to NZX at least 10 Business Days prior to Fonterra requiring a determination. Where applications are not submitted to NZX at least 10 Business Days prior to Fonterra requiring a determination, Fonterra may be charged an urgency fee.

1.10.3 Any Ruling given pursuant to Rule 1.10.1 shall have effect according to its tenor as if it formed part of the Rules and may be recorded or publicised in such manner as NZX thinks fit.

1. Rules 1.10.1 (and 1.9 and 1.11) are intended to exclude the Court's role in interpreting the Rules only where and to the extent that NZX has made a relevant Ruling before the date on which the substantive Court hearing could occur. Because the Rules, although contractual, assume the exercise of broad discretions in some areas, the rights and entitlement conferred under the Rules are to be read subject to the possibility of exercise of the powers and discretions reserved to NZX.
2. Any Ruling given pursuant to Rule 1.10.1 will be provided to Fonterra not less than half a Business Day prior to publication by NZX and should be kept confidential to Fonterra until published by NZX. The Ruling to be provided is a final decision, and will not be for comment by Fonterra. The Ruling is provided to facilitate Fonterra dealing with the publication of the Ruling by NZX.
3. When making applications for Rulings, Fonterra should complete any templates promulgated by NZX for this purpose and all information necessary for NZX to determine such application should be provided at the time of application. Where NZX requires Fonterra to provide additional information in respect of an application for a Ruling, NZX will have 10 Business Days from the date all information is finally provided to make its determination. Fonterra must comply with any NZX timetable for provision of information and any information received after the date set out in the timetable may not be considered by NZX.
4. Where Fonterra wishes its application for Ruling and NZX's decision on that Ruling application to be treated in confidence it should specify this in its application and include grounds in support of this.

## **1.11 Waiver**

- 1.11.1 NZX may, in any particular case or cases, and may at Fonterra's request, by written notice to Fonterra, waive the application of any one or more of the provisions of the Rules for such period (whether commencing before or after the date of the notice) and on such terms and conditions as NZX may determine.
- 1.11.2 Unless Fonterra establishes, to the satisfaction of NZX, grounds for maintaining confidentiality of NZX's decision with respect to a waiver application made by Fonterra, or unless NZX determines in its sole discretion not to publish its decision with respect to a waiver application, NZX will publish that decision and the identity of Fonterra and the facts of that application and the grounds for

determining that application will be disclosed.

1. NZX will generally consider the waivers sought in anticipation of a transaction to be grounds for confidentiality until such transaction is announced to the market. If the transaction does not proceed, the waiver sought will not lose its confidentiality.
2. All applications for waivers should be submitted to NZX at least 10 Business Days prior to Fonterra requiring a determination. Where applications are not submitted to NZX at least 10 Business Days prior to Fonterra requiring a determination, Fonterra may be charged an urgency fee.

1.11.3 Any waiver granted under Rule 1.11.1 may be revoked at any time by NZX by written notice to Fonterra and such a revocation shall have effect from the date stated in the notice (which may be before the date of the notice if NZX considers that the waiver was granted on the basis of incorrect information).

1.11.4 Subject to Rule 1.11.2 NZX may publish such information relating to a waiver granted or refused under Rule 1.11.1, or revocation of a waiver under Rule 1.11.3, as it considers desirable.

1. Any waiver given pursuant to Rule 1.11.1 will be provided to Fonterra not less than half a Business Day prior to publication by NZX and should be kept confidential to Fonterra until published by NZX. The waiver to be provided is a final decision, and will not be for comment by Fonterra. The waiver is provided to facilitate Fonterra dealing with the publication of the waiver by NZX.
2. NZX shall consider retrospective waivers only in exceptional circumstances where a minor or inadvertent breach of the Rules would incur severe consequences for Fonterra if the application were not considered by NZX.
3. When making applications for waiver, Fonterra should complete any templates promulgated by NZX for this purpose and all information necessary for NZX to determine such application should be provided at the time of application. Where NZX requires Fonterra to provide additional information in respect of an application for a waiver, NZX will have 10 Business Days from the date all information is finally provided to make its determination. Fonterra must comply with any NZX timetable for provision of information and any information received after the date set out in the timetable may not be considered by NZX.
4. Where Fonterra wishes its application for waiver and NZX's decision on that waiver application to be treated in confidence it should specify this in its application and include grounds in support of this.

## **1.12 Interpretation Policy**

- 1.12.1 In the exercise of the powers to make Rulings NZX shall be guided by the policies set out or explained in the footnotes to the Rules and any other practice notes or relevant Rulings promulgated to Fonterra or to Issuers.
- 1.12.2 In addition to the policy statements referred to in Rule 1.12.1 NZX may from time to time issue further policy statements and practice notes which will have a similar status in the application of the Rules.

## **1.13 Condition In Contract**

- 1.13.1 Fonterra shall ensure that its obligations, and the obligations of its Subsidiaries, under every agreement involving a transaction which in terms of the Rules requires approval by a resolution of holders of Securities, shall be conditional upon the passage of such a resolution in accordance with the Rules and the transaction shall not be completed until that resolution is passed.
- 1.13.2 If that resolution is not passed, Fonterra shall terminate its obligations, or the obligations of its Subsidiary, under that agreement, so that the transaction in question does not proceed.

## **1.14 Governing Law and Jurisdiction**

- 1.14.1 These Rules shall be governed by and construed in accordance with the law of New Zealand. Fonterra shall be deemed, by entering into the Market Operator Agreement with NZX, to have irrevocably submitted to the non-exclusive jurisdiction of the Courts of New Zealand.

## **1.15 Market Operator Agreement**

- 1.15.1 Fonterra and NZX as the Registered Exchange, must enter into, and at all times be party to, a Market Operator Agreement in relation to the Listing of Fonterra's Shares (and Rights in respect of Shares that are already Quoted) on the FSM. The Market Operator Agreement is a "listing agreement" for the purposes of the Securities Markets Act 1988.

## **1.16 Rulings in respect of Part A of the Constitution**

- 1.16.1 Notwithstanding Rule 1.10 or Rule 1.11, no Ruling shall be made which has the effect of altering or revoking any provision of Part A of the Constitution (except clause 16) unless such Ruling is supported by 50% or more of Councillors (as this term is defined in the Constitution) as evidenced in accordance with clause 18 of the Constitution.

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### Section 2: Compliance and Enforcement

#### 2.1 Contracts Privity Act to Apply

- 2.1.1 Subject to Rule 2.1.2, the provisions of the Rules are hereby declared to be a contract enforceable against Fonterra for the benefit of every person who is or was a holder of Quoted Shares or Quoted Rights of Fonterra in the period in which Fonterra is or was Listed, and the Contracts (Privity) Act 1982 shall apply accordingly.
- 2.1.2 Nothing in Rule 2.1.1, or in the status of holders of Quoted Shares or Quoted Rights referred to in that Rule as beneficiaries of the Rules under the Contracts (Privity) Act 1982, shall:
- (a) entitle such persons to take action against NZX or the Tribunal, whether to challenge the right of NZX or the Tribunal to exercise or not exercise its powers under the Rules in such manner as it thinks fit, or for the consequences of any such exercise or non-exercise; or
  - (b) limit or affect the rights of NZX or the Tribunal in respect of the Rules and in particular (but without limitation) the absolute discretion to make Rulings and to change or revoke all or any of the Rules; or
  - (c) entitle any person other than NZX to the benefit of, or to exercise, the rights and powers provided in Rule 2.3; or
  - (d) entitle any person to prior, or any, notice of a Ruling; or
  - (e) entitle any person to pursue any proceedings to enforce any provision of the Rules which is the subject of a current Ruling, other than on the basis of and in accordance with such Ruling.

#### 2.2 Compliance By Subsidiaries, Officers, and Associates

- 2.2.1 Fonterra shall take all steps within its powers to ensure that:
- (a) no Subsidiary of Fonterra; and
  - (b) no person who is acting in concert with Fonterra or any of its Subsidiaries for purposes relevant to the Rules,

does anything which would cause Fonterra to be in breach of the Rules.

See also Rule 1.6.6 which extends the effect of the Rules to any group of companies or other entities of which Fonterra is the holding company.

2.2.2 Fonterra shall ensure that every Director of Fonterra shall, forthwith after his or her appointment as such, deliver to NZX a signed acknowledgement to the effect that:

- (a) the Director is aware that Fonterra is contractually bound to observe the Market Operator Agreement and the Rules; and
- (b) the Director will use his or her best endeavours to procure compliance by Fonterra with the Rules.

### **2.3 Surveillance**

2.3.1 The NZX Regulation Personnel on their own accord or pursuant to a request made of them by the Tribunal, the Tribunal, and any other person authorised by NZX, may, for the purpose of ascertaining whether Fonterra is complying or has complied with the Rules, or ascertaining whether NZX should exercise any rights or powers under the Rules:

- (a) require Fonterra or, require Fonterra to procure, any Director, officer, employee or agent of Fonterra or any of its Subsidiaries to produce for inspection any books, papers, registers, records, or accounts (whether recorded in documentary or electronic form) (for the purposes of this Rule 2.3.1 together “information”) that are held by the person concerned; and
- (b) inspect and make copies of, or take notes from, such information; and
- (c) if necessary for the purpose of making copies or taking records thereof, take possession of any such information, and remove it from the premises where it is kept, for such period of time as is reasonable to make such copies or records; and
- (d) require Fonterra or, require Fonterra to procure any Director, officer, employee or agent of Fonterra or any of its Subsidiaries to appear for interview.

2.3.2 Where NZX Regulation Personnel are exercising their powers under Rule 2.3.1 pursuant to a request by the Tribunal, or other person authorised under Rule 2.3.1, NZX Regulation Personnel shall deliver to the Tribunal or that other person authorised under Rule 2.3.1 making that request, all information obtained pursuant to Rule 2.3.1.

2.3.3 Where the Tribunal or any other person authorised under Rule 2.3.1, exercising its powers under Rule 2.3.1, obtains information from Fonterra, the Tribunal or that other person authorised under Rule 2.3.1 shall provide that information to NZX if:

- (a) the Tribunal or that other person authorised under Rule 2.3.1 considers that that information should have been made available to NZX by Fonterra or otherwise pursuant to the Rules; or



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- (b) the Tribunal or that other person authorised under Rule 2.3.1 considers that that information discloses some other breach of the Rules.
- 2.3.4 Information obtained pursuant to Rule 2.3.1 shall not be disclosed by the NZX Regulation Personnel, the Tribunal or any person authorised under Rule 2.3.1 to any person, except:
  - (a) as required to discharge their functions and/or to exercise powers conferred by these Rules; or
  - (b) if disclosure is required by law; or
  - (c) if disclosure is to a solicitor, accountant, or other professional adviser of NZX Regulation Personnel, the Tribunal, or any other person authorised under Rule 2.3.1; or
  - (d) in accordance with Rule 2.3.2, 2.3.3 or 2.3.5; or
  - (e) to NZX, the Chief Executive and/or the Board of NZX; or
  - (f) to the FMA for the purposes of complying with section 36ZD, 36ZFA or 36ZL of the Securities Markets Act 1988 or to any other regulator to comply with a request of that regulator or otherwise cooperate with that regulator.
- 2.3.5 Where NZX Regulation Personnel have exercised their powers of inspection pursuant to Rule 2.3.1 and NZX Regulation Personnel consider that the information obtained discloses a breach of the Rules, NZX Regulation Personnel may disclose to the Tribunal so much of that information as is necessary to disclose the fact and nature of the breach and may bring a charge against Fonterra for such alleged breach, such charge to be heard in accordance with the Tribunal Rules. In addition to disclosing the information obtained under Rule 2.3.1, NZX Regulation Personnel shall disclose to the Tribunal all other facts and circumstances of which it is aware relating to the alleged breach of the Rules and which is relevant to the charge brought.
- 2.3.6 All information given to NZX by the Tribunal under Rule 2.3.3 or given to NZX under Rule 2.3.4 may be dealt with by NZX in all respects as if it had been supplied by Fonterra in compliance with the Rules, and accordingly fell within Rule 9.1.4.
- 2.3.7 A document signed by the Chief Executive of NZX, or by the Chairperson of the Tribunal (as defined in the Tribunal Rules), or by the chairperson of any Division (as defined in the Tribunal Rules) of the Tribunal warranting the appointment of any person to exercise the powers of NZX or the Tribunal set out in this Rule 2.3, shall be conclusive evidence of the authority thereby warranted. Such a document may be general or specific to the circumstances of a particular case.

- 2.3.8 Any exercise by NZX of the power set out in Rule 2.3.6 shall, in absence of agreement by Fonterra, require at least one Business Day's prior written notice to Fonterra of the intention to exercise such power (which notice may be in a general form), unless NZX Regulation Personnel have certified that the notice period shall not apply in any particular case, and such certification indicating the reasons therefore is shown to Fonterra on request.

## **2.4 NZ Markets Disciplinary Tribunal**

- 2.4.1 NZX shall appoint NZ Markets Disciplinary Tribunal which shall have the powers, rights and discretions set out in the NZ Markets Disciplinary Tribunal Rules which are incorporated by reference into these Rules.

## **2.5 Liability and Indemnity**

- 2.5.1 None of NZX, any director or employee of NZX, any NZX Regulation Personnel nor any delegate of NZX shall be liable in tort, contract, or otherwise for any action taken or not taken in exercise or purported exercise in good faith of the powers or discretions conferred by the Rules.
- 2.5.2 Fonterra shall indemnify NZX, each director or employee of NZX, all NZX Regulation Personnel and each delegate of NZX under the Rules against all liabilities and claims which may arise (notwithstanding the limitation in Rule 2.5.1) in relation to any action or inaction by any such person in connection with Fonterra, which NZX determines to have been taken, or not taken, in good faith and in response to circumstances for which Fonterra should bear the responsibility in whole or in part. The indemnity shall be for all or such part of the liabilities and claims as NZX determines in the circumstances.

## **2.6 Costs**

- 2.6.1 Fonterra shall, when called upon by NZX to do so, pay all costs and expenses incurred by NZX, NZX Regulation Personnel and the Tribunal and any person authorised by NZX in carrying out the functions and exercising the rights and powers conferred by the Rules in respect of Fonterra. The costs and expenses so payable may include an appropriate proportion of the remuneration and other overhead costs of NZX in relation to such matters.
- 2.6.2 Fonterra shall, before it is Listed, deliver to NZX a bond in a form approved by NZX, for an amount determined by NZX in accordance with Rule 2.6.3, and given by a person approved by NZX for this purpose. If Fonterra has not complied with this Rule before Listing, it shall do so when required by NZX. NZX may agree to accept, in lieu of a bond, a deposit of money on such terms as NZX may determine.
- 2.6.3 Each deposit or bond made or given pursuant to Rule 2.6.2 shall be made or given to secure to NZX the payment of all moneys payable to

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NZX by Fonterra under the Rules. NZX may from time to time determine the amount of each such deposit or bond. If NZX increases that amount, Fonterra shall upon request by NZX increase the amount of the deposit made by Fonterra, or procure the amount of the bond provided in respect of Fonterra to be increased. If any portion of a deposit or bond is applied in payment of moneys payable to NZX by Fonterra, Fonterra shall forthwith cause the deposit or bond to be reinstated to its previous amount.

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### Section 3: Constitutions and Directors

#### 3.1 Contents of Constitution

##### 3.1.1 The Constitution of Fonterra shall:

- (a) contain a provision to the effect that, for so long as Fonterra is Listed, Fonterra shall comply with the Rules, subject to any applicable legislative or regulatory requirements;
- (b) include a provision that provides that if any provision in the Constitution is inconsistent with the Rules, that provision shall be deemed to be amended, or deleted, to the extent necessary to make that provision consistent with the Rules; and
- (c) include a provision that provides that if NZX has given a Ruling authorising any act or omission which, in the absence of that Ruling would have been in contravention of the Rules or the Constitution, that act or omission is deemed to be authorised by the Rules and by the Constitution notwithstanding such contravention or inconsistency.

#### 3.2 Appointment of Directors

##### 3.2.1 The composition of the Board shall include the following:

- (a) the minimum number of Directors of Fonterra (other than alternate Directors) shall be three; and
- (b) at least two Directors of Fonterra shall be ordinarily resident in New Zealand; and
- (c) the minimum number of Independent Directors shall be two or, if there are eight or more Directors of Fonterra, three or one-third (rounded down to the nearest whole number of Directors of Fonterra) of the total number of Directors of Fonterra, whichever is the greater.

An example under Rule 3.2.1(c) is if Fonterra has thirteen Directors, four of them must be Independent Directors.

##### 3.2.2 The Board must identify which Directors of Fonterra it has determined, in its view, to be Independent Directors.

##### 3.2.3 The Board must make a determination under Rule 3.2.2:

- (a) no later than 10 Business Days following Fonterra's annual meeting and immediately after making such determination, Fonterra shall release to the market the names of those Directors of Fonterra determined by the Board to be

Independent Directors; and

- (b) no later than 10 Business Days following appointment by the Board in respect of any Director of Fonterra appointed by the Board and immediately after making such determination, Fonterra shall release to the market whether the Board has determined that such Director is an Independent Director; and
- (c) prior to publication of its annual report to enable it to comply with Rule 9.4.4(j).

3.2.4 It is the responsibility of Fonterra to make the necessary arrangements to require its Directors to provide sufficient information to the Board in order for the Board to make a determination under Rule 3.2.2.

3.2.5 No Director of Fonterra shall appoint an alternate Director.

3.2.6 All Directors of Fonterra shall be subject to removal from office as Director by Ordinary Resolution.

3.2.7 No resolution to appoint or elect a Director of Fonterra shall be put to holders of Securities unless:

- (a) the resolution is for the appointment of one Director; or
- (b) the resolution is a single resolution for the appointment of two or more Directors, and a separate resolution that it be so voted on has first been approved without a Vote being cast against it.

Nothing in this Rule 3.2.7 prevents the election of two or more Directors by ballot or poll.

1. Remuneration for Directors of Fonterra is determined in accordance with Fonterra's Constitution. For Directors who are elected by Fonterra's Shareholders under clause 12.2 of the Constitution, remuneration and other benefits payable to such Directors must be first approved by Fonterra's Shareholders. Under the Constitution, a Directors' Remuneration Committee is required to be maintained, which recommends the form and amount of remuneration payable to Directors who are elected by Fonterra's Shareholders. For Directors who are appointed by the Board under clause 12.4 of the Constitution, the Board may determine the remuneration or other benefits payable to such Directors. The Board may authorise additional remuneration for any Directors who carry out work for Fonterra in a different capacity, or where special skills of any Director have been utilised by Fonterra. Directors are entitled to be reimbursed by Fonterra for out-of-pocket expenses incurred in their role as a Director of Fonterra.

### 3.3 Proceeding and Powers of Directors

3.3.1 Directors of Fonterra may act notwithstanding any vacancy in their body but if and for so long as their number is reduced below the number fixed by the Constitution as the minimum number of Directors of Fonterra, the continuing Directors may act for the purpose of increasing the number of Directors to that number or of summoning a general meeting of Fonterra, but for no other purpose.

3.3.2 In cases where two Directors of Fonterra form a quorum, the chairperson of a meeting at which only two Directors of Fonterra are present shall not have a casting vote.

3.3.3 Subject to Rule 3.3.4, a Director of Fonterra shall not vote on a Board resolution in respect of any transaction in which that Director is interested, nor shall the Director be counted in the quorum for the purposes of consideration of that transaction. For this purpose, the term “interested” bears the meaning assigned to that term in section 139 of the Companies Act 1993.

3.3.4 Notwithstanding Rule 3.3.3, a Director of Fonterra may vote in respect of and be counted in the quorum for the Board for the purposes of a transaction in which that Director is interested if:

- (a) that transaction is one in respect of which, pursuant to an express provision of the Companies Act 1993, Directors are required to sign a certificate or one which relates to the grant of an indemnity pursuant to section 162 of the Companies Act 1993; or
- (b) the transaction that gives rise to the interest is a transaction in the ordinary course of business of Fonterra and is between:
  - (i) Fonterra and that Director in his or her capacity as a Supplying Shareholder; or
  - (ii) Fonterra and any person referred to in section 139 of the Companies Act 1993 which gives rise to the interest of the Director, in that person's capacity as a Supplying Shareholder,

and is a transaction with all or a number of Supplying Shareholders and (where the transaction is not with all Supplying Shareholders) the terms of the transaction (and the level of participation, if applicable) are determined according to criteria that apply to that number of Supplying Shareholders generally; or

- (c) the interest arises solely because the Director of Fonterra has been selected by the Board to be, and is therefore also:

- (i) a Director of the Manager; or
- (ii) a Director of the Custodian; or
- (iii) a trustee of a trust, the trustees of which are the holders of all the shares of the Custodian.

3.3.5 The following decisions of the Board must be approved by a majority of not less than 75% of the Directors of Fonterra participating at the Board meeting to consider the matter (and being entitled to vote and be counted in the quorum for that purpose) and such majority must include at least a majority of the Independent Directors who are entitled to vote and be counted in the quorum for that purpose:

- (a) a decision to pay an aggregate amount for Milk in excess of the aggregate amount for Milk calculated pursuant to the Milk Price Manual;
- (b) a decision to amend or replace the Milk Price Manual;
- (c) a decision to promote, or support, an amendment to, or replacement of, the Constitution that would have a material adverse effect on the rights attached to the Shares which are from time to time held by the Custodian in respect of which economic rights have been granted to the trustee of the FSF; or
- (d) a decision to appoint as an Independent Director a person who has not been supported by a majority of the Directors of the Manager of the FSF who are not also Directors of Fonterra (with such support evidenced by advice as to such support from the Manager).

### **3.4 Audit Committee**

3.4.1 Fonterra shall establish an Audit Committee.

3.4.2 The Audit Committee shall:

- (a) be comprised solely of Directors of Fonterra; and
- (b) have a minimum of three members; and
- (c) have at least one member with an accounting or financial background.

3.4.3 The responsibilities of Fonterra's Audit Committee include as a minimum:

- (a) ensuring that processes are in place and monitoring those processes so that the Board is properly and regularly informed and updated on corporate financial matters; and
- (b) recommending the appointment and removal of the

- independent auditor; and
- (c) meeting regularly to monitor and review the independent and internal auditing practices; and
- (d) having direct communication with and unrestricted access to the independent and any internal auditors or accountants; and
- (e) reviewing the financial reports and advising all Directors whether they comply with the appropriate laws and regulations; and
- (f) ensuring that the external auditor or lead audit partner is changed at least every five years.

1. A member of the Audit Committee will be deemed to have adequate accounting or financial background if he or she:
  - (a) is a member of the Institute of Chartered Accountants of New Zealand, or has held a Chief Financial Officer position at an Issuer for a period greater than 24 months; or
  - (b) has successfully completed a course approved by NZX for Audit Committee membership; or
  - (c) has the experience and/or qualifications deemed satisfactory by the Board.

### **3.5 Milk Price Panel**

- 3.5.1 Fonterra shall establish and at all times maintain a Milk Price Panel.
- 3.5.2 The Milk Price Panel must at all times comply with the following requirements:
  - (a) it must comprise five Members; and
  - (b) not less than 50% of the Members shall be Independent Members; and
  - (c) the Shareholders' Council shall be entitled to appoint up to two Members and the remaining Members shall be appointed by the Board; and
  - (d) the chairman of the Milk Price Panel must be an Independent Member and shall have no casting vote.
- 3.5.3 The Board must identify which Members it has determined, in its view, to be Independent Members.
- 3.5.4 The Board must make a determination under Rule 3.5.3:
  - (a) no later than 10 Business Days following Fonterra's annual



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meeting and immediately after making such determination, Fonterra shall release to the market the names of those Members determined by the Board to be Independent Members;

- (b) no later than 10 Business Days following appointment by the Board or the Shareholders' Council in respect of any Member appointed by the Board or the Shareholders' Council and immediately after making such determination, Fonterra shall release to the market whether the Board has determined that such Members is an Independent Member; and
- (c) prior to publication of its annual report to enable it to comply with Rule **Error! Reference source not found.**

3.5.5 It is the responsibility of Fonterra to make the necessary arrangements to require Members to provide sufficient information to the Board in order for the Board to make a determination under Rule 3.5.3.

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### Section 4: Quotation

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#### 4.1 Discretion as to Quotation

- 4.1.1 NZX is not obliged to grant Quotation of any Securities, whether or not Fonterra complies with all applicable provisions of the Rules. NZX may refuse Quotation in its absolute discretion and without giving any reasons for such refusal.
- 4.1.2 NZX may at any time or times impose conditions (whether or not additional to the Rules) that must be fulfilled by Fonterra in order to maintain Listing, or Quotation of all or any of its Securities, if NZX in its absolute discretion considers such conditions are necessary or desirable to maintain a properly informed market, or to ensure compliance with, or achieve the intent of, any of the Rules.
- 4.1.3 Without limiting Rules 4.1.1 or 4.1.2, NZX may refuse Quotation of any Securities if it is not satisfied that the Securities Act 1978 or any other applicable legislation has been complied with.

This Rule should not be read as placing any obligation whatsoever upon NZX to enforce or interpret any legislation. It is for the courts to decide upon the meaning and enforcement of legislation.

- 4.1.4 NZX may before granting Quotation of any Securities, require Fonterra to submit any technical, financial or other information in any Offering Document, Constitution, or Trust Deed, to the scrutiny of an independent expert (who shall report to NZX).

#### 4.2 Trading Halts, Suspension, Cancellation and other Powers

- 4.2.1 Fonterra may request, by notice in writing to NZX, that trading in its Quoted Shares be halted by NZX for a period not to exceed two Business Days. After receipt of a request from Fonterra in accordance with Rule 4.2.1, NZX may halt trading on or subject to compliance with such conditions as NZX thinks fit.

1. Where Fonterra is requesting a trading halt, pursuant to Rule 4.2.1, it must provide information to NZX on each of the following:
  - (a) its reasons for the trading halt; and
  - (b) how long it wants the trading halt to last; and
  - (c) the event it expects to happen that will end the trading halt; and

- (d) that it is not aware of any reason why the trading halt should not be granted; and
  - (e) any other information necessary to inform the market about the trading halt, or that NZX asks for.
2. NZX is not required to act on Fonterra's request for a trading halt.

4.2.2 NZX may at any time, and in its absolute discretion, do any one or more of the following, without giving any reasons and (subject to Rule 4.2.4) without giving prior notice to Fonterra:

- (a) halt or suspend for such period as NZX thinks fit, the Quotation of any or all of Fonterra's Quoted Shares; or
- (b) refer the conduct of Fonterra, or of any Director of Fonterra or Associated Person of such Director, to the Tribunal or any statutory or governmental authority.

4.2.3 Without limiting Rule 4.2.2, NZX may exercise any of its powers under Rule 4.2.2 if it considers that:

- (a) a false market exists in any or all of Fonterra's Quoted Shares; or
- (b) any provision of the Rules has not been complied with by Fonterra or any Director or officer of Fonterra; or
- (c) it is in the best interests of the market, or attainment of the intent and objects of the Rules, to exercise such a power; or
- (d) there occurs in respect of Fonterra:
  - (i) a change in control of Votes of Fonterra which confers an effective controlling interest in Fonterra, or a change in ownership in all or substantially all of those Securities of Fonterra carrying Votes; and
  - (ii) a cessation of, or change in the essential nature or direction of, the business or activities of Fonterra.

If Fonterra fails to issue its preliminary full year or half year announcement reports or annual and half yearly reports by their respective due dates, NZX will observe the following policy:

- (a) NZX will immediately publish this fact; and
- (b) if after five Business Days following the relevant due date, Fonterra has not complied, Quotation of Shares will be suspended, until such time as Fonterra has complied; and
- (c) in appropriate cases, either in addition to or in substitution for the steps taken under paragraphs (a) or (b), NZX may pursuant to

Rule 2.3, and at the expense of Fonterra, use its power of inspection to ascertain and inform the market of the state of Fonterra.

4.2.4 If NZX exercises its power under Rule 4.2.2 without giving prior notice or reasons to Fonterra, it shall, as soon as practicable thereafter, give notice to Fonterra explaining the reasons for the decision to exercise its powers in that manner. NZX shall not act in that manner unless NZX forms the opinion that any delay involved in giving prior notice or explanation of the reasons may prejudice the interests of other participants in the market.

4.2.5 The suspension of Quotation or trading shall not release Fonterra from any obligation (whether to pay fees or otherwise) it has under the Rules, and the cancellation of Listing or Quotation shall not release Fonterra from any such obligation it has under the Rules in respect of any period or matter occurring before the cancellation.

### **4.3 General Obligations**

4.3.1 Fonterra shall, at all times while it is Listed, hold all meetings of holders of Quoted Shares in New Zealand.

NZX may waive the requirement in Rule 4.3.1 on application in respect of particular meetings if it is satisfied that Quoted Security holders generally are not likely to be prejudiced by the holding of the meeting outside New Zealand.

### **4.4 De-listing**

4.4.1 Fonterra may require, by not less than three months prior written notice to NZX, that it cease to be Listed or that some or all of its Securities cease to be Quoted, and:

- (a) NZX will publish any such request received by it; and
- (b) the Listing or Quotation (as the case may be) will cease upon expiry of the notice period.

4.4.2 NZX may require, by not less than 24 months prior written notice to Fonterra, that Fonterra cease to be Listed or that some or all of its Securities cease to be Quoted, and:

- (a) NZX will publish any such notice given by it; and
- (b) the Listing or Quotation (as the case may be) will cease upon expiry of the notice period.

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### Section 5: Requirements for Documents

#### 5.1 Approval of Documents by NZX

5.1.1 The documents listed in Rule 5.1.2 shall be subject to the approval of NZX, and shall not be circulated to holders of Securities, executed, or otherwise given effect to in any way, until the written approval of NZX is obtained.

5.1.2 The documents referred to in Rule 5.1.1 are:

- (a) the Constitution; and
- (b) proposed changes to the Constitution; and
- (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
- (d) any Offering Document or Prospectus in respect of Quoted Shares or Quoted Rights or in respect of any Securities to be Quoted on the FSM.

NZX will not look favourably upon resolutions contained in notices of meeting of holders of Quoted Securities which purport to confer on the Board discretions to undertake certain transactions, where the material details of such transactions are not settled or cannot be disclosed and adequately explained to the Quoted Security holder to enable that Quoted Security holder to make an informed decision whether to vote in favour of that resolution, and NZX may decline to approve any notice of meeting which contains such resolutions.

5.1.3 Whenever Fonterra submits to NZX for approval a Constitution or any proposed change to a Constitution, Fonterra shall also submit a solicitor's opinion. That opinion shall:

- (a) be provided by a solicitor or firm of solicitors approved by NZX;
- (b) be addressed to NZX, and acknowledge that the solicitor or firm of solicitors accepts responsibility to NZX in respect of the opinion;
- (c) disclose any conflicting duties or interests the solicitor or firm of solicitors has and confirm that that disclosure is complete

in all respects;

- (d) state whether, in the opinion of that solicitor, the document in question complies with the Rules; and
- (e) state whether in the opinion of that solicitor any matters in the document raise issues capable of dispute or differing interpretation as to compliance with the Rules, and if so, identifying those matters.

The opinion should indicate if, in the author's opinion, the relevant document raises questions as to comprehensiveness, consistency, or coherence in the light of the policy objectives and spirit of the Rules.

While NZX may agree to receive an opinion provided by Fonterra's solicitors, if NZX is not satisfied with that opinion (for whatever reason), it may require a further opinion by an independent solicitor approved by NZX.

- 5.1.4 Each document referred to in Rule 5.1.2 shall be submitted to NZX in draft form for approval at least 10 Business Days before that document is intended to be circulated, executed, or otherwise given effect to (or, if that document is to be printed, 10 Business Days before printing is intended to commence).
- 5.1.5 Each document referred to in Rule 5.1.2 shall be submitted in its proposed full form, and if more than one document is required to be approved, they shall be submitted together. If an Appraisal Report is required to accompany a notice of meeting, a draft of that Appraisal Report shall be submitted together with the draft of the notice of meeting. The period of 10 Business Days referred to in Rule 5.1.4 shall not commence until NZX has received all relevant documents in their proposed final form. If any alteration is made to a document already submitted (that alteration not being required as a consequence of NZX's review of that document), NZX may regard in its absolute discretion that period of 10 Business Days as commencing at the time that alteration is received by NZX.

## **5.2 Notices of Meeting**

- 5.2.1 The text of any resolution to be put to a meeting of Fonterra for the purposes of Rule 6.2.1, Rule 6.2.5(c), Rule 6.4 or Rule 6.5.5 shall be set out in the notice of the relevant meeting. That notice shall be approved by NZX in accordance with Rule 5.1, and shall contain the precise terms and conditions of the specific proposal to issue, ratify the issue of, acquire, or redeem the Securities in question, or to provide financial assistance. The resolution shall not authorise any issue, acquisition, redemption or assistance which varies in any material respect from the description in the notice. As a minimum, the notice or the papers accompanying it shall state or contain so much of the following information as is applicable:
  - (a) the number of Securities to be issued, acquired, or redeemed

or, if the number is not known, the formula to be applied to determine the number, and the maximum number which may be issued, acquired or redeemed; and

- (b) the purpose of the issue, acquisition or redemption; and
- (c) the issue, acquisition or redemption price, or if the price is not known, the formula to be applied to determine the price, and the time or times for payment, with sufficient detail to enable Security holders to ascertain the terms of issue, acquisition or redemption to or from any party; and
- (d) the party or parties to whom the Securities are to be issued, or from whom they are to be acquired, where that is known, and in all cases identifying by name any such parties who are Directors of Fonterra or Associated Persons of Fonterra or any such Director; and
- (e) in the case of an issue, the consideration for the issue and where that is cash, the specific purpose for raising the cash; and
- (f) the period of time within which the issue, acquisition or redemption will be made; and
- (g) in the case of an issue, the ranking of the Securities to be issued for any future benefit; and
- (h) in the case of a resolution under Rule 6.5.5 authorising the giving of financial assistance, the amount and full terms of that assistance, and the party or parties to whom that assistance is to be given, identifying by name any such parties who are Directors of Fonterra or Associated Persons of Fonterra or any such Director.

5.2.2 A notice of meeting to consider a resolution of the nature referred to in Rule 5.2.1 shall be accompanied by an Appraisal Report if:

- (a) the resolution is required by Rule 6.4; or
- (b) in the case of an issue, the issue is intended or is likely to result in more than 50% of the Securities to be issued being acquired by Directors of Fonterra, or Associated Persons of such Directors; or
- (c) in the case of an acquisition or redemption or the giving of financial assistance, it is intended or likely that more than 50% of the Securities to be acquired or redeemed will be Securities held by Directors of Fonterra or Associated Persons of such Directors, or that more than 50% of the total financial assistance to be given will be given to such persons.

5.2.3 Each notice of meeting of holders of Securities shall contain or be

accompanied by sufficient explanation to enable a reasonable person to understand the effect of the resolutions proposed in the notice of meeting.

5.2.4 Without limiting Rule 5.2.3, notices in respect of proposed changes to the Constitution shall be sufficiently explicit to enable the effect of such changes to be understood without reference to the existing or proposed Constitution. The notice shall state that the changes have been approved by NZX.

5.2.5 If:

- (a) a resolution is to be proposed at a meeting of Shareholders; and
- (b) that resolution is passed, Shareholders will have the right to require Fonterra to purchase their Shares by virtue of section 110 or section 118 of the Companies Act 1993,

then the notice of meeting to consider that resolution shall contain a prominent statement of the right referred to in (b).

5.2.6 A proxy form shall be sent with each notice of meeting of Quoted Security holders and shall:

- (a) as a minimum (so far as the subject matter and form of the resolutions reasonably permits) provide for two-way voting (for or against) on all resolutions, enabling the Quoted Security holder to instruct the proxy as to the casting of the vote; and
- (b) not be sent with any name or office (e.g., chairperson of directors) filled in as proxy holder.

So far as is reasonably practicable, resolutions shall be framed in a manner which facilitates two-way voting instructions for proxy holders.

1. A proxy form may also provide for the Quoted Security holder to abstain from voting on each resolution and/or for the proxy to exercise a discretion to vote for or against each resolution, and should clearly state the consequences if no proxy instruction is provided.
2. Rule 5.2.6 is not intended to prohibit any Director of Fonterra or person at his own expense soliciting Quoted Security holders in a personal capacity for their proxies.
3. The proxy may include a footnote to the effect that certain officers of Fonterra or other persons are willing to act as proxy if the Quoted Security holder wishes to appoint them.
4. Fonterra should have regard to Rule 8.3.3 and the footnote to that Rule.



**5.3 Other Notices**

- 5.3.1 If a holder of a Quoted Security has no registered address within New Zealand and has not supplied to Fonterra an address within New Zealand for the giving of notices, but has supplied a physical address outside New Zealand or an electronic address, then notices for that Quoted Security holder shall be posted to such physical address or sent electronically to such electronic address, and shall be deemed to have been received by that Quoted Security holder 24 hours after the time of posting or sending electronically.

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### 6 Section 6: Issues and Buy Back of Securities

#### 6.1 Offering Documents and Advertisements

6.1.1 Fonterra shall prepare and issue an Offering Document in respect of Shares or Rights to be Quoted on the FSM:

- (a) if required to do so by the Securities Act 1978 or any other legislation; and
- (b) if required to do so by NZX, if there occurs:
  - (i) a change in control of Votes of Fonterra which confer an effective controlling interest in Fonterra, or a change in ownership in all or substantially all of the Securities of Fonterra carrying Votes; or
  - (ii) a sale or other disposition of the whole or the major part of the assets or undertaking of Fonterra; or
  - (iii) a cessation of, or change in the essential nature or direction of, the business or activities of Fonterra.

If Fonterra is required (or but for an exemption granted by the FMA under section 5 of the Securities Act 1978, would have been required) to register a Prospectus under the Securities Act 1978, the Offering Document shall be, if Fonterra has an Investment Statement, an Investment Statement. In other circumstances, the Offering Document shall be a Profile.

6.1.2 Every Prospectus and Investment Statement shall comply with, and contain all information required by, the Securities Act 1978 and regulations made under that Act, and by the Rules.

If an exemption has been granted by the FMA under a provision of the Securities Act 1978 or Securities Regulations 2009, then a Prospectus or Investment Statement which is in accordance with that exemption will comply with the Securities Act 1978 and/ or Securities Regulations 2009, and will accordingly comply with this Rule 6.1.2. Note however note 2 to Rule 6.1.6.

6.1.3 Every Profile shall:

- (a) comply with, and contain all information required to be contained in a registered prospectus under the Securities Act 1978 and regulations made under that Act (with such modifications as may be rendered necessary by the circumstances) as if references in that Act or those regulations to the issuer were a reference to Fonterra, and references to the registered Prospectus were a reference to the Profile, and the Shares of Fonterra were being offered to the public for initial flotation, whether or not they are already

allotted, provided that NZX may determine (in its sole discretion) that some or all of the information referred to above may be omitted from the Profile; and

- (b) contain all other information required by the Rules; and
- (c) contain all other information NZX, in its sole discretion, might reasonably require.

When a Profile is submitted for approval by NZX in accordance with Rule 6.1.6, NZX should be advised of any modifications which have, in accordance with Rule 6.1.3(a), been made to the information required by the Securities Act 1978 and Securities Regulations 2009.

6.1.4 A Profile shall be distributed to such persons, and in such manner, as NZX may determine.

6.1.5 Every Offering Document shall contain:

- (a) a comprehensive statement of the principal terms of the Securities offered by or referred to in that Offering Document, and of the principal terms of the offer of those Securities (if applicable); and
- (b) if applicable, a timetable of all relevant dates for:
  - (i) opening and closing of the offer; and
  - (ii) allotment, Quotation and trading of the Securities offered and/or Rights to those Securities; and
  - (iii) the payment of initial dividends, interest or other benefits under the Securities; and
- (c) in its subscription application a field for subscribers to insert their CSN number (if any).

For Fonterra's assistance, a table summarising timing of a new issue is set out in Appendix 4.

6.1.6 Each Prospectus and Investment Statement or Profile shall be approved by NZX in accordance with Rule 5.1. The draft shall be accompanied by the material listed below, insofar as that material has not already been submitted to NZX:

- (a) details of the Security for which application for Quotation is sought (including number, Security Class, ISIN, and face value (if any)); and
- (b) evidence that the Primary Market Participant has sought assurance from NZX that Authority to Act has not been withdrawn in respect of Securities for which Quotation is sought or a certificate is provided under Rule 7.4 of the NZX Participant Rules (whichever is applicable); and

- (c) a draft Offering Document in respect of the Securities (which shall include, without limiting any other provision of the Rules, the timetable required by Rule 6.1.5(b); and
- (d) any Advertisement that is proposed to be issued before the date of Quotation in respect of the Securities; and
- (e) any other information or documents that NZX may, at the time of submission or subsequently, request.

NZX may as a condition of its approval of that Prospectus and Investment Statement or Profile require that Prospectus and Investment Statement or Profile to contain such information, in addition to the information referred to in the Rules, as NZX in its discretion considers appropriate.

1. NZX requires a minimum of 10 Business Days to review an Offering Document. NZX will not feel obliged to provide approval before the expiry of that period.
2. NZX has a complete discretion whether or not to approve an Offering Document. The fact that a document may comply with the Securities Act 1978, or with any exemption granted under that Act, does not necessarily mean that it will be approved by NZX.

6.1.7 Every Offering Document or Advertisement relating to an issue or sale in respect of Shares or Rights which are Quoted or intended to be Quoted shall contain the relevant statements (if any) required by Regulation 39 of the Securities Regulations 2009 together with such other statement as may be required by NZX. Every Offering Document or Advertisement which refers to Primary Market Participants or to NZX or to Listing or Quotation, but which does not relate to Shares or Rights which are Quoted or intended to be Quoted, shall contain such statement as NZX may require.

6.1.8 Every Offering Document shall state the number and percentage of Securities of any Class which have been reserved for any class of applicant or are otherwise not available for application by Members of the Public, including Securities which are not part of the issue or are not offered under the Offering Document, and the names or description of any class of persons to whom any preference in allotment is to be given. NZX may in any particular case require the inclusion of a statement to this effect in any Advertisement.

6.1.9 No Offering Document shall include provision for the variation of the rate of commission payable in respect of subscription for the Securities concerned unless it also states the maximum rate which may be payable.

6.1.10 Every Offering Document, after stating that applications may be made to Fonterra, shall (unless otherwise agreed by NZX) state that they may be lodged with any Primary Market Participant, the

Organising Participant or any other channel approved by NZX (in that order) in time to enable forwarding to the appropriate place prior to the application closing date.

- 6.1.11 Every Offering Document shall state the method of dealing with over-subscriptions, and the maximum amount of over-subscriptions which will be accepted.
- 6.1.12 Each Offering Document shall specify:
- (a) the period within which a refund of subscription moneys will be made to applicants for Securities to whom allotments are not made; and
  - (b) whether or not interest will be paid on amounts refunded in terms of (a) and, if so, the basis upon which interest will be calculated.
- 6.1.13 If an Offering Document contains provision for variation in interest rates or other rates of return, Fonterra shall advise any reduction in rates to subscribers who apply for Securities otherwise than on the basis of the reduced rates. Unless those subscribers confirm their application for Securities, those Subscribers shall be repaid their subscription moneys within the period specified in accordance with Rule 6.1.12, together with any interest referred to in Rule 6.1.12.
- 6.1.14 Every Offering Document for Shares shall specify the Directors' intentions and expectations as to the Fonterra's future dividend policy.
- 6.1.15 Any statement required by the Rules to be contained in an Offering Document or Advertisement shall be sufficiently prominent and legible so as to come to the attention of a reasonable person reading or viewing that Offering Document or Advertisement.

## **6.2 Issue of New Equity Securities**

- 6.2.1 Fonterra shall not issue any Equity Securities (including issue on Conversion of any other Security) unless:
- (a) the precise terms and conditions of the specific proposal to issue those Equity Securities have been approved (subject to Rule 6.2.3) by separate resolutions (passed by a simple majority of Votes) of holders of each Class of Quoted Equity Securities of Fonterra whose rights or entitlements could be affected by that issue, and that issue is completed within the time specified in Rule 6.2.2; or
  - (b) the issue is made in accordance with any of Rules 6.2.4 to 6.2.6.

1. Rule 8.3.1 deals with the persons entitled to vote on a resolution under this Rule 6.2.1.

2. The attention of Fonterra is drawn to Rule 7.1, which may apply to the issue of Shares which carry Votes.

6.2.2 An issue authorised by resolutions passed pursuant to Rule 6.2.1(a) shall be completed within twelve months after the passing of those resolutions.

6.2.3 A resolution pursuant to Rule 6.2.1(a) of the holders of a Class of Quoted Equity Securities shall not be required if:

- (a) the terms of issue of those Quoted Equity Securities expressly reserved the right to make the issue of new Equity Securities in question, and specified at least the maximum number and Class of new Equity Securities which could be issued, and the time within which they could be issued; or
- (b) those Quoted Equity Securities were issued on terms that the holders of those Quoted Equity Securities would Vote together with the holders of another Class or Classes of Equity Securities on a resolution of the nature referred to in Rule 6.2.1(a) and the issue is approved by a resolution (passed by a simple majority of Votes) of holders of the relevant Classes Voting together.

6.2.4 Fonterra may issue Equity Securities if:

- (a) those Equity Securities are offered to holders of existing Equity Securities of Fonterra on a basis which, if the offer were accepted by all such holders, would maintain the existing proportionate rights of each existing holder (relative to other holders of Equity Securities) to Distribution Rights, and that offer is Renounceable; or
- (b) those Equity Securities are issued to holders of existing Equity Securities of Fonterra as fully paid Equity Securities on a basis which maintains the existing proportionate rights of each existing holder (relative to other holders of Equity Securities) Distribution Rights.

Notwithstanding (a) and (b), Fonterra shall be entitled:

- (c) to issue any Equity Securities in respect of which an offer is not accepted, or which because of fractional entitlements are not otherwise offered, to such persons and in such manner as the Board considers equitable and in the interests of Fonterra, provided that the price and terms and conditions of the issue of such Equity Securities are not materially more favourable to the persons to whom they are issued than the terms of the original offer and the issue is completed within 3 months after the close of the original offer; and
- (d) to offer and issue Equity Securities to the holders of existing

Securities in accordance with specific rights attached to those existing Securities (where the precise terms and conditions of the specific proposal to issue those existing Securities was approved in accordance with Rule 6.2.1(a) or Rule 6.2.8(a)) to participate in issues of Equity Securities, notwithstanding that the effect may be that existing proportionate rights to Votes and Distribution Rights are not maintained; and

- (e) to authorise a disproportionate offer to the extent necessary to round up holdings of Equity Securities to a Minimum Holding, or to avoid the creation of holdings which are not Minimum Holdings; and
- (f) to not offer or issue Equity Securities to holders of existing Equity Securities the terms of which expressly exclude the right to participate in the relevant offer or issue; and
- (g) to not offer or issue Equity Securities to holders of existing Securities in a jurisdiction outside New Zealand if the legal requirements of that jurisdiction are such that it is unduly onerous for Fonterra to make the offer in that jurisdiction, provided that in the case of Renounceable Rights, Fonterra shall arrange the sale of any Renounceable Rights to the relevant Equity Securities and account to holders in that jurisdiction for the proceeds.

In this Rule 6.2.4: “Distribution Right” means a right of the nature referred to in paragraph (a) or paragraph (b) of the definition of “Equity Security” in Rule 1.6.1.

1. Rule 6.2.4 allows the Board to make a pro rata fully paid bonus issue, or pro rata renounceable cash issue, without prior approval of Equity Security holders.
2. Rule 6.2.4(d) is intended to allow holders of Securities with rights to participate in cash or bonus issues of Equity Securities to participate in those issues. Note however that a security which carries the right to participate in issues of Equity Securities will itself be an Equity Security (see paragraph (d) of the definition of “Equity Security” and the definition of “Convert” in Rule 1.6.1). Accordingly, the issue of such a Security will itself fall within Rule 6.2.

6.2.5 Subject to the issue referred to in this Rule 6.2.5 being made in accordance with the Constitution, Fonterra may issue Equity Securities if the total number of Equity Securities issued, and all other Equity Securities of the same Class issued, pursuant to this Rule 6.2.5 during the shorter of the period of 12 months preceding the date of the issue and the period from the date on which Fonterra was Listed to the date of the issue, will not exceed the aggregate of:

- (a) 20% of the total number of Equity Securities of that Class on

- issue at the commencement of that period; and
- (b) 20% of the number of the Equity Securities of that Class issued during that period pursuant to any of Rules 6.2.1(a), 6.2.4 and 6.2.6; and
  - (c) any Equity Securities of that Class issued pursuant to this Rule 6.2.5 during that period, the issue of which has been ratified by an Ordinary Resolution of Fonterra; and less
  - (d) 20% of the number of Equity Securities of that Class which have been acquired or redeemed by Fonterra during that period (other than Equity Securities held as Treasury Stock),

Provided that for the purposes of this Rule 6.2.5:

- (e) Directors of Fonterra or Associated Persons of a Director of Fonterra may only participate in an issue made under this Rule 6.2.5 if:
  - (i) all Directors of Fonterra voting in favour of the resolution to issue the Securities sign a certificate that the participation of Directors of Fonterra and/ or Associated Persons of Directors of Fonterra, as the case may be, in the issue is in the best interests of Fonterra and fair to holders of Equity Securities who are not receiving, or not associated with those parties receiving, Securities under the issue;
  - (ii) the terms of the issue to all persons in the issue under this Rule are the same; and
  - (iii) the level of participation of any Director of Fonterra, Associated Person of such a Director is determined according to criteria applying to all persons participating in the issue; and
  - (iv) Directors of Fonterra and Associated Persons of Directors of Fonterra are not the only persons participating in the issue; and
- (f) Securities which will, or may, Convert to other Equity Securities shall be deemed to be of the same Class as, and to correspond in number to, the Equity Securities into which they will, or may, Convert; and
- (g) where the conversion ratio is fixed by reference to the market price of the underlying Equity Securities, the market price, unless otherwise specified in the terms of the issue, shall be the volume weighted average market price over the 20 Business Days before the earlier of the day the issue is made or announced to the market.

1. Rule 8.3.1 deals with the persons entitled to vote on a resolution under this Rule 6.2.5.



2. Rule 6.2.5(c) allows Fonterra to renew its capacity to issue Equity Securities within the 20% limit when it has been used, by obtaining subsequent Equity Security holder ratification of the issue which has already been made.

6.2.6 Fonterra may issue Equity Securities if:

- (a) the issue is made as consideration in an offer made by Fonterra in accordance with:
  - (i) any takeovers code approved under the Takeovers Act 1993; or
  - (ii) the provisions of the constitution or trust deed of an Issuer which complies with Section 4 of the NZSX/NZDX Rules where that other Issuer is not a Code Company; or
  - (iii) any takeover law regime of a jurisdiction other than New Zealand which provides for prior notice, publicity and disclosure which in the opinion of NZX is at least as useful to the recipients of the offer as the requirements of one or more of the provisions referred to in (i) or (ii),

and that offer is made to all holders (other than Fonterra and its Related Companies) of equity securities in any company or other entity, Listed on NZSX or on a Recognised Stock Exchange, which is not a company or other entity that is an Associated Person of Fonterra or of any Director of Fonterra;  
or

- (b) the issue is made upon Conversion of:
  - (i) an Equity Security; or
  - (ii) any other Security, which on issue was approved in the manner set out in Rule 6.2.1(a) or Rule 6.2.8(a)(i), as if Rule 6.2.1(a) or Rule 6.2.8(a)(i) applied to that Security,

from time to time issued by Fonterra if the terms of issue of those Securities provided for Conversion to the kind of Security issued; or

- (c) the issue is made to an existing holder of Equity Securities of Fonterra in order to bring that holder's holding up to a Minimum Holding; or
- (d) the issue is made pursuant to an arrangement, amalgamation or compromise effected pursuant to Part XIII or Part XV of the Companies Act 1993; or
- (e) the issue is made pursuant to a plan for the issue of

Securities in lieu of dividends or as part of a dividend re-investment plan that entitles an existing Security holder to subscribe for Securities by applying all or any specified part of any dividend declared by Fonterra and payable to that person, and which issue or dividend reinvestment plan would, except to the extent that the plan excludes existing holders in a jurisdiction outside New Zealand if the legal requirements of that jurisdiction are such that it is unduly onerous for Fonterra to extend the plan to that jurisdiction, maintain the existing proportionate right of each existing holder relative to other holders of Equity Securities to Distribution Rights, if the offer were accepted by all such holders; or

- (f) the issue is made to the Custodian on behalf of one or more Registered Volume Providers to facilitate the provision of the services of the Registered Volume Provider; or
- (g) the issue is made to the Custodian in respect of the FSF to facilitate the establishment and/or operation of the FSF.

1. NZX may waive the condition which excludes issues in connection with takeovers of Associated Persons where it is satisfied that:
  - (a) the issue is not intended to:
    - (i) increase or entrench any effective controls of Fonterra by persons who are not Members of the Public; or
    - (ii) materially change the relative positions of other holders in relation to the effective control of Fonterra; and/or
  - (b) the likelihood that the proposal to issue the Securities is motivated by the personal interest of those in effective control of Fonterra (in distinction to the interests of the holders not associated with them) is insignificant in relation to the expense and inconvenience involved in obtaining approval under Rule 6.2.1.
2. Issues pursuant to any paragraph of Rule 6.2.6 (and in particular paragraphs (a) and (d)) may require Security holder approval pursuant to Rules 6.4 or 8.2.

6.2.7 A transfer by Fonterra of Treasury Stock of Fonterra shall for the purposes of this Rule 6.2 be deemed to constitute an issue of Equity Securities.

6.2.8 Notwithstanding the provisions of Rule 6.2:

- (a) no issue of Equity Securities may be made by Fonterra unless:
  - (i) the precise terms and conditions of the specific proposal to issue those Equity Securities have been approved by an Ordinary Resolution of holders of

- Shares; or
- (ii) the issue is made in accordance with the Constitution; and
- (b) Shares may not be issued by Fonterra if the issue is to be made to a person who is not a Permitted Person, unless the precise terms and conditions of the specific proposal to issue those Shares have been approved by an Ordinary Resolution of holders of Shares.

### **6.3 Entitlements to Third Party Securities**

- 6.3.1 Entitlements conferred by the holding of Equity Securities of Fonterra to Securities of a third party (whether or not that third party is an Issuer), shall not be created or conferred other than in compliance with Rule 6.2, as if such Securities comprised an issue of Equity Securities of Fonterra.

### **6.4 Issues and Buybacks of Securities**

- 6.4.1 Notwithstanding the provisions of Rule 6.2 and Rule 6.5, no issue, acquisition, or redemption of Securities shall be made by Fonterra if:
- (a) there is a significant likelihood that the issue, acquisition, or redemption will result in any person or group of Associated Persons materially increasing their ability to exercise, or direct the exercise of (either then or at any future time) effective control of Fonterra; and
  - (b) that person or group of Associated Persons is entitled before the issue, acquisition, or redemption to exercise, or direct the exercise of, not less than 1% of the total Votes attaching to Securities of Fonterra,

unless the precise terms and conditions of the issue, acquisition or redemption have been approved by an Ordinary Resolution of Fonterra.

This Rule 6.4 shall not apply to any issue of Securities by Fonterra pursuant to Rule 6.2.6(f) or Rule 6.2.6(g) or any acquisition or redemption of Securities by Fonterra pursuant to Rule 6.5.1(k) or Rule 6.5.1(l).

1. In determining whether a person or group of Associated Persons has materially increased their ability to exercise effective control of Fonterra, regard should be had to all relevant circumstances, such as other holdings of Securities of Fonterra, and the crossing of significant shareholding or control thresholds.

2. NZX will regard Rule 6.4 as applicable where a shareholder or Associated Person underwrites or sub-underwrites a Rights or other issue and a shortfall results in the underwriter or sub-underwriter, or group of Associated Persons including the underwriter or sub-underwriter, materially increasing its ability to exercise effective control of Fonterra. Accordingly, if there is a significant likelihood of that occurring, any such underwriting arrangement should be approved by an Ordinary Resolution or be the subject of a waiver granted by NZX, before it is entered into.
3. Rule 8.3.1 deals with the persons entitled to vote on a resolution under this Rule 6.4.
4. Any agreement involving a transaction referred to in this Rule 6.4 must comply with Rule 1.13.
5. A resolution required under this Rule 6.4 shall be accompanied by an Appraisal Report. See Rule 5.2.2(a).

## **6.5 Buy Backs of Equity Securities, Redemption of Equity Securities, and Financial Assistance**

- 6.5.1 Fonterra shall not acquire or redeem Equity Securities of Fonterra other than by way of:
- (a) an acquisition effected by offers made by Fonterra through NZX's order matching market, or through the order matching market of a Recognised Stock Exchange; or
  - (b) an acquisition effected in compliance with section 60(1)(a) (read together with section 60(2)) of the Companies Act 1993; or
  - (c) an acquisition of the nature referred to in section 61(7) of the Companies Act 1993; or
  - (d) an acquisition or redemption approved in accordance with Rule 6.5.5; or
  - (e) an acquisition required by a Shareholder pursuant to sections 110 or 118 of the Companies Act 1993; or
  - (f) an acquisition which is effected in compliance with section 60(1)(b)(ii) (read together with section 61) of the Companies Act 1993 and:
    - (i) subject to Rule 6.5.1(o), is made from any person who is not a Director of Fonterra or an Associated Person of such Director; and
    - (ii) the total number of Equity Securities of the same Class acquired together with all other Equity Securities of the same Class as those Equity Securities that are

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to be acquired, pursuant to this Rule 6.5.1(f) during the shorter of the period of 12 months preceding the date of the acquisition and the period from the date on which the Fonterra was Listed to the date of the acquisition, will not exceed 15% of the total number of Equity Securities of that Class on issue at the commencement of that period; or

- (g) a redemption from a holder who holds less than a Minimum Holding; or
- (h) a redemption of Equity Securities issued in compliance with Rule 6.2.1(a) or Rule 6.2.4, where Fonterra is bound or entitled to redeem those Equity Securities pursuant to their terms of issue;
- (i) a redemption in compliance with section 69(1)(a) of the Companies Act 1993; or
- (j) a redemption of Equity Securities that are Debt Securities which may be Converted into shares in Fonterra, and, before that Conversion, they are redeemed in cash; or
- (k) any acquisition, redemption or surrender of Shares permitted or required to be made by Fonterra under the Co-operative Companies Act 1996; or
- (l) an acquisition or redemption permitted or required to be made by Fonterra under the Dairy Industry Restructuring Act, or from a Custodian in respect of the FSF, or from a Custodian on behalf of one or more Registered Volume Providers.

Provided that for the purposes of Rule 6.5.1(f):

- (m) Securities which will, or may, convert to other Equity Securities shall be deemed to be of the same Class as, and to correspond in number to, Securities into which they will, or may, convert;
- (n) where the Conversion ratio is fixed by reference to the market price of the underlying Securities, the market price for the purposes of Rule 6.5.1(f) shall be the volume weighted average market price over the 20 Business Days before the earlier of the day the acquisition is entered into or announced to the market; and
- (o) Rule 6.5.1(f)(i) will not apply if the acquisition is made from a Director of Fonterra or an Associated Person of such a Director where the Director or Associated Person is a Supplying Shareholder and the acquisition is from all or a number of Supplying Shareholders (and where the acquisition is not made from all Supplying Shareholders, the terms of the acquisition and the level of participation, if

applicable, is determined according to criteria applying to that number of Supplying Shareholders generally).

- 6.5.2 Before Fonterra acquires Equity Securities of Fonterra, other than an acquisition from a holder who holds less than a Minimum Holding or an acquisition, surrender or redemption under Rule 6.5.1(k) or Rule 6.5.1(l), Fonterra shall give at least three Business Days notice to NZX. That notice shall:
- (a) specify a period of time not exceeding 12 months from the date of the notice within which Fonterra will acquire Equity Securities; and
  - (b) specify the Class and maximum number of Equity Securities to be acquired in that period,
  - (c) provided that Fonterra may at any time, by three Business Days notice to NZX, vary any notice so given, and may cancel such notice at any time.

As to subsequent notice of acquisition of Equity Securities, see Rule 6.8.1.

- 6.5.3 Fonterra shall not give financial assistance for the purpose of, or in connection with, the acquisition of Equity Securities issued or to be issued by Fonterra unless the giving of that assistance:
- (a) complies with Rule 6.5.4; or
  - (b) is approved in accordance with Rule 6.5.5; or
  - (c) is permitted by the Dairy Industry Restructuring Act 2001.
- 6.5.4 Fonterra may give financial assistance of the nature referred to in Rule 6.5.3 if:
- (a) the financial assistance is not given in whole or in part to any Director of Fonterra, Associated Person of a Director of Fonterra, or Employee, except where participation is determined according to criteria applying to all persons eligible to receive the financial assistance and the persons so eligible are not solely persons who are Directors of Fonterra, or Associated Persons of Directors of Fonterra, or Employees, and the amount of the financial assistance, together with the amount of all other financial assistance given under this paragraph (a) by Fonterra during the shorter of the period of 12 months preceding the date of giving of the financial assistance, and the period from the date on which Fonterra was Listed to the date of giving of the financial assistance, does not exceed 10% of the Average Market Capitalisation of Fonterra; or
  - (b) the financial assistance is offered or given so that all holders of Equity Securities of Fonterra are treated, or given the

- opportunity to be treated, on the same basis; or
- (c) the financial assistance is given to a RVP, Custodian, Manager or trustee of the FSF, or any other person for the purposes of the establishment or operation of the FSM or FSF; or
- (d) the financial assistance is given to a person to facilitate the acquisition of the Equity Securities issued by Fonterra and held by the Custodian on behalf of the FSF upon the cessation of the FSF or the FSF ceasing to be an Authorised Fund for the purposes of the Constitution.

6.5.5 Fonterra may acquire or redeem Equity Securities under Rule 6.5.1(d), or give financial assistance under Rule 6.5.3(b), if the precise terms and conditions of the specific proposal (the “Proposal”) to acquire or redeem those Equity Securities, or of the giving of that financial assistance, have been approved by separate resolutions (passed by a simple majority of Votes) of members of each separate group of each Class of Quoted Equity Securities of Fonterra whose rights or entitlements are materially affected in a similar way by the Proposal.

Any agreement involving a transaction referred to in this Rule must comply with Rule 1.13.

- 6.5.6 A Proposal (as defined in Rule 6.5.5) authorised by resolutions passed pursuant to Rule 6.5.5 shall be completed:
- (a) if that Proposal is transacted solely with Employees within 36 months after the passing of those resolutions; or
  - (b) in all other circumstances, within twelve months after the passing of those resolutions.
- 6.5.7 Equity Securities which are not Shares may be acquired or redeemed under Rule 6.5.1(b), (c), (f) and (i) if Fonterra complies with the sections of the Companies Act 1993 referred to in Rule 6.5.1(b), (c), (f) and (i), on the basis that references in those sections of the Companies Act 1993 to:
- (a) “shares” shall be deemed to be references to all Equity Securities of the Class of Equity Securities which is the subject of the acquisition or redemption and references to “shareholders” shall be read accordingly; and
  - (b) “constitution” shall be deemed to be references to the document which governs the rights of those Equity Securities.

## **6.6 Rights Issues Additional Requirements**

6.6.1 Letters of entitlement to Rights (whether or not Renounceable) are to be mailed to holders of the Rights within five Business Days of the Record Date for the determination of the entitlement, and by means that will give the holders reasonable time to deal with their

Rights, whether the holders' addresses are in New Zealand or elsewhere.

- 6.6.2 Without limiting Rule 6.6.1, the closing date and time for applications under Rights issues (whether or not renounceable) shall not be earlier than the 12th Business Day after the day of mailing of the last of the letters of entitlement.
- 6.6.3 The closing date for receipt of renunciations of a Renounceable Rights issue shall be the same date as the closing date for receipt of applications.
- 6.6.4 Entitlements to Rights may be altered to disregard fractions. The announcement of the Rights issue and any Offering Document shall state the terms on this matter.
- 6.6.5 A Renounceable Right shall not entitle the holder to apply for more than the entitlement of Securities.
- 6.6.6 Fonterra shall use a standard form of renunciation and acceptance previously approved by NZX which shall be distributed with, or form part of, the letter of entitlement. A non-standard form may be used only if:
- (a) the non-standard form has been approved by NZX; and
  - (b) Fonterra agrees to accept the standard "brokers acceptance" form in an emergency; and
  - (c) an adequate supply of the non-standard form is provided by Fonterra for Trading Participants at least three Business Days before the day appointed for the commencement of trading in the Rights.
- 6.6.7 The terms of a Renounceable Rights issue shall provide that if Fonterra receives, on or before the closing date for renunciations, both a renunciation and an acceptance in respect of the same Right(s), the renunciation shall be given effect in priority to the acceptance.
- 6.6.8 Fonterra may apply to NZX for Quotation of Rights under a Rights issue of Shares. Appendix 3 shall be completed and supplied to NZX with the application containing the following information:
- (a) details of the Right for which application for Quotation is sought (including number, Security Class, ISIN, and face value (if any)); and
  - (b) if applicable, a draft Offering Document in respect of the Rights (which shall include, without limiting any other provision of the Rules, the timetable required by Rule 6.1.5(b)); and
  - (c) any Advertisement that is proposed to be issued before the



date of Quotation in respect of the Rights; and

- (d) any other information or documents that NZX may, at the time of submission or subsequently, request.

6.6.9 If such Quotation is granted:

- (a) the Quotation of Rights will commence on the Ex Date for that Rights issue or such other date approved by NZX; and
- (b) the Head Security under the Rights issue (being Shares) will be Quoted ex Rights on the Ex Date for that Rights issue; and
- (c) Quotation of Rights for a Renounceable Rights issue will cease at the close of trading on the day four Business Days before the closing date for receipt of acceptances and renunciations.

6.6.10 Where a Rights issue is to be made but Quotation is not sought, Fonterra shall give to NZX forthwith after the decision has been made and at least five Business Days before the Ex Date to determine entitlements, on the form in Appendix 3, full details of the issue, including the nature, entitlement and timing of the issue of Rights and conversion, pricing, amounts payable and ranking of Securities for future benefits.

## **6.7 Allotment**

6.7.1 Fonterra, when making an issue, shall proceed to allotment within five Business Days after the latest date on which applications for Securities close.

6.7.2 Where the issue price of an issue may be paid by instalments, Fonterra shall acknowledge payments made in advance of due date on the advice of allotment.

6.7.3 Fonterra shall ensure that commission statements rendered to Primary Market Participants contain sufficient detail to allow the Primary Market Participants to check allotments to clients.

6.7.4 Fonterra, when making an issue, shall ensure that on allotment a CSN is recorded for each person to whom the Securities are issued.

## **6.8 Announcements**

6.8.1 Where Fonterra issues Securities, or acquires Securities of Fonterra, it shall forthwith give to NZX details of the issue or acquisition, including:

- (a) Class of Security and ISIN; and
- (b) the number issued or acquired; and

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- (c) the nominal value (if any) and issue or acquisition price; and
- (d) whether payment was in cash; and
- (e) any amount paid up (if not in full); and
- (f) the percentage of the total Class of Securities issued or acquired; and
- (g) the reason for the issue or acquisition; and
- (h) the specific authority for the issue or acquisition (if any); and
- (i) any terms or details of the issue or acquisition (such as an escrow provision); and
- (j) the total number of Securities of the Class in existence after the issue or acquisition; and
- (k) in the case of an acquisition of shares by Fonterra, whether those shares are to be held as Treasury Stock; and
- (l) the dates of issue or acquisition.

For the purposes of this Rule 6.8.1, the sale of Treasury Stock by Fonterra shall be deemed to constitute an issue of Securities. Without limiting the obligation in this Rule to supply information forthwith, details of the acquisition by Fonterra of Securities of Fonterra, and of the sale of Treasury Stock, shall be given to NZX not later than the end of the Business Day in which that acquisition or sale takes place.

- 6.8.2 Where any benefit is to be paid or distributed on Quoted Shares or Quoted Rights (including dividends, interest or bonus issues) or a call on Quoted Shares is to take place, Fonterra shall give to NZX, forthwith after the Board's determination and at least 10 Business Days before the Record Date to determine entitlements or obligations, full details of the benefit or call, including the information in the table below. That information shall be supplied in the form set out in Appendix 3.

Event	Information Required
Dividend	<ul style="list-style-type: none"> <li>- Security description</li> <li>- ISIN</li> <li>- Total amount of dividend</li> <li>- Cents per Share</li> <li>- Imputation tax credits per Share (where applicable to six decimal places)</li> <li>- Withholding tax cents per Share (where applicable to six decimal places)</li> <li>- Source of dividend</li> <li>- Payable date</li> <li>- Record Date</li> <li>- Strike price for any issue in lieu of</li> </ul>

	<p>dividend</p> <ul style="list-style-type: none"> <li>- Foreign dividend payment credits per Share (where applicable to six decimal places)</li> </ul>
Interest	Details no less than the equivalent required above for a dividend.
Bonus Issue	Full details of the issue including timing, entitlement and tax information.
Calls	Full details of the call including the Quoted Shares affected, and payment details.

- 6.8.3 Where the date of a call on Quoted Shares has not been stated in an Offering Document, Fonterra shall notify NZX as soon as a decision has been taken to make a call.
- 6.8.4 If the Board recommends or pays dividends other than in accordance with the policy stated in any Offering Document, or any previous public forecast made for the relevant period, the reasons for any difference must be fully explained in the notice.
- 6.8.5 A supplementary dividend paid in terms of the Income Tax Act 2007 shall be deemed not to be a dividend for the purposes of Rule 6.8.2. If Fonterra pays a supplementary dividend, it shall notify NZX not less than 10 Business Days before the supplementary dividend is paid of:
- (a) the amount of the proposed supplementary dividend and the amount (in cents) per Security; and
  - (b) the date upon which it will be paid.

## 6.9 Early and Late Subscription Closure

- 6.9.1 Where an issue of Quoted Shares or Quoted Rights is closed before the stated closing date, Fonterra shall notify NZX thereof forthwith after the closure.

Where an issue is filled (or full subscription is assured) before the stated closing date, NZX recommends that the issue be closed immediately.

- 6.9.2 Fonterra shall not extend the closing date for applications to subscribe for new Shares or Rights unless, at least five Business Days prior to the original closing date, Fonterra has notified NZX of the extension and of the new closing date. Fonterra shall not, without the prior consent of NZX, extend a closing date more than once.

## 6.10 Notification of Level of Subscription

- 6.10.1 Where an offer of Shares (or Rights which are to be Quoted) has been underwritten, Fonterra shall notify NZX immediately the under subscription is ascertained, and in any event not later than five

Business Days after the closing date of the offer, whether any of the Shares or Rights have been or are to be taken by any underwriter or any sub-underwriter in any capacity and if so, how many were or are to be taken up in that way.

- 6.10.2 Where an offer of Shares (or Rights which are to be Quoted) has not been underwritten, Fonterra shall notify NZX of any under subscription immediately the under subscription is ascertained, and in any event not later than five Business Days after the closing date of the offer. In the case of a Renounceable issue, NZX must be notified of any under subscription of an issue which is not underwritten within five Business Days after the closing date for applications and renunciations.
- 6.10.3 If an offer of Shares (or Rights which are to be Quoted) is oversubscribed, Fonterra shall make no announcement of that oversubscription unless that announcement specifies the precise percentage by which the offer has been oversubscribed.

## **6.11 Primary Market Participants**

- 6.11.1 Fonterra shall not state a Primary Market Participant's name in any Offering Document or Advertisement relating to any Securities unless:
- (a) the Primary Market Participant has consented thereto; and
  - (b) if those Securities are Quoted or to be Quoted, the applicable requirements of the NZX Participant Rules have been complied with by the Primary Market Participant.
- 6.11.2 Fonterra shall not publish any Advertisement referring to a Primary Market Participant or to NZX (other than for a reference complying with Rule 6.1.7) without the consent of the Primary Market Participant or NZX as the case may be, or before compliance by an Organising Participant with Rule 6.11.1 in respect of the issue or sale. No Advertisement shall be published which refers to NZX or to Primary Market Participants generally (as opposed to a specific Primary Market Participant) without previous approval of its form by NZX.
- 6.11.3 Fonterra shall fully inform the Organising Participant in respect of an issue or sale, of all matters necessary to enable that Organising Participant to be satisfied that the Rules are complied with in respect of that issue or sale. If at any time prior to Quotation the Organising Participant considers that any provision of the Rules in relation to that issue or sale has not been complied with, the Organising Participant may request that the issue or sale not proceed and notify NZX accordingly, and NZX shall thereupon delay any Quotation of the relevant Securities until a Primary Market Participant accepting responsibility as Organising Participant requests that it proceed.

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### Section 7: Voting rights and Rights of Equity Securities

#### 7.1 Voting and Options

7.1.1 Shares shall carry the number of Votes prescribed by:

- (a) the Constitution; or
- (b) their terms of issue.

7.1.2 If pursuant to Rule 6.2.8:

- (a) Fonterra proposes to issue Equity Securities carrying Votes, or Securities which are Convertible into Equity Securities carrying Votes, under Rule 6.2.5 (the “Affected Securities”); and
- (b) the issue price of an Affected Security is less than 85% of the Average Market Price, then, before issuing Affected Securities all Directors of Fonterra who voted in favour of the resolution to issue the Affected Securities must sign a certificate that the consideration for the Affected Securities is fair and reasonable to Fonterra and to shareholders who are not receiving, or are not associated with those receiving, Affected Securities under the Issue.

Provided that:

- (c) for the purposes of this Rule 7.1.2, “Average Market Price” means the volume weighted average market price of Fonterra's existing Quoted Shares over the five Business Days before the earlier of the day the issue is made or the proposal is announced to the market; and
- (d) in the case of Convertible Securities where the consideration payable on Conversion is fixed by reference to the market price of existing Securities, the consideration payable on Conversion must be at least 85% of the Average Market Price of the Securities into which the Affected Securities Convert.

7.1.3 An Option must not confer the right to participate in a Rights issue unless the Option:

- (a) is exercised before the Record Date for the Rights issue; or
- (b) was issued under a pro rata offer made pursuant to Rule 6.2.4 to the holders of Quoted Shares or Quoted Rights; or
- (c) was issued with the approval of holders of Quoted Shares, and the Option holder can participate in a new issue to the holders of the underlying Securities in accordance with the

terms of such an Option.

7.1.4 An Option must not confer the right to a change in the exercise price or number of underlying Securities, except if that Option:

- (a) was issued with the approval of holders of Quoted Shares, then the exercise price or number of underlying Securities may change in accordance with the formula or provision contained in the terms of the Option if there is a Rights issue to the holders of the underlying Securities; or
- (b) was not issued with the approval of holders of Quoted Shares and there is a Rights issue to the holders of the underlying Securities, then the exercise price of that Option may be reduced according to the formula set out as follows:

$$O^1 = O - \frac{E[P-(S+D)]}{N+1}$$

- O<sup>1</sup> = the new exercise price of the Option.
- O = the old exercise price of the Option.
- E = the number of underlying Securities into which one Option is exercisable.

[Note: E is generally one unless the number has changed because of a bonus issue or capital change.]

- P = the average market price per share (weighted by reference to volume) of underlying Securities during the five Business Days ending on the day before the Ex Date for the Rights.
- S = the subscription price for a Security under the Rights issue.
- D = the dividend (in the case of a trust, distribution) due but not yet paid on the existing underlying Securities (except those to be issued under the Rights issue).
- N = the number of Securities with Rights or entitlements that must be held to receive a Right to one new Security.

**Example:**

The capital of a company comprises ordinary shares at an issue price of 20 cents each and Options over unissued ordinary shares exercisable at \$1.00 each. The company announces a 4:7 Rights issue. There is no dividend payable. The issue price for the shares under the Rights issue is \$2.00. The average price that ordinary shares trade at over the five Trading Days ending on the day before the Ex Date for the Rights is \$3.00 after the announcement. To receive one Right a shareholder must hold 1.75 ordinary shares (7 ÷ 4 = 1.75, which is N). The amount by which the exercise price of an Option is to be reduced is calculated as follows:

$$O^1 = \$1 - \frac{1[\$3.00 - (\$2.00 + \$0)]}{1.75 + 1}$$

$$O^1 = \$1 - \frac{1}{2.75}$$

$$O^1 = \$1 - \$0.3636$$

$$O^1 = \$0.636364$$

The new exercise price of the option is 63.6364 cents and the Option holder has gained the benefit of any bonus element in the rights issue. This benefit is the same as that conferred on shareholders. There is no change in the number of shares to which the Option holder is entitled. At the time when the Option is exercised, it may be necessary to round up or round down any fraction of a cent remaining after aggregating the exercise price of each of the Options exercised by the holder.

- 7.1.5 If there is a bonus issue to the holders of the underlying Securities the number of Securities over which an Option is exercisable may be increased (or additional Securities may be reserved for issue on exercise of an Option) by the number of Securities which the holder of the Option would have received if that Option had been exercised before the Record Date for the issue.

**Example:**

The capital of a company comprises ordinary shares of \$1.00 each and Options over unissued ordinary shares exercisable at \$1.00 each. The entity makes a 1:1 bonus issue. An Option holder with 1000 Options with a total exercise amount payable of \$1000 will then have an entitlement to 2000 Securities for a total exercise amount payable of \$1000. Each Option is exercisable for \$1.00 and entitles the holder to 2 shares. The exercise amount payable per Option stays the same (i.e. \$1.00). If the entity subsequently has a further 1:1 bonus issue, the Option holder would become entitled to 4000 Securities for a total exercise amount payable of \$1000. Each Option is exercisable for \$1.00 and entitles the holder to 4 shares. The exercise amount payable per Option stays the same (i.e., \$1.00).

- 7.1.6 If there is a consolidation or subdivision or similar proportionate reconstruction of the underlying Securities, the number of Securities over which an Option is exercisable may be consolidated or subdivided in the same ratio and the exercise price amended in inverse proportion to that ratio.

## **7.2 Lien and Forfeiture**

- 7.2.1 Fonterra's lien on Equity Securities and on dividends or other distributions from time to time declared in respect of such Securities shall be restricted to one in respect of:

- (a) unpaid calls, instalments, premiums or other amounts, and any interest payable on such amounts, relating to the specific Securities; and
- (b) any amount which Fonterra may be called upon to pay under any legislation in respect of the specific Securities, whether or not the due date for payment thereof has arrived.

7.2.2 If Equity Securities are forfeited and sold or are sold to enforce a lien, any residue after the satisfaction of unpaid calls, instalments, premiums or other amounts and interest thereon, and expenses, shall be paid to the previous owner, or to the executors, administrators or assigns of the previous owner.

7.2.3 Equity Securities shall not be liable to forfeiture for the failure of persons entitled thereto (by transmission or otherwise) to submit evidence of title within a specified time.

### **7.3 Cancellation of Unpaid Amounts**

7.3.1 No obligation to pay any amount which is unpaid on any Equity Security shall be cancelled, reduced or deferred without the authority of an Ordinary Resolution of Fonterra.

1. Rule 8.3.1, deals with the persons entitled to Vote on a resolution under this Rule.
2. Any agreement involving a transaction referred to in this Rule must comply with Rule 1.13.

### **7.4 Modification of Rights**

7.4.1 Fonterra shall comply with the provisions of section 116 and 117 of the Companies Act 1993.



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### Section 8: Transactions with Related Parties and Major Transactions

#### 8.1 Disposal or Acquisition of Assets

8.1.1 Fonterra shall not (subject to Rule 8.1.3) enter into any transaction or series of linked or related transactions to acquire, sell, lease, exchange, or otherwise dispose of (otherwise than by way of charge) assets of Fonterra or assets to be held by Fonterra:

- (a) which would change the essential nature of the business of Fonterra; or
- (b) in respect of which the gross value is in excess of 50% of the Average Market Capitalisation of Fonterra,

except with the prior approval of an Ordinary Resolution of Fonterra or a special resolution if Fonterra must obtain approval of the transaction or transactions by a special resolution under section 129 of the Companies Act 1993.

8.1.2 The notice of meeting containing the resolution to approve any transaction referred to in Rule 8.1.1 shall contain or be accompanied by such information, reports, valuations, and other material as are necessary to enable the holders of Securities to appraise the implications of the transactions.

8.1.3 Rule 8.1.1 shall not apply to:

- (a) a takeover offer made by Fonterra:
  - (i) in respect of a Code Company in accordance with any takeovers code approved under the Takeovers Act 1993; or
  - (ii) in respect of an Issuer that is not a Code Company but to whom section 4 of the NZSX Listing Rules applies, in accordance with the Constitution or trust deed of that Issuer which complies with section 4 of the NZSX Listing Rules; or
  - (iii) in relation to any other person, in accordance with any takeover law regime of a jurisdiction other than New Zealand which is applicable to that person and provides for prior notice, publicity and disclosure which in the opinion of NZX is at least as useful to the recipients of the offer as the requirements of one or more of the provisions referred to in (i) or (ii);
- (b) any transaction entered into by Fonterra with a Bank as

principal, on arms length terms and in the ordinary course of its banking business; or

- (c) any transaction or series of linked or related transactions entered into by Fonterra with its Supplying Shareholders for the purchase and payment by Fonterra for Milk supplied by Supplying Shareholders; or
- (d) any transaction or series of linked or related transactions entered into by Fonterra in the ordinary course of business for the supply of dairy products.

1. Fonterra's attention is drawn to:
  - (a) the provisions of section 129 of the Companies Act 1993, requiring the approval of a special resolution of shareholders to "major transactions" as defined in that section; and
  - (b) Rule 1.13, dealing with conditions to be included in contracts relating to transactions subject to the approval of a resolution under Rule 8.1.
2. The provisions of Rule 1.6.6 apply to Rule 8.1 to deem references to Fonterra to extend to the group comprised of Fonterra and its Subsidiaries where the context permits.
3. NZX may waive application of Rule 8.1 where, due to deterioration in the financial position of Fonterra, the Average Market Capitalisation of Fonterra has reduced to such an extent that the Rule imposes an unreasonable restriction on the ability of Fonterra to realise assets.
4. The notice of meeting must be approved by NZX pursuant to Rule 5.1.
5. Rule 8.1.3 stipulates that in the transaction in question the Bank must be acting as principal. The intention of this is to exclude a transaction such as one in which a Bank acts as agent of a third party.

## **8.2 Transactions with Related Parties**

- 8.2.1 Fonterra shall not enter into a Material Transaction if a Related Party is, or is likely to become:
- (a) a direct or indirect party to the Material Transaction, or to at least one of a related series of transactions of which the Material Transaction forms part; or
  - (b) in the case of a guarantee or other transaction of the nature referred to in paragraph (d) of the definition of Material Transaction, a direct or indirect beneficiary of such guarantee

or other transaction,

unless that Material Transaction is approved by an Ordinary Resolution of Fonterra.

1. NZX may waive the requirement to obtain the approval of a resolution for the purposes of Rule 8.2.1 if it is satisfied that the personal connections with, or involvement or personal interest of a Related Party are immaterial or plainly unlikely to have influenced the promotion of the proposal to enter into the transaction or its terms and conditions.
2. NZX may waive the requirement to obtain the approval of a resolution for the purposes of Rule 8.2.1 in respect of the annual or other renewal or re-negotiation of transactions which have been approved by a resolution under Rule 8.2.1, if Fonterra produces a report from a suitable independent person as to the fairness of the terms of the renewal or re-negotiation.
3. Rule 8.3.1 deals with the persons entitled to Vote on a resolution under this Rule.
4. Any agreement involving a transaction referred to in this Rule must comply with Rule 1.13.
5. The relevant time for Fonterra to determine whether or not a Related Party is or is likely to become a direct or indirect party to a Material Transaction, or at least one of a related series of transactions of which the Material Transaction from part is at the time of entry into that transaction.

8.2.2 For the purposes of Rule 8.2.1, "Material Transaction" means a transaction or a related series of transactions whereby Fonterra:

- (a) purchases or otherwise acquires, gains, leases (as lessor or lessee) or sells or otherwise disposes of, assets having an Aggregate Net Value in excess of 10% of the Average Market Capitalisation of Fonterra; or
- (b) issues its own Securities or acquires its own Equity Securities having a market value in excess of 10% of the Average Market Capitalisation of Fonterra, save in the case of an issue pursuant to Rule 6.2.5 where only the market value of those Securities being issued to the Related Party or to any Employees are to be taken into account; or
- (c) borrows, lends, pays, or receives, money, or incurs an obligation, of an amount in excess of 10% of the Average Market Capitalisation of Fonterra; or
- (d) enters into any guarantee, indemnity, underwriting, or similar obligation, or gives any security, for or of obligations which could expose Fonterra to liability in excess of 10% of the

Average Market Capitalisation of Fonterra; or

- (e) provides or obtains any services (including without limitation obtaining underwriting of Securities or services as an employee) in respect of which the actual gross cost to Fonterra in any financial year (ignoring any returns or benefits in connection with such services) is likely to exceed an amount equal to 1% of the Average Market Capitalisation of Fonterra; or
- (f) amalgamates, except for amalgamations of a wholly owned Subsidiary with another wholly owned Subsidiary or with Fonterra.

For the purposes of Rule 8.2.2(a), “Aggregate Net Value” means the net value of those assets calculated as the greater of the net tangible asset backing value (from the most recently published financial statements) or market value.

1. Transactions in Securities are to be treated as transactions in the assets the value of which underlies or is reflected in the securities.
2. In assessing whether payments under an employment agreement with a Related Party are likely to exceed the thresholds in Rule 8.2.2(e), Fonterra must have regard to the total maximum amount that could become payable in any one financial year.
3. Fonterra's attention is drawn to Rule 9.1.3 and the requirement for an announcement concerning transactions, or series of transactions, with Related Parties which are for a value in excess of 5%, but less than 10%, of Fonterra's Average Market Capitalisation.

8.2.3 For the purposes of Rule 8.2.1, Rule 8.2.2, and Rule 9.1.3, “Related Party” means a person who is at the time of a Material Transaction, or was at any time within six months before a Material Transaction:

- (a) a Director or executive officer of Fonterra or any of its Subsidiaries; or
- (b) the holder of a Relevant Interest in 10% or more of a Class of Equity Securities of Fonterra carrying Votes; or
- (c) an Associated Person of Fonterra or any of the persons referred to in (a) or (b), other than a person who becomes an Associated Person as a consequence of the Material Transaction itself (or an intention or proposal to enter into the Material Transaction itself); or
- (d) a person in respect of whom there are arrangements other than the Material Transaction itself, intended to result in that

person becoming a person described in (a), (b), or (c), or of whom the attainment of such a status may reasonably be expected, other than as a consequence of the Material Transaction itself;

but a person is not a Related Party of Fonterra if:

- (e) the only reason why that person would otherwise be a Related Party of Fonterra is that a Director or executive officer of Fonterra is also a Director of that person, so long as:
  - (i) not more than one third of the Directors of Fonterra are also Directors of that person; and
  - (ii) no Director or executive officer of Fonterra has a material direct or indirect economic interest in that person, other than by reason of receipt of reasonable Directors' fees or executive remuneration; or
- (f) that person is a Subsidiary of, incorporated joint venture of, or unincorporated joint venture participant with, Fonterra and:
  - (i) no Related Party of Fonterra has or intends to obtain a material direct or indirect economic interest in that Subsidiary, joint venture, or joint venture participant, other than by reason of receipt of reasonable Director's fees or executive remuneration; and
  - (ii) Fonterra is entitled to participate, directly or indirectly, in at least one half of the income or profits, and the assets, of that person; or
- (g) that person is acting in their role as the Custodian, or Manager or trustee of the FSF, or as a Registered Volume Provider.

8.2.4 Rule 8.2.1 shall not apply to:

- (a) any transaction entered into by Fonterra with a Bank which is a Related Party of Fonterra as principal, on arm's length terms and in the normal course of its banking business; or
- (b) the issue, acquisition or redemption by Fonterra of Securities of Fonterra, or the giving by Fonterra of financial assistance for the purposes of, or in connection with, the purchase of Securities, or the payment of a distribution to holders of Securities, if all holders of Securities of the Class in question are treated in the same way, so that each such holder has an opportunity to receive the same benefit in respect of each Security held by that holder except to the extent that an issue excludes holders outside New Zealand in accordance with Rule 6.2.4(h). For the purposes of this paragraph, the

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transfer of shares held by Fonterra in itself, shall be deemed to constitute an issue of Securities; or

- (c) the issue of Equity Securities by Fonterra under Rule 6.2.4(b) or Rule 6.2.6(e); or
- (d) an employment contract or contract for personal services with Fonterra which is a Material Transaction under Rule 8.2.2(e), where:
  - (i) the terms of the contract are set on an arm's length, commercial basis and have been approved by the Independent Directors of Fonterra; and
  - (ii) the Independent Directors approving the contract sign and deliver to NZX a certificate stating Rule 8.2.4(d)(i) has been complied with; and
  - (iii) material particulars of the contract (including the Fonterra's use of this exception) are disclosed in the next annual report of Fonterra; or
- (e) any transaction indemnifying any Director of Fonterra or of any Related Company of Fonterra or Employee which would be a Material Transaction under Rule 8.2.2(d), where such Director or Employee, at the time the indemnity is to be granted, has not been involved in any proceedings, threatened proceedings or circumstances in any capacity which are likely to result in a claim by the Director or Employee under the proposed indemnity; or
- (f) arrangements, amalgamations or compromises pursuant to Part XV of the Companies Act 1993; or
- (g) a Material Transaction with a total value that (or, in the case of a Material Transaction referred to in Rule 8.2.2(e), the actual gross cost to Fonterra in any financial year that) does not exceed \$250,000; or
- (h) a Material Transaction that is an employment agreement with a natural person who is not a director (within the meaning of section 126 of the Companies Act 1993) of Fonterra or any of its Subsidiaries; or
- (i) any transaction entered into in the ordinary course of business of Fonterra with all or a number of Supplying Shareholders (and where the transaction is not with all Supplying Shareholders, the terms of the transaction (and the level of participation, if applicable) are determined according to criteria that apply to that number of Supplying Shareholders generally); or
- (j) any transaction or series of linked or related transactions

entered into by Fonterra with its Supplying Shareholders for the purchase and payment by Fonterra for Milk supplied by Supplying Shareholders.

1. Where the Independent Directors of Fonterra are satisfied that the criteria in Rule 8.2.4(a) are satisfied no application need be made by Fonterra to NZX for approval of that transaction and no shareholder ratification of that transaction is required. The Rule stipulates that in the transaction in question the Bank must be acting as principal. The intention of this is to exclude a transaction such as one in which a Bank acts as agent of a third party.
2. Rule 8.2.4(d) allows the Independent Directors to approve an employment contract or contract for personal services. The material particulars required to be disclosed in the annual report will include particulars entered in a company's interests register under section 161 of the Companies Act 1993.

8.2.5 The text of any resolution to be put to a meeting of Fonterra for the purposes of Rule 8.2.1 shall be set out in the notice of the relevant meeting. That notice shall:

- (a) be approved by NZX in accordance with Rule 5.1; and
- (b) be accompanied by an Appraisal Report; and
- (c) contain such other material as is necessary to enable the holders of Securities of Fonterra to decide whether the transaction price and terms are fair.

### **8.3 Voting Restrictions**

8.3.1 Notwithstanding anything to the contrary in the Rules, on any resolution of the nature listed in column 1 of the table below, no Vote in favour of any such resolution shall be cast on any Securities held by a person of the nature listed in respect of that resolution in column 2 of the table below, or by any Associated Person of such a person.

<b>Column 1 RESOLUTION</b>	<b>Column 2 DISQUALIFIED PERSON</b>
Resolution under Rule 6.2.1	Subject to Rule 8.3.2: (a) Any person to whom it is proposed to issue the new Securities referred to in the resolution; or (b) If the resolution does not specify the persons to whom it is proposed to issue Securities, any Director of Fonterra who is not excluded by the terms of the resolution from participation in the issue.
Resolution under Rule 6.2.1 to approve a Rights issue of Equity Securities which is not Renounceable	Any Director of Fonterra.
Resolution under Rule 6.2.5(c)	Any person who has been issued, or has acquired, Securities the subject of ratification by that resolution.
Resolution under Rule 6.4	Any person whose effective control of Fonterra would be materially increased.
Resolution under Rule 7.3	Any person who is intended to benefit from the reduction, deferral, or cancellation, unless the reduction, deferral, or cancellation benefits all holders of Equity Securities of Fonterra on the same basis.
Resolution under Rule 8.2.1	Any person referred to in Rule 8.2.3 who is a party or beneficiary (in terms of Rule 8.2.1(a) or 8.2.1(b)) to or of the transactions the subject of the resolution.

8.3.2 On a resolution under Rule 6.2.1, a person to whom it is proposed to issue the new Securities referred to in that resolution is not disqualified from voting if the new Securities are to be offered on the same basis to all holders of Securities of the same Class as the Securities held by that person.

8.3.3 Rule 8.3.1 shall not prevent a person disqualified from Voting under that Rule, who has been appointed as a proxy or Voting representative by another person who is not disqualified from Voting under that Rule, from Voting in respect of the Securities held by that other person in accordance with the express instructions of that other person.



1. Rule 8.3.3 prohibits a disqualified person from exercising discretionary proxies. Disqualified persons are only able to exercise proxies where the Security holder has provided that disqualified person with an express instruction setting out how to exercise that Security holder's vote. "Express instructions" exclude instructions that give the proxy holder a discretion how to exercise that Security holder's vote as that proxy holder sees fit.
2. Examples of express instructions include:
  - (a) an instruction to vote for or against a particular resolution; or
  - (b) an instruction that the proxy holder should vote for or against a resolution in accordance with the Chairperson's vote on that resolution.

8.3.4 Fonterra shall use reasonable endeavours to ascertain, no later than five Business Days before any meeting to consider a resolution referred to in Rule 8.3.1, the identity of holders of Securities who are disqualified from voting on that resolution pursuant to Rule 8.3.1, and on request shall supply a list of such holders to NZX and any holder of Equity Securities of Fonterra.

8.3.5 Without prejudice to any remedy (other than those which take legal effect against Fonterra) which any holder of Securities may have against any disqualified person who casts a Vote at a meeting in breach of Rule 8.3.1, no resolution of, or proceeding at, that meeting shall be impugned on the basis of a breach of Rule 8.3.1. Any objection by a holder of Securities to the accuracy or completeness of any list provided pursuant to Rule 8.3.4 shall be disregarded by Fonterra and the chairman of the relevant meeting if it is notified to Fonterra later than one full Business Day before the time fixed for commencement of the meeting.

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**Section 9: Disclosure of Information****9.1 Material Information**

9.1.1 Without limiting any other Rule, Fonterra shall:

- (a) once it becomes aware of any Material Information concerning it, immediately release that Material Information to NZX, provided that this Rule shall not apply when:
  - (i) a reasonable person would not expect the information to be disclosed; and
  - (ii) the information is confidential and its confidentiality is maintained; and
  - (iii) one or more of the following applies:
    - (A) the release of information would be a breach of law; or
    - (B) the information concerns an incomplete proposal or negotiation; or
    - (C) the information comprises matters of supposition or is insufficiently definite to warrant disclosure; or
    - (D) the information is generated for the internal management purposes of Fonterra; or
    - (E) the information is a trade secret.

In this Rule 9.1.1, Fonterra is aware of information if a Director or an executive officer of Fonterra has come into possession of the information in the course of the performance of his or her duties as a Director or executive officer;

- (b) not disclose any Material Information to the public or other parties, except those parties to whom the Material Information is provided in circumstances where the proviso to Rule 9.1.1(a) applies:
  - (i) prior to disclosing that Material Information to NZX; and
  - (ii) prior to an acknowledgement from NZX of receipt of that Material Information;
- (c) release Material Information to NZX to the extent necessary to prevent development or subsistence of a market for its Quoted Securities which is materially influenced by false or

misleading information emanating from:

- (i) Fonterra or any Associated Person of Fonterra; or
- (ii) other persons in circumstances in each case which would give such information substantial credibility, and which is of a reasonably specific nature whether or not Rule 9.1.1(a) applies.

1. The following information is likely to be Material Information under this Rule 9.1.1:
  - a change in Fonterra's financial forecast or expectation.
  - the appointment of a receiver, manager, liquidator in respect of any loan, trade credit, trade debt, borrowing or securities held by Fonterra or any of its Subsidiaries.
  - a transaction for which the consideration payable or receivable is a significant proportion of the written down value of Fonterra's consolidated assets. Normally, an amount of 5% or more would be significant, but a smaller amount may be significant in a particular case.
  - a recommendation or declaration of a dividend or distribution.
  - a recommendation or decision that a dividend or distribution will not be declared.
  - undersubscription or oversubscription to an issue.
  - a copy of a document containing market sensitive information that Fonterra lodges with a regulator which is available to the public. The copy given to NZX must be in English.
  - giving or receiving a notice of intention to make a takeover.
  - any proposed change in the general nature of the business of Fonterra or its group.
  - a disposal or acquisition (including entering into any agreement or option to do so) of Quoted Securities of another Issuer carrying 5% or more of the Votes attaching to any Class of Securities of that Issuer.
  - the acquisition or disposition of Securities in Fonterra carrying 5% or more of the Votes attaching to any Class of Securities of Fonterra.
  - acquisition or disposition, by whatever means of assets of any nature (including entering into any agreement or option to do so) where the gross value of those assets, or the consideration paid or received by Fonterra, represents more than 10% of the Average Market Capitalisation of Fonterra.

2. Where Fonterra discloses a transaction as Material Information, Rule 9.1.1 will generally require disclosure of all material details of the transaction, including:
  - a description of the assets or securities acquired or disposed of;
  - the amount, composition, and method of payment of the consideration;
  - where securities are acquired or disposed of, the percentage of the total issued Securities of each Class represented and the percentage of each Class of Security held following the acquisition or disposition; and
  - the nature of any material conditions which may result in the transaction not proceeding and the dates on which the transactions:
    - (a) are to become unconditional; and/or
    - (b) are to be settled by payment.
3. For the purpose of Rule 9.1.1(a)(i), a “reasonable person” would not expect the information to be disclosed if the release of the information would:
  - (a) unreasonably prejudice Fonterra; or
  - (b) provide no benefit to a person who commonly invests in securities.
4. It is a requirement of the exception to this Rule 9.1.1 that the information is confidential. In this context “confidential” has the sense “secret”.
5. Once the information is received by any person who is not bound by any corresponding obligation of confidentiality with which that person is likely to comply the exception no longer applies and the information must be disclosed to NZX. This is the case even if Fonterra has entered into confidentiality arrangements and/or the information has come from a source other than Fonterra.
6. NZX accepts that information provided by Fonterra to:
  - (a) a professional advisor;
  - (b) a party negotiating on Fonterra's behalf;
  - (c) a third party negotiating with Fonterra; or
  - (d) a regulatory authority,

does not lose its confidentiality, provided that in each case the information was provided with an obligation to maintain its confidentiality and such information is used by the party to whom it was provided solely for the purpose for which it was provided.

7. NZX also accepts that information provided to a holding company for the purposes of enabling that holding company to comply with its financial reporting obligations does not lose its confidentiality, provided that the information is provided subject to an obligation to maintain its confidentiality and use the information solely for financial reporting purposes, and such information is used by the party to whom it was provided solely for the purpose for which it was provided and is kept confidential.
8. The duty to disclose to NZX is not intended to supersede any desirable communication directly with holders of Securities, whether by way of letter or otherwise. However Fonterra must appreciate that disclosure to holders in bare compliance with any legal obligations is not sufficient.
9. The duty to correct false information in the market is limited so that antagonists cannot force information out of Fonterra simply by generating a false rumour. The market's interest in requiring correction of false rumours is intended to be limited to those which are of a reasonably specific nature and from a source which lends substantial credence to them.
10. In deciding whether or not to release information, Fonterra should have regard to:
  - (a) Rule 1.6.6, the effect of which is to aggregate a group of entities for disclosure purposes;
  - (b) section 178 of the Companies Act 1993, dealing with the rights of shareholders to require the provision of information by a company;
  - (c) Part 1 of the Securities Markets Act 1988, dealing with insider trading; and
  - (d) the Fair Trading Act 1986, and in particular the sections dealing with the supply of information that is or is likely to be misleading or deceptive.

Fonterra should also be guided by the principle that if in doubt it should disclose the information.

9.1.2 Without limiting any other Rule, Fonterra shall, where that information constitutes Material Information, disclose to NZX immediately upon entry into that arrangement, all arrangements (other than within the group comprised of Fonterra and its wholly owned Subsidiaries) that Members of the Public (in relation to Equity Securities of Fonterra) might reasonably consider confer terms materially more favourable to the other parties to that arrangement than would be conferred in an arm's length negotiation, including, without limitation:

- (a) any arrangements by Fonterra with any Director of Fonterra or Associated Persons of such a Director or with any holder of Equity Securities of Fonterra who is not a Member of the

Public; and

- (b) entry into any agreement or arrangement which will require the approval of a resolution under Rule 8.2.1.

9.1.3 Without limiting any other Rule, Fonterra shall, upon entering into a transaction, or a related series of transactions, with a Related Party, whereby Fonterra:

- (a) purchases or otherwise acquires, gains, leases (as lessor or lessee) or sells or otherwise disposes of, assets having an Aggregate Net Value in excess of 5% of the Average Market Capitalisation of Fonterra; or
- (b) issues its own Securities or acquires its own Equity Securities having a market value in excess of 5% of the Average Market Capitalisation of Fonterra, save in the case of an issue pursuant to Rule 6.2.5 where only the market value of those Securities being issued to the Related Party or to any Employees are to be taken into account; or
- (c) borrows, lends, pays, or receives, money, or incurs an obligation, of an amount in excess of 5% of the Average Market Capitalisation of Fonterra; or
- (d) enters into any guarantee, indemnity, underwriting, or similar obligation, or gives any security, for or of obligations which could expose Fonterra to liability in excess of 5% of the Average Market Capitalisation of Fonterra,

immediately disclose sufficient details of the transaction, or transactions, to reasonably inform the market of the nature and terms of the transaction, or transactions, via the market announcement platform, except that Fonterra will not be required to make such an announcement where approval is required under Rule 8.2.1, or the exceptions in Rule 8.1.3(c), Rule 8.1.3(d), Rule 8.2.4(i) or Rule 8.2.4(j) apply (or would apply if the reference to 10% in Rule 8.2.2 was a reference to 5%).

For the purposes of Rule 9.1.3, the information required to be disclosed, includes the information outlined in the second footnote of Rule 9.1.1.

9.1.4 All information given to NZX by or on behalf of Fonterra, including papers or documents of any nature, shall become and remain the property of NZX, which may, in its absolute discretion copy any such papers or documents and (subject to Rule 9.2.4) disseminate such information to the public, news media or any other interested party as it thinks fit.

9.1.5 Fonterra shall, so far as is reasonably possible without materially adversely affecting the business of Fonterra, avoid entering into any obligation to any person which would have the effect of

prejudicing Fonterra's ability to comply freely with the provisions of Rule 9.1.1.

- 9.1.6 If the Board sets a Milk Price for any Season that is not the same as the Milk Price recommended by the Milk Price Panel in respect of that Season, and the Milk Price determined by the Board exceeds the Milk Price that was determined in accordance with the Milk Price Manual for that Season, Fonterra shall disclose that fact, and provide details of its decision (including reasons for such decision being made).

## **9.2 Form of Disclosure and Communication**

- 9.2.1 All information provided to NZX by Fonterra under Rule 9.1 or Rule 9.6 shall:

- (a) where that information is delivered using NZX's Market Announcement Platform, comply with the required forms or templates (with such alterations and completions as are satisfactory to NZX) relevant for that information as are available through NZX's Market Announcement Platform; or
- (b) where that information is delivered in the manner specified in Rule 9.2.2(b), be in an electronic format or specification approved by NZX for that purpose; and
- (c) where that information is delivered in either of the manners specified in Rule 9.2.2, be on Fonterra letterhead, and shall be dated and attributed to an authorised officer of Fonterra, whose name and position shall be set out; and
- (d) be in a format which is convenient for NZX to process and relay by the same means to other subscribers of any information service offered by NZX.

- 9.2.2 All announcements for public release to the market by NZX shall either be:

- (a) delivered to NZX using NZX's Market Announcement Platform made available by NZX for this purpose; or
- (b) addressed to Listed Company Relations, NZX Limited and sent by electronic mail to [announce@nzx.com](mailto:announce@nzx.com).

Without limiting any other Rule, NZX may require Fonterra to use such forms or templates (with such alterations and completions as are satisfactory to NZX) as may be required by NZX from time to time. NZX may charge an administrative fee, as determined by NZX, for receipt and processing of announcements delivered in either of the manners specified in Rule 9.2.2.

- 9.2.3 All announcements for public release to the market by NZX shall be:

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- (a) sent to NZX on a Business Day during market trading hours or half-an-hour before or after market trading hours. Announcements received up to half an hour after market trading hours will be released to the market and media on the day of receipt. Announcements received after that time will be held over until the following Business Day and shall not be released by Fonterra to any other party, including the media, until half-an-hour before the market opens on the following Business Day; and
- (b) in the case of long or complex documents or announcements, prefaced by a summary of salient points. The summary shall be in a form suitable for immediate transcription and dissemination by NZX without substantial editing, specifically drawing attention to the features by reason of which the information is required to be disclosed pursuant to the Rules; and
- (c) released to NZX 10 minutes prior to its public release.

1. Documents will not be accepted by NZX which are too indistinct to be readily copied or transmitted by facsimile in legible form.
2. Documents that will require to be accompanied by a summary before acceptance will include:
  - Preliminary statements released in accordance with Rule 9.3;
  - Takeover documents generated in accordance with the requirements of the Takeovers Code
  - Presentations containing Material Information
3. It is intended that all information provided to NZX by Fonterra for public release under these Rules will be released as an announcement by Fonterra and also released under the code for the Issuer in respect of the FSF, and that all information provided to NZX by the Issuer of the FSF for public release under the NZSX Listing Rules will be released under Fonterra's code in respect of the FSM.

9.2.4 Fonterra may choose to use an embargo when making announcements. If Fonterra chooses to use an embargo it shall comply with the following conditions:

- (a) release the embargoed announcement to NZX at least 30 minutes prior to its release to any other party, including the media; and
- (b) display the times and conditions of the embargo prominently on every page of each release.



NZX, in consultation with Fonterra, may choose to release any information prior to any embargo time if NZX considers that the market should immediately be so informed.

9.2.5 NZX may, following receipt of an announcement, in consultation with Fonterra, require any amendment, addition or alteration to the announcement, or require Fonterra to disclose such further Material Information following release of the announcement as NZX determines.

9.2.6 Material not for public release (including draft documents lodged with NZX for approval) and private correspondence with NZX or NZX Regulation Personnel, shall be addressed accordingly and marked in a prominent position with the words "Not For Public Release". Any material destined for NZX Regulation Personnel may be:

- (a) sent by electronic mail to: regulation@nzx.com
- (b) delivered to : NZX Limited's Registered Office
- (c) posted to : PO Box 2959 (or DX SP3501)  
Wellington  
New Zealand 6011

As at 1 January 2012, NZX Limited's Registered Office is located at Level 2, NZX Centre, 11 Cable Street, Wellington.

NZX's postal address is PO Box 2959, Wellington 6140.

9.2.7 Information marked "Not for Public Release" may, after reasonable prior notice to Fonterra, be released by NZX to the market if NZX forms the opinion that that information should have been released to the market by Fonterra in accordance with the Rules, and advises Fonterra to that effect.

### **9.3 Preliminary Announcements**

9.3.1 Fonterra shall make an announcement pursuant to Rule 9.3.2 through NZX for public release, in the manner prescribed by Rule 9.2 as soon as the Material Information is available, and in any event:

- (a) before the release of each annual report, and not later than 60 days after the end of the financial year to which that report relates; and
- (b) before the release of each half-yearly report and not later than 60 days after the end of the financial half -year to which that report relates.

9.3.2 Each preliminary announcement, whether for a full year or a half year, shall include the information and otherwise address the

matters specified by the relevant section of Appendix 1.

#### **9.4 Annual and Half Yearly Reports**

9.4.1 Fonterra shall, within three months of the end of its financial years:

- (a) deliver to NZX electronically, in the format specified by NZX from time to time; and
- (b) make available to each Quoted Security holder in accordance with Rule 9.4.2,

an annual report. That annual report shall be delivered to NZX before or at the same time as it is made available to Quoted Security holders in accordance with Rule 9.4.2, and shall contain all information:

- (c) required by law;
- (d) required in a preliminary announcement by Rule 9.3.2; and
- (e) required by Rule 9.4.3 and Rule 9.4.6.

The financial statements in that annual report shall be audited and shall be accompanied by an audit report in accordance with the requirements of the Financial Reporting Act 1993.

9.4.2 Fonterra shall, within three months after the end of the first six months of each financial year of Fonterra:

- (a) deliver to NZX electronically, in the format specified by NZX from time to time; and
- (b) make available to each Quoted Security holder in accordance with Rule 9.4.3,

a half-year report. That half-year report shall be delivered to NZX before, or at the same time as, it is made available to Quoted Security Holders in accordance with Rule 9.4.3. That half yearly report shall include the information and otherwise address the matters prescribed by the relevant section of Appendix 1.

9.4.3 Fonterra shall make an annual or half-yearly report available to Quoted Security holders as required by Rule 9.4.1 or Rule 9.4.2, by sending to Quoted Security holders either:

- (a) a copy of the annual report or half yearly report (as the case may be); or
- (b) a notice containing the statements referred to in section 209(3) of the Companies Act 1993 and complying with sections 209A and 209B of the Companies Act 1993.

Provided that for the purposes of Rule 9.4.3 and Rule 9.4.5,

sections 209 to 209B of the Companies Act 1993 shall be deemed modified so that:

- (c) references to "annual report" shall (for the purposes of compliance with Rule 9.4.2) be deemed to be a reference to a half-yearly report; and
- (d) section 209(3)(d) shall not apply to the half-yearly report.

Provided also that Fonterra will be deemed to have made any half-yearly report available to Quoted Security holders if Fonterra's most recent annual notification under section 209(1)(b) of the Companies Act 1993 explicitly stated that it applied to the next half-yearly report under the Rules. Where a half yearly report is deemed to have been made available in this way, a Quoted Security holder's election in respect of receipt of the relevant annual report, if any, shall apply in connection with that half-yearly report, except that an election to receive a concise annual report must be treated to include an election to receive the relevant half yearly report.

9.4.4 The annual report of Fonterra shall contain:

- (a) the information required to be published by sub-part 3 of part 2 of the Securities Markets Act 1988 and the information required by section 211 of the Companies Act 1993; and
- (b) the names and holdings of persons having the 20 largest holdings of Quoted Shares on the register of Fonterra as at a date not earlier than 2 months before the date of the publication of the annual report; and
- (c) the Equity Securities in which each Director has a Relevant Interest at the balance date of the current financial year; and
- (d) details of the spread of Quoted Security holders at a date not earlier than two months before the date of the publication of the annual report; and
- (e) Fonterra's current credit rating status (if any); and
- (f) a summary of all waivers granted and published by NZX and relied upon by Fonterra in the 12 month period preceding the date 2 months before the date of the publication of the annual report (or a reference to a summary of waivers on Fonterra's website, which summary must be available until publication of the next annual report); and
- (g) details of any exercise of NZX's powers set out in Rule 4.2.2 (Trading Halts); and
- (h) a statement of any corporate governance policies, practices and processes, adopted or followed by Fonterra; and

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- (i) a statement on whether and, if so, how Fonterra's corporate governance principles materially differ from the Corporate Governance Best Practice Code (or a clear reference to where such statement may be found on the Fonterra's website); and
- (j) a statement confirming which Directors of Fonterra are Independent Directors and which Directors of Fonterra are not Independent Directors, as at Fonterra's balance date; and
- (k) details of any Directors of Fonterra who have been appointed by the Board- in accordance with the Constitution; and
- (l) a statement confirming which Members are Independent Members and which Members are not Independent Members, as at Fonterra's balance date; and
- (m) a quantitative breakdown as to the gender composition of Fonterra's Directors and Officers as at Fonterra's balance date, including comparative figures for the prior balance date of Fonterra. Comparative figures are not required to be provided in respect of balance dates falling in periods before the effective date of this Rule; and
- (n) a statement from the Board of Fonterra providing its evaluation of Fonterra's performance with respect to its diversity policy (if applicable).

1. Fonterra may choose to disclose in its annual report any diversity policy or any other matter relating to its diversity practices or position (including in particular in relation to diversity other than gender).
2. Fonterra's attention is drawn to the NZX Guidance Note – Diversity Policies and Disclosure and the recommendations in the Guidance Note. NZX encourages Fonterra to follow the recommendations in the Guidance Note.
3. Paragraphs 9.4.4(m) and 9.4.4(n) have effect in respect of balance dates falling on or after 31 July 2013.

9.4.5 Where a concise annual report is prepared in relation to the same accounting period as an annual report, that report shall contain:

- (a) the disclosures required by section 209(5) of the Companies Act 1993 (modified in the manner set out in Rule 9.4.3; and
- (b) the information required by Rule 9.4.4(e), (f) and (g).

9.4.6 If Fonterra extends its half-yearly reporting period or changes its annual balance date to a later date, it shall make a report containing such information, and release the report at such time as NZX shall require in respect of the existing half-yearly reporting period or the period ending on the existing balance date.

9.4.7 Fonterra shall supply to any Advisor or Trading Participant who so requests, free of charge, a copy of any document referred to in Rule 9.3 or 9.4.

## **9.5 Financial Statements**

9.5.1 The financial statements of Fonterra shall comply with the provisions of the Financial Reporting Act 1993.

9.5.2 NZX may require Fonterra to provide, in its financial statements or otherwise, information additional to that required by the Financial Reporting Act 1993.

## **9.6 Other Administrative Information to be Notified to NZX**

9.6.1 Without limiting the information that is required to be released as Material Information under Rule 9.1.1, Fonterra shall release to NZX, as soon as the information is first available, the following information:

- (a) any proposal to sub-divide or consolidate Securities, or to issue Equity Securities, whether they are to be Quoted or not; or
- (b) any proposal to amend conditions of Quoted Shares or Quoted Rights; or
- (c) non-confirmation by a meeting, or cancellation, of any proposal already notified to NZX; or
- (d) any change in the Directors of Fonterra, officers, or auditor of Fonterra, or Members; or
- (e) any change of address, or phone, telex, or facsimile number, of the registered office or share registry of Fonterra; or
- (f) any proposed change of name of Fonterra; or
- (g) the opening or closing of a branch register; or
- (h) a decision to extend its half-yearly reporting period or to change its annual balance date to a later date and, in any event, must notify such change not less than one month before the end of the existing half-yearly reporting period or not less than one month before the existing annual balance date; or

- (i) any credit ratings of Fonterra or guaranteeing entity of Fonterra in respect of any Debt Securities which it has issued.

For the purposes of Rule 9.6.1, Fonterra should advise NZX of any change to those officers whose relevant interests are recorded in the interests register required to be maintained by Fonterra pursuant to Section 19Z of the Securities Markets Act 1988.

- 9.6.2 Without limiting any other Rule, Fonterra shall provide to NZX for release to the market under Rule 9.2.2 an electronic copy in the same format, of every notice or communication given to holders of Quoted Shares or Quoted Rights no later than the time at which it is sent to any holders of Quoted Shares or Quoted Rights.

## **9.7 Disclosure of Relevant Interest in Securities**

- 9.7.1 Fonterra shall, upon request by NZX, exercise its powers under sub-part 3 of part 2 of the Securities Markets Act 1988 in respect of such holders of Securities of Fonterra, or other persons, as NZX may specify (either individually or by reference to a Class).
- 9.7.2 Fonterra shall, if so requested by NZX, provide to NZX for public release any information obtained by Fonterra by reason of the exercise by Fonterra of its powers under sub-part 3 of part 2 of the Securities Markets Act 1988 (whether as a result of a request by NZX under Rule 9.7.1 or otherwise).

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### 10 Section 10: Transfers and Statements

#### 10.1 Transfer of Securities

- 10.1.1 A transfer of Securities in writing that has not been properly completed shall be promptly returned to the person submitting it, for completion, and (subject to Rule 10.1.3) shall be registered when the errors or omissions have been rectified, provided that all requirements of the Constitution have been complied with.
- 10.1.2 Fonterra shall not impose any restriction on the acceptability of any common form of transfer.
- 10.1.3 Fonterra may decline to accept or register a transfer of:
- (a) a Security on which Fonterra has a lien; or
  - (b) Securities if such registration, together with the registration of any further transfer or transfers then held by Fonterra and awaiting registration, would result in the proposed transferee holding Securities of less than the Minimum Holding; or
  - (c) Securities where that transfer is prohibited, or may otherwise be declined, in accordance with the Constitution.
- 10.1.4 Fonterra shall not refuse to accept or register a transfer of Quoted Shares solely on the grounds that the transfer involved the passing of title to a person not otherwise entitled to hold title to Quoted Shares under the Constitution where the transfer of title is required for the person to whom title is transferred to facilitate the transfer of title to the ultimate purchaser as part of the Quoted Share transfer system which operates in relation to the trading of Shares on the FSM.
- 10.1.5 Except as expressly permitted by the Rules, no benefit or right attaching to a Security shall be cancelled or varied by reason only of a transfer of that Security.
- 10.1.6 Fonterra must not impose any restriction on the transfer of legal title to Quoted Shares by Participants to the Custodian as required by the NZX Participant Rules.

#### 10.2 Statements

- 10.2.1 Fonterra shall issue to each holder of Quoted Shares of Fonterra on request, a statement that sets out in respect of the Quoted Shares held:
- (a) the Class of Securities held by that holder, the total number of Securities of that Class issued by Fonterra, and the

- number of Securities of that Class held by the holder; and
- (b) the register on which the holder's Securities are held, if other than the principal register; and
- (c) the rights, privileges, conditions and limitations, including restrictions on transfer (if any) attaching to the Securities held by the holder; and
- (d) the relationship of the Securities held by the holder to other Class of Quoted Securities; and
- (e) the holder's number, CSN and the address of the holder; and
- (f) the postal address of the registrar of the Securities.

Rule 10.2.1 requires that further issues of Equity Securities which may eventually become part of another Class (for example, upon payment of calls in full, or elapse of a period of non-entitlement to a dividend) be clearly identified as distinct from that other Class. Statements must therefore carry the appropriate description e.g., "1994 Bonus Issue", "1993 Cash Issue". Statements provided pursuant to subsequent transfers of such Securities need contain only an endorsement of the relevant dividend qualification until the Securities eventually rank pari passu with all others of the Class they are to become.

- 10.2.2 Fonterra shall not be obliged to provide a holder with the Statement required by Rule 10.2.1 if:
- (a) such a Statement has been provided within the previous six months; and
  - (b) the holder has not acquired or disposed of Securities of the relevant Class since a previous Statement required by Rule 10.2.1 or Rule 10.2.3 was provided; and
  - (c) the rights attached to Securities of the relevant Class have not been altered since the previous Statement required by Rule 10.2.1 was provided.
- 10.2.3 Fonterra shall issue a Statement including the details in Rule 10.2.4 to each holder of Securities who obtains or disposes of Securities upon an issue or a transfer within five Business Days after the date of allotment of those Securities, or the date of registration of that transfer.
- 10.2.4 Where the Statement required by Rule 10.2.3 is issued following a transfer, the Statement shall include the following information:
- (a) all the information specified in paragraphs (a), (b), (e) and (f) of Rule 10.2.1, except that the total number of Securities of that Class issued by Fonterra need not be shown; and



- (b) the number of Securities transferred (to or from the holder) in each transfer since the last Statement; and
- (c) where the transfer is submitted by a Participant, the subscriber reference provided in that transfer.

### 10.3 Registration

- 10.3.1 If Fonterra appoints a registrar to keep any register of Securities, Fonterra shall ensure that its registrar complies with the requirements of this section 10, and references in this section 10 to Fonterra shall for this purpose include its registrar.
- 10.3.2 Fonterra shall ensure that its registry functions are performed promptly and properly and shall indemnify Participants and persons having dealings with its registrar against any losses, costs or expenses incurred as a consequence of any failure in such performance of registry functions which is not fairly attributable to the fault of the person claiming indemnity (or his or her agent).
- 10.3.3 Subject to the right of Fonterra to reject any Security transfer in accordance with the Constitution, all properly executed and documented written Security transfers shall be registered within two Business Days of their receipt by Fonterra.

### 10.4 Legal Title Transfer

- 10.4.1 Definitions: For the purposes of this Rule 10.4:

**Client Inward Transfer** has the meaning set out in the Depository Rules.

**Client Outward Transfer** has the meaning set out in the Depository Rules.

- 10.4.2 Fonterra, or its registry, shall:

- (a) connect its register and maintain its registry connection to the Depository System, as specified from time to time by NZX, and operate it on all Business Days between the hours of 8.00 am and 6.00 pm;
- (b) comply with any time limits for the processing of electronic messages or documentation which NZX may from time to time specify in relation to the operation of the Depository System;
- (c) not delay the registration of any transfers, except in accordance with paragraph (l) in the Appendix to the Depository Rules or where that transfer is prohibited, or may otherwise be declined, in accordance with the Constitution; and
- (d) issue holders of Quoted Shares who are not Participants

directly connected to the Depository System with an Authorisation Code or FIN.

- 10.4.3 In any case where a Client Inward Transfer is entered by a person in any circumstance where that person does not have the proper authority of the holder of the Securities being transferred to execute the transfer, Fonterra shall be obliged to immediately reinstate or otherwise compensate the dispossessed Security holder, provided that this obligation on the part of Fonterra shall not affect or prejudice any right Fonterra may have against any other person.
- 10.4.4 Subject to Rule 10.1.3, a Client Outward Transfer to a bona fide purchaser for value shall not in any circumstance be cancelled or reversed by Fonterra.
- 10.4.5 Each Participant who completes a Client Inward Transfer will be deemed to warrant to Fonterra that the transfer is valid and has been authorised by the registered holder of the Securities being transferred and to indemnify Fonterra for any loss suffered by Fonterra due to a breach by the Participant of that warranty, without prejudice to any right of the Participant under Rule 10.3.2.
- 10.4.6 The warranty contained in Rule 10.4.5 will give rise to a cause of action by Fonterra against the Participant in question, provided that this obligation on the part of the Participant shall not affect or prejudice any other right the Participant may have.
- 10.4.7 The requirement in this Rule 10.4 for Fonterra to connect and operate a registry which is connected to the Depository System shall only apply as long as the Rules include the provision of Rules 10.4.3, 10.4.4, 10.4.5, 10.4.6, and this Rule.
- 10.4.8 NZX may not exercise its right of waiver under Rule 1.11 in respect of compliance with Rules 10.4.2(a), 10.4.2(d), 10.4.3, 10.4.4, 10.4.5, 10.4.6, or this Rule 10.4.8.

## FSM Rules

### APPENDIX 1

Part A (Rules 9.3.2 and 9.4.2)

#### Preliminary Announcements – Full and Half Year Results

1

##### **Full Year Results:**

The following information must be contained in each preliminary announcement given by Fonterra to NZX under Rule 9.3.2 in respect of a full year:

- 1.1 Details of the reporting period and the previous corresponding period.
- 1.2 Information prescribed by NZX and notified to Fonterra from time to time. This information must be identified as “Results for announcement to the market” and must be placed at the beginning of the report in a tabular format as specified by NZX from time to time.
- 1.3 The following information, which may be presented in whatever way Fonterra considers is the most clear and helpful to users, e.g., combined with the body of the report, combined with notes to the financial statements, or set out separately.
  - (a) A statement of financial performance.
  - (b) A statement of financial position. The statement of financial position may be condensed but must report as line items each significant class of asset, liability, and equity element with appropriate sub-totals.
  - (c) A statement of cash flows. The statement of cash flows may be condensed but must report as line items each significant form of cash flow.
  - (d) Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable and (if known) the amount per security of foreign sourced dividends or distributions.
  - (e) Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.
  - (f) A statement of movements in equity.

- (g) Net tangible assets per security with the comparative figure for the previous corresponding period.
- (h) Details of entities over which control has been gained or lost during the period, including the following:
  - (i) Name of the entity.
  - (ii) The date of the gain or loss of control.
  - (iii) Where material to an understanding of the report – the contribution of such entities to Fonterra's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.
- (i) Details of associates and joint venture entities including the following:
  - (i) Name of the associate or joint venture entity.
  - (ii) Details of Fonterra's percentage holding in each of these entities.
  - (iii) Where material to an understanding of the report – aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.
- (j) Any other significant information needed by an investor to make an informed assessment of Fonterra's financial performance and financial position.
- (k) A commentary on the results for the period. The commentary must be sufficient for the user to be able to compare the information presented with equivalent information for previous periods. The commentary must include any significant information needed by an investor to make an informed assessment of Fonterra's activities and results, which would include but not be limited to discussion of the following:
  - (i) The earnings per security and the nature of any dilution aspects.
  - (ii) Returns to shareholders including distributions and buy backs.
  - (iii) Significant features of operating performance.
  - (iv) The results of segments that are significant to

an understanding of the business as a whole.

- (v) A discussion of trends in performance.
- (vi) Any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified.
- (l) A statement as to whether the report is based on financial statements which have been audited, are in the process of being audited, or have not yet been audited and:
  - (i) If the financial statements have not yet been audited and are likely to be subject to qualification, a description of the likely qualification; or
  - (ii) If the financial statements have been audited, a statement of any qualifications that the auditors have made to those financial statements.
- (m) A statement of any major changes or trends in Fonterra's business subsequent to the end of the financial year or half year, as the case may be, and shall include where material any changes in the value of Fonterra's assets, or in its profitability, and any contingent liabilities, all in relation to the position disclosed in the last published financial statements.
- (n) A statement of any unrealised gains resulting from the revaluation of assets of Fonterra, any subsidiary, or any associated company and unrealised net changes in values or development margins of investment assets included as separate items after profit before extraordinary items, identifying separately amounts arising from any unrealised gains of associated companies.

2

### **Half-Year Results**

The following information must be contained in each preliminary announcement given by Fonterra to NZX under Rule 9.4.2 in respect of a half year:

- 2.1 Details of the reporting period and the previous corresponding period.
- 2.2 Information prescribed by NZX and notified to Fonterra from time to time. This information must be identified as "Results for announcement to the market" and must be placed at the beginning of the report in a tabular format as specified by

NZX from time to time.

- 2.3 The following information, which may be presented in whatever way Fonterra considers is the most clear and helpful to users, e.g., combined with the body of the report, combined with notes to the financial statements, or set out separately:
- (a) A statement of financial performance.
  - (b) A statement of financial position, which may be condensed but must report as line items each significant class of asset, liability, and equity element with appropriate sub-totals.
  - (c) A statement of cash flows, which may be condensed but must report as line items each significant form of cash flow.
  - (d) Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable and (if known) the amount per security of foreign sourced dividends or distributions.
  - (e) Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.
  - (f) Net tangible assets per security with the comparative figure for the previous corresponding period.
  - (g) Details of entities over which control has been gained or lost during the period, including the following:
    - (i) Name of the entity.
    - (ii) The date of the gain or loss of control.
    - (iii) Where material to an understanding of the report – the contribution of such entities to Fonterra's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.
  - (h) Details of associates and joint venture entities including the following:
    - (i) Name of the associate or joint venture entity.
    - (ii) Details of Fonterra's percentage holding in each of these entities.
    - (iii) Where material to an understanding of the report

– aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.

3

### **Full Year and Half-Year Results**

All preliminary announcements given under Rule 9.3.2 must comply with the following requirements:

- 3.1 All statements must be prepared in compliance with applicable Financial Reporting Standards or the equivalent foreign accounting standards.
- 3.2 A statement of the accounting policies (if any) that the Directors of Fonterra believe are critical to the portrayal of Fonterra's financial condition and results and which require Fonterra's Directors to make judgements and estimates about matters that are inherently uncertain.
- 3.3 If there has been any material change in accounting policies applied in preparation of the statements reflected in the announcement, Fonterra must disclose the impact of the change.
- 3.4 If the financial statements have been audited, a copy of the audit report should be provided with the announcement.
- 3.5 The announcement may include any additional facts, figures or interpretative notes that Fonterra wishes to include, and must include any additional information required by any applicable financial reporting standard or necessary to ensure the announcement is not misleading.

#### **Part B (Rule 9.4.2) Half-yearly report**

The following information must be included in each half-yearly report prepared by Fonterra for the purposes of Rule 9.4.2. The information may be presented in whatever way is the most clear and helpful to users, e.g. combined with the body of the report, combined with notes to the accounts, or set out separately.

1. Details of the reporting period and the previous corresponding period.
2. A statement of financial performance together with notes to the statement.
3. A statement of financial position together with notes to the statement. The statement of financial position may be condensed but must report as line items each significant class of asset, liability, and equity element with appropriate sub-totals.

4. A statement of cash flows together with notes to the statement. The statement of cash flows may be condensed but must report as line items each significant form of cash flow.
5. A statement of movements in equity together with notes to the statement.
6. Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable, and (if known) the amount per security of foreign sourced dividend or distribution.
7. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.
8. Net tangible assets per security with the comparative figure for the previous corresponding period.
9. Details of entities over which control has been gained or lost during the period, including the following:
  - (a) Name of the entity
  - (b) The date of the gain or loss of control.
  - (c) Where material to an understanding of the report – the contribution of such entities to Fonterra's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.
10. Details of associates and joint venture entities including:
  - (a) The name of the associate or joint venture entity;
  - (b) Details of Fonterra's percentage holding in each of these entities; and
  - (c) Where material to an understanding of the report – aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.
11. A statement of any major changes or trends in Fonterra's business subsequent to the end of the financial year or half year, as the case may be, and shall include where material any changes in the value of Fonterra's assets, or in its profitability, and any contingent liabilities, all in relation to the position disclosed in the last published financial statements.



12. A statement of the amount of any unrealised gains resulting from the revaluation of assets of Fonterra, any subsidiary, or any associated company and unrealised net changes in values or development margins of investment assets included as separate items after profit before extraordinary items, identifying separately amounts arising from any unrealised gains of associate companies.
13. A statement of any material change in accounting policies applied in preparation of the statements reflected in the announcement and the impact of the change.
14. For foreign entities, which set of accounting standards is used in compiling the report (e.g., International Financial Reporting Standards).

The report must also contain any additional information required by law or any applicable financial reporting standard or necessary to ensure the report is not misleading. The report may include any additional facts, figures or interpretative notes that the Directors of Fonterra wish to include. If the financial statements have been audited, the report shall disclose and any qualifications the auditors have made to those financial statements.

## **Full and Half Year Preliminary Announcements and Half Year Results**

In accordance with Clauses 1.2 and 2.2 of Appendix 1 of the FSM Rules, the following information is prescribed by NZX to be included in announcements made by Fonterra under Appendix 1.

1. The following is the information prescribed pursuant to clauses 1.2 and 2.2 of Appendix 1 of the FSM Rules to appear identified as “Results for announcement to the market” and placed at the beginning of the preliminary report (full and half year) in a tabular format.
  - (a) The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities.
  - (b) The amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to security holders.
  - (c) The amount and percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to security holders.
  - (d) The amount per security and impute amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.
  - (e) The record date for determining entitlements to and the date for payment of the dividends (if any).
  - (f) A brief explanation of any of the figures in (a)-(e) necessary to enable the figures to be understood.
2. The information required by paragraph 1 above should as close as possible be presented in the following tabular format:

**Fonterra Co-operative Group Limited**

**Results for announcement to the market**

Reporting Period	[    ] months to [    ]
Previous Reporting Period	[    ] months to [    ]

	Amount (000s)	Percentage change
Revenue from ordinary activities	\$NZ	%
Profit (loss) from ordinary activities after tax attributable to security holder.	\$NZ	%
Net profit (loss) attributable to security holders.	\$NZ	%

Interim/Final Dividend	Amount per security	Imputed amount per security
	\$NZ .xx [or a statement that it is not proposed to pay dividends.]	\$.xx

Record Date	[Date] or [Not Applicable]
Dividend Payment Date	[Date] or [Not Applicable]
Comments:	A brief [A brief explanation of any of the figures above necessary to enable the figures to be understood.]

## **APPENDIX 2**

### **MINIMUM HOLDINGS**

#### **(Definition of "Minimum Holding" in Rule 1.6.1)**

The Minimum Holding shall be as follows, unless otherwise determined by NZX:

- (a) except as set out in paragraph (b), 1000 Securities, where the Securities are all of the same Class;
- (b) in relation to Rights to Equity Securities, the number that would, upon exercise, convert to a minimum holding as specified in paragraph (a).

## APPENDIX 3 – FSM Rules

EMAIL: [announce@nzx.com](mailto:announce@nzx.com)**Notice of event affecting securities**

FSM Rule 6.8.2. For rights, Rules 6.6.8 and 6.6.10.

For change to allotment, FSM Rule 6.8.1, a separate notice is required.

Number of pages including this one  
(Please provide any other relevant  
details on additional pages) Full name of Issuer Name of officer authorised to make this notice  Authority for event, e.g. Directors' resolution Contact phone number  Contact fax number  Date 

**Nature of event**  
Tick as appropriate

Bonus Issue  If ticked, state whether: Taxable  / Non Taxable  Conversion  Interest  Rights Issue Renounceable

Rights Issue non-renounceable  Capital change  Call  Dividend  If ticked, state whether: Interim  Full Year  Special  DRP Applies

**EXISTING securities affected by this** *If more than one security is affected by the event, use a separate form.*Description of the class of securities  ISIN   
*If unknown, contact NZX***Details of securities issued pursuant to this event** *If more than one class of security is to be issued, use a separate form for each class.*Description of the class of securities  ISIN   
*If unknown, contact NZX*Number of Securities to be issued following event  Minimum Entitlement  Ratio, e.g. ① for ②  for Conversion, Maturity, Call Payable or Exercise Date  Treatment of Fractions   
Enter N/A if not applicable Tick if *pari passu*  OR provide an explanation of the ranking Strike price per security for any issue in lieu or date Strike Price available. **Monies Associated with Event** *Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.*

In dollars and cents

Amount per security (does not include any excluded income)  Source of Payment

Currency  Supplementary dividend details - FSM Rule 6.8.5  Amount per security in dollars and cents

Total monies  Date Payable

**Taxation***Amount per Security in Dollars and cents to six decimal places*In the case of a taxable bonus issue state strike price \$  Resident Withholding Tax \$  Imputation Credit (Give details) Foreign Withholding Tax \$  FDP Credits (Give details) **Timing** (Refer Appendix 4 in the FSM Rules)**Record Date 5pm**For calculation of entitlements - **Application Date**Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week. **Notice Date**Entitlement letters, call notices, conversion notices mailed **Allotment Date**For the issue of new securities. Must be within 5 business days of application closing date. **OFFICE USE ONLY**Ex Date:  
Commence Quoting Rights  
Cease Quoting Rights 5pm:  
Commence Quoting New Securities:  
Cease Quoting Old Security 5pm:

Security Code:

Security Code:



## APPENDIX 4 - TIMING OF EVENTS AFFECTING SECURITIES

FOR RIGHTS ONLY						
NZX Notice Date	Ex Date	Record Date	Notice Date	Cease Quotes Date	Application/ Renunciation Closing Date	Allotment Date
<p>Notification to market five business days before Ex Date Rights Issue</p> <p>(Rules 6.6.8 and 6.6.10)</p> <p style="text-align: center;">→</p>	<p>Rights Commence Quotation on the 2<sup>nd</sup> business day before the Record Date</p> <p>(Rule 6.6.9(a))</p> <p style="text-align: center;">→</p>		<p>Letters of entitlement mailed within five business days of Record Date</p> <p>(Rule 6.6.1)</p> <p style="text-align: center;">←</p>	<p>Rights cease quotation on the 4<sup>th</sup> Business day before application closing date</p> <p>(Rule 6.6.9(c))</p> <p style="text-align: center;">→</p>	<p>Applications/ renunciations due at registry</p> <p>(Rule 6.6.3)</p>	<p>Allotment of securities within 5 business days of Application Closing Date</p> <p>(Rule 6.7.1)</p> <p style="text-align: center;">←</p>
<p>(2) Ten business days before Record Date for:</p> <ul style="list-style-type: none"> <li>· Bonus Issues</li> <li>· Calls, payments, Dividends, Interest (Listing Rule 6.8.2)</li> <li>· Name changes (Rule 9.6.1 (f))</li> </ul>	<p style="text-align: center;">→</p>			<p>Minimum 12 business after the mailing of the last letters of entitlement (Rule 6.6.2)</p> <p style="text-align: center;">→</p>		
Count forward →			← Count back			

## APPENDIX 5

### CORPORATE GOVERNANCE BEST PRACTICE CODE

#### Foreword

- A Background:** Pursuant to FSM Rule 9.4.4(h), Fonterra shall disclose in its annual reports the extent to which its corporate governance processes materially differ from the principles set out in the NZX Corporate Governance Best Practice Code (“the Code”).
- B Preamble:** The Code sets out principles to enhance investor confidence through corporate governance and accountability. The Code is composed of flexible principles which recognise differences in corporate size and culture.

#### 1. Code of Ethics

- 1.1 An Issuer should formulate a code of ethics to govern its conduct.
- 1.2 The code of ethics should address ethical issues, establish compliance standards and procedures, provide mechanisms to report unethical behaviour and ensure that disciplinary measures are in place for any violations.
- 1.3 When drafting the code of ethics, the Issuer should consider the following matters:
- (a) conflicts of interest; and
  - (b) receipt and use of corporate information; and
  - (c) receipt and used of corporate assets and property; and
  - (d) Directors giving proper attention to the matters before them; and
  - (e) a general obligation to act honestly and in the best interests of the Issuer as required by law; and
  - (f) compliance with any other applicable laws, regulations and rules.

#### 2. Directors

##### Separation of Chief Executive and Chairman

- 2.1 A Director should not simultaneously hold the positions of Chief

Executive and chairman of the Board of the same Issuer.

### **Appointments to the Board**

- 2.2 Unless constrained by size, an Issuer should establish a nomination committee.
- 2.3 Every Issuer should have a formal and transparent method for the nomination and appointment of Directors to the Board.

### **Director Training**

- 2.4 Directors should undertake appropriate training to remain current on how to best perform their duties as Directors of an Issuer.

### **Director Remuneration**

- 2.5 Unless constrained by size, an Issuer should establish a remuneration committee.
- 2.6 Every Issuer should have a formal and transparent method to recommend Director remuneration packages to shareholders.

### **Information for the Board**

- 2.7 Information of sufficient content, quality, and timeliness, as the Board considers necessary to enable the Board to effectively discharge its duties, should be provided to the Board by management.

### **Board Performance**

- 2.8 The Board should establish a formal procedure to regularly assess individual and Board performance.

## **3. Committees**

### **Audit Committee**

- 3.1 Membership on the Audit Committee should comprise solely of non-executive Directors of the Issuer.
- 3.2 The Audit Committee should produce a written charter that outlines the Audit Committee's authority, duties, responsibilities and relationship with the Board.
- 3.3 The Board should regularly review the performance of the Audit Committee in accordance with the Audit Committee's written charter.



- 3.4 Directors who are not members of the Audit Committee and employees should only attend Audit Committee meetings at the invitation of the Audit Committee.
- 3.5 The Audit Committee should also address issues of auditor independence as set out in section 4 below.
- 3.6 Issuers should identify in their annual report the members of the Audit Committee.

#### **4. Relationship with the Independent Auditor**

- 4.1 The Board should establish a formal and transparent procedure for sustaining communication with the Issuer's independent and internal auditors.
- 4.2 The Board should establish a formal and transparent framework for the Issuer's relationship with its auditors, including:
  - (a) To ensure that the ability and independence of the auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired; and
  - (b) To address what, if any, services (whether by type or level) other than their statutory audit roles may be provided by the auditors to the Issuer; and
  - (c) To provide for the monitoring and approval by the Issuer's Audit Committee of any service provided by the auditors to the Issuer other than in their statutory audit role.
- 4.3 In paragraph 4.2, "statutory audit role" means services required by any law to be provided by the auditors, acting as such.