

**FONTERRA AUSTRALIA
SUPPLIERS' COUNCIL**
FARMERS REPRESENTING FARMERS

Fonterra Australia Suppliers' Council (FASC) Councillor's Guidelines / Handbook

**The role, structure and responsibilities
of the FASC Councillors**

FASC Ambition:

Through representation, our farmers have the most
enviable partnership with their processor

WELCOME TO THE FASC

Linking the needs of Fonterra's farmers to the wants of the end customers is essential to the growth and profitability of both Fonterra and farmer suppliers. To ensure we can deliver on this commitment, we partner together in building each other's businesses.

The focus of this partnership is in three key areas:

- Leveraging Fonterra's global strength for Australian farmer benefit
- Maximising farmer profitability
- Partnering with farmers to grow and develop their farm assets.

To achieve these goals the Fonterra Australia Suppliers' Council has the agreed purpose to:

Drive the best outcomes for our farmers and Fonterra through open and honest communication.

Fonterra Australia Suppliers' Council (FASC):

FASC is operated under a company structure - comprised of an Executive (5 elected supplier directors and up to one independent director). FASC also has 12 councillors - 3 from each Fonterra dairy region.

FASC's overarching role is to represent the interests of all suppliers with a collective independent voice.

Benefits to suppliers:

Farmers working collectively for farmers.

Strong and active representation of supplier's interests at industry and government level.

What we do:

Represent the views of suppliers with Fonterra Australia on conditions of milk supply.

Develop the next generation of dairy industry leaders through the sponsorship of several leading dairy / agriculture training programs.

Oversee the operation of the FASC processes for direct farmer feedback to the FASC Executive team and Fonterra Australia.

Represent supplier's interests with Fonterra Australia and work with Fonterra to develop initiatives to support farmers.

Actively participate in supplier meetings, Fonterra feedback requests, field days, industry conferences, industry forums etc.

Our relationship with Fonterra Australia

FASC have a formal written operational agreement with Fonterra Australia

Fonterra Co-Operative Group Limited:

Fonterra Australia is wholly owned by Fonterra Co-operative Group Limited ("Fonterra") which is based in New Zealand and is owned by around 9,900 New Zealand farmer shareholders.

Fonterra Australia is Fonterra's largest milk pool outside of New Zealand. A strategically important market, the business operates 9 manufacturing sites and employs around 1,300 people.

Fonterra Australia collects approximately 1.6 billion litres of milk annually from its farmer suppliers in Australia.

FASC's OBJECTIVES

These guidelines provide a guide to the structure, the aims and the function of FASC and its councillors.

The current model has evolved from the establishment of the Supplier Forum in 2009 and the new structure furthers both FASC's and Fonterra Australia's commitment to our farmer suppliers.

FASC and Fonterra Australia believe that having a sustainable, committed and viable supplier base is an essential part of building a strong company.

FASC Ambition: Through representation, our farmers have the most enviable partnership with their processor

FASC Purpose: Drive the best outcomes for our farmers and Fonterra through open and honest communication

How does FASC achieve its ambition and purpose?

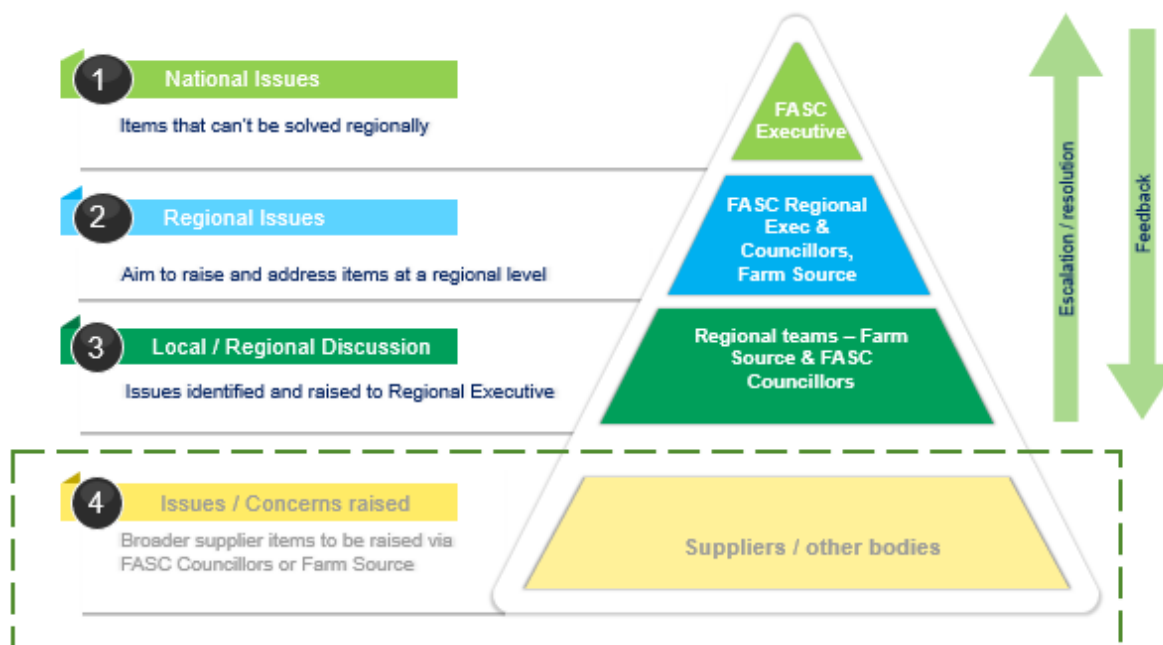
The FASC structure is designed to

- Facilitate the inclusion of suppliers from all regions.
- Provide two-way consultation between FASC, Fonterra Australia and its milk suppliers.
- Provide input to the FASC Executive and Fonterra on wider business and industry issues.
- Provide leadership in contributing to an industry-leading value proposition for farmers.

This to be carried out by;

- Providing communication between our supplier base and the FASC Executive and Fonterra.
- Improving the responsiveness and understanding of Fonterra management and FASC Executive.
- Fostering a level of understanding between all our farmer suppliers and the Fonterra.
- Providing leadership in increasing the loyalty and commitment of suppliers.

FASC STRUCTURE AND INTERACTIONS



POSITION DESCRIPTION

The FASC is made up of an Executive and Councillors.

It is the Councillors in conjunction with the Executive who will concentrate on milk supply and supplier issues. As a reference group representing the views and opinions of Fonterra suppliers, they will play a vital part in helping the Executive and Fonterra Australia's management, staff and suppliers continually grow in their understanding of themselves and the business with which they are involved.

The key role of all FASC councillors is open and honest engagement and communication. This communication is intended to be upwards communication (to the FASC Chair, to the FASC Executive and to Fonterra management). It is not intended that the FASC Councillors will be a regular or formal communication medium back to suppliers (unless specifically requested) - that is the role of the FASC Executive and Fonterra management / Farm Source.

Through their involvement, Councillors will develop and improve their own industry knowledge and leadership skills. These learnings are intended to not only assist delegates with their immediate roles on the Forum, but to also be developmental and to help them with future roles in the broader Dairy Industry and the wider community.

The Councillors will not be involved in price negotiations or operational issues that sit with Fonterra (and the FASC Executive). It will also not be a platform for special interest groups.

The FASC Councillors will be an important part of the FASC and Fonterra Australia's constant two-way communication with its entire supplier base in Australia.

FASC Councillor - Position Description

Title and reporting relationships

Position title:	FASC Councillor
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Role purpose

To drive the best outcomes for our farmers and Fonterra through open and honest communication

To actively contribute to the Forum to ensure it delivers value to suppliers, FASC and Fonterra

To represent the views of the region and all relevant contributors (see structure diagram) to the FASC Exec

To provide a critical communication channel from the farm milk supply base to FASC & Fonterra

To develop and foster the FASC's relationship with Fonterra and suppliers

To represent FASC at both FASC / Fonterra and industry functions and events

To build understanding of the commercial environment beyond the farm gate and align with the needs of sustainable farming businesses

To proactively have regular contact with and communication to, the FASC Executive in your region

To assist other FASC members in your region to address any regional issues at the local level

Role accountabilities

To participate in FASC committees and/or project teams as and when required

To undertake regular and open communications with suppliers - meetings, phone calls, emails

To keep suppliers apprised of FASC and Fonterra activities and policies as advised

To be informed on matters of Fonterra policy and be able to communicate to the broader industry

To establish and maintain a positive working relationship with the local Milk Supply Group teams

To prepare for, attend and actively participate in FASC meetings, phone calls and discussions,

To assist with the organisation and content of local meetings,

To be acutely aware of your confidentiality requirements and the FASC media / social media policy

To be a contributor of regional communication to the FASC executive throughout the year.

Key Action Requirements

- **Supplier Connection** - Maintain strong network of connection with local suppliers and provide feedback to the FASC Executive and Fonterra on opportunities and challenges with the supply base.
- **Cluster Meetings** - Attend cluster meetings and support market messaging with lead in discussion on what this means for cost of production, farm management, etc.
- **Field Days** - Attend regional field days and supplier meetings to liaise and network with suppliers, including management of key issues and introductions to management
- **Working Group** - Participate in working group hook-ups, video-links and workshops including reviewing material, as required
- **Communications** - Contribute to FASC / Fonterra communications such as articles, case studies, photos, photo shoots to increase the FASC profile and connection.
- **Assistance** - Assist FASC regional Executive with any additional regional co-ordination requirements

Key role capabilities

Partner of Fonterra as an owner, share-farmer or employee on a Fonterra supplying farm

Excellent business understanding with an ability to learn

- Understands the farm business, the dairy industry and the Fonterra operating environment
- Focuses on and expresses key business issues affecting the suppliers
- Understand the reasons behind key policies, practices and procedures

Communication and interpersonal skills

- Has strong relationship building skills and develops appropriate networks including the industry and suppliers
- Is approachable, listens to people, shows leadership and is willing to be a sounding board
- Can manage conflict and resolve it appropriately
- Communicates complex issues and relevant points of view in a clear and concise manner
- Admits mistakes and fronts up to them
- Appropriately adapts their own style to a situation
- Promptly addresses queries and requests for feedback from FASC company Secretary / Executive

Representation and advocacy

- Is honest and ethical, widely trusted, and seen as a person of integrity who will make sure that farmers' views are represented
 - Understands and respects the role and boundaries of the FASC, and adheres to FASC protocols and procedures
 - Acknowledges and faces tough challenges and will take an unpopular stand if necessary, to encourage direct and tough debate around key issues
- Can critically evaluate information, recognises gaps and identifies issues and opportunities

Teamwork

- Promotes the values and role of FASC within industry and the suppliers
- Get things done and focuses on areas of priority
- Is willing to debate issues and appropriately provide feedback on behalf of suppliers
- Confidentiality

Key relationships

Suppliers	Other FASC Councillors
Regional Milk Supply Group	Industry organisations
Regional FASC Executive members	Rural professionals

CONDUCT & PROTOCOL overview

Councillor Group Code of Conduct:

The Fonterra Australia team operates with a clear set of core values that underpin our behaviour as individuals and as a Company. These are:

- Co-operative Spirit
- Do What's Right
- Challenge Boundaries
- Make it Happen

These core values drive Fonterra Australia principles and daily practices and provide a framework for the responsibilities of Councillors.

Responsibilities:

- Accurately represent views of suppliers and information
- Sincerity, honesty and integrity
- Team work
- Constructive and professional in attitude
- Availability and accessibility
- Identifying and building Forum delegate succession planning

Behaviour Code:

- Treat fellow Councillors, Management, staff and suppliers as you would like to be treated.
- This applies during the meeting situation and/or discussions.
 - One person speaks at a time - others listen
 - Don't talk for too long
 - Everyone has equal opportunity to speak
 - Represent the view of your suppliers, not solely your own
 - Indicate when you wish to speak
 - Respect other people's opinions
 - No personal attacks

Confidentiality:

From time to time, FASC or Fonterra disclose certain Confidential Information to FASC in order to enable the Councillors to evaluate and assess the Confidential Information for the purpose of improving, developing, and enhancing the supply arrangements between the parties.

In the course of any discussions, or such dealings between the parties, Councillors may be exposed to, provided with, or have access to commercially sensitive or Confidential Information of Fonterra.

In order to acknowledge the Commercial in Confidence Information, Councillors are required to sign a Confidentiality Agreement with Acknowledgement with Fonterra Australia. A copy of the agreement is available to all potential Councillors, and all appointed Councillors will be required to sign this document.

FASC take their confidentiality obligations very seriously. Any breach of confidentiality has the potential to significantly impact the overall effectiveness of FASC.

If a Councillor is not fulfilling his/her responsibilities appropriately, the FASC Chairperson will discuss the matter with the Councillor. If the breach is deemed to be significant, the Councillor may be stood down immediately.

Media Communications policy

FASC Councillors are not permitted to speak directly to the media on specific Fonterra or FASC issues. It is very easy for things to be said or communicated to Media outlets (even with the best of intentions) that can damage the reputation of Fonterra or FASC.

For the purposes of this document;

The Media includes anyone either known or reasonably suspected to be from the Media, or any person reasonably expected as having the potential to pass on your commentary to a person from the Media.

Media includes all traditional forms of media - print, radio, television, as well as all new forms of media - including bloggers, and all other forms of electronic communication, such as, but not limited to Facebook, Twitter or Instagram.

Public Commentary includes a discussion with any person or group of persons, whether formal or informal, planned or impromptu.

Commentary principles - Media

Only the Chairman is permitted to talk to the media on any matters concerning FASC.

The Chairman may however give permission for other FASC Councillors to talk to the media, but only in the following circumstances;

- It is not practical for the Chairman to do so, and
- The Chairman agrees in writing (eg via email), and
- The Chairman has been briefed on the proposed topics, and pre-prepared answers reviewed, and
- The Councillor will not disclose any confidential information.

In all other circumstances the Councillors must not talk to any Media, and they are to direct the Media to the Chairman for comment if FASC specific (or to the Fonterra Communications team as appropriate for Fonterra specific questions / content, or to the FASC Chair).

Commentary principles - All other commentary

Councillors may talk to those that are not defined as part of the 'Media' as defined here - eg farmers, the general public etc

As part of any conversations, Councillors must immediately cease the conversation if a reasonable person may assume that their comments may be relayed to any Media.

Even if there is no likelihood of the media being involved, the Councillors must still understand and apply their agreed duties on confidential information.

Should someone from the media contact you by email or telephone, or arrive at your home or place of work, please follow these simple steps:

1. Ask for their name, the name of the media organisation they represent and what their visit/call is regarding.
2. If they press you for information, respond with the following; “I’m not in a position to answer your enquiry but I will put you in contact with our FASC Chair who will be able to help you. Let me make a quick call and I’ll arrange someone to call you back as soon as possible.”
3. Immediately contact the Chair. The Chair will either ask for the person’s phone details and will call them directly or will provide you with instructions of what to do next.

Most importantly, don’t feel pressured or obligated in any way to comment. The Chair is equipped to respond to all sorts of media enquiries

The FASC Chair may speak to the media (on FASC specific topics), but only after consultation with the Corporate Communications team and the General Manager Milk Supply.

If a Councillors is not fulfilling his/her responsibilities appropriately, the Chairperson will discuss the matter with the Councillor. If there is no improvement, there will be further discussion with the Chairperson and a warning may be given. Ultimately the Councillor may be asked to stand down.

TIME COMMITMENT

Meetings will be scheduled by the FASC Chair and FASC Company Secretary, towards the start of each year. A calendar of events will be developed at the same time and distributed to all Councillors, which will include planned events, meetings and Field Days, where a presence of Councillors provides supportive actions for the aims of FASC as a representative group.

Councillors will be required to hold at least four meetings in the regions during the calendar year, along with retaining awareness for non-core activities to promote recruitment of milk supply, as required. It is the requirement of each Councillor to attend all Supplier Forum meetings during their term.

Inactive Councillors failing to adhere to the requirements above may be contacted by the FASC Chairperson and, if no reasonable cause for inactivity is found, asked to stand down.

Annual FASC Councillor activities <i>(approximate)</i>	No. Of Days
EXPECTED COMMITTED DAYS	
3 x Major FASC Meetings (plan is to have 3 from 2020)	6
4 x Regional FASC meetings (half day each incl travel)	2
PREFERRED ADDITIONAL DAYS	
Attendance to Supplier meetings	1
Attendance at Field Days/stalls	1
Present at Company Cluster meetings	1

Presence at local/ regional/ industry group meetings, e.g., Discussions Groups, RDPs	2
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WORKING GROUP DAYS

Participation in Working Group activities, e.g., conference calls, planning, field work	1
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Total	14
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REGIONAL MEETINGS

Dates for the Regional Delegate Meetings will be determined by each region in consultation with the Regional Manager Milk Supply.

Other attendees may be invited, such as management personnel or industry representatives.

The main emphasis will be on supplier matters with information provided and discussed regarding company supply issues and opportunities.

Delegates are encouraged to table agenda items for inclusion in regional meetings via their Regional Manager or the Regional FASC Executive.

NOMINATIONS, ELECTIONS & VACANCIES

Nomination and appointment of Councillors:

Councillors must exclusively be a supplier of milk to Fonterra Australia.

This includes share farmers, family members, or farm managers endorsed by the farm owners.

Nominations, applications, elections & selection criteria:

Councillors are appointed for a two-year term and are eligible to serve a maximum of two consecutive terms.

As any two-year term concludes, a notice calling for nominations will be sent to suppliers within the region.

Councillors concluding their two-year term and seeking re-appointment are required to re-apply. Councillors may apply for a maximum of two terms.

Interviews will be conducted by a panel consisting of the Regional FASC Executive, the local Fonterra Farm Source Manager / or an appropriately skilled or qualified external person, at the discretion of the FASC Chair.

Selection criteria to be used include:

- Ability to capture and represent views of suppliers
- Focus on the future
- Team player
- Leadership capabilities and potential
- Qualifications and experience
- Industry involvement and understanding

- Fundamental knowledge of farm profitability

Resignation of Councillors:

In the event of an appointed Councillor deciding to resign midterm, notification to the FASC Company Secretary will be required in writing, in order to complete proper termination of the agreement held with the Councillor.

Following this, the vacancy will be advertised, nominations called for and the appointment process put in train.

Dismissal of Councillors:

The FASC Chairman and Executive have ultimate discretion for the dismissal of councillors before the end of their 2 year term for misconduct or underperformance.

FASC COUNCILLOR OPERATING PROTOCOLS

Councillor Induction & Training:

New Councillors will undertake an induction program that provides them with underpinning knowledge required to carry out the role, including:

- FASC structure
- Administration procedures
- Fonterra Australia business and strategy
- Regional milk supply and processing
- Update on current supplier issues

All new Councillors will, within their first year, attend a professional development program run by Fonterra in Auckland (Fonterra's Understand Your Co-op program). This trip will be funded by FASC and Fonterra.

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- This applies during the meeting situation and/or discussions.
- One person speaks at a time - others listen
- Don't talk for too long and ensure everyone has equal opportunity to speak
- Respect other people's opinions
- No personal attacks

Protocol:

There is no requirement for a Councillor to stand aside from their position when nominating as an FASC Director or applying for a position of employment with Fonterra Australia.

Should a Councillor be successful in obtaining an employed position with Fonterra Australia, he/she will be required to resign the position as a Councillor immediately.

ADMINISTRATIVE MATTERS

FASC and the FASC Chairperson and FASC Company Secretary are responsible for the overall running of the FASC.

All administrative support (travel and accommodation arrangements, function co-ordination, meeting bookings, Forum member fees and all invoice payments, including purchase order creation) is provided by Fonterra Australia Milk Supply.

REMUNERATION

Delegates receive an annual retainer of \$7,500 per year (plus GST) - effective from March 2020.

This covers time spent at meetings, travelling and attending events as required. It also covers all car travel undertaken to attend meetings and events. In the instance of FASC Directors / Executive the retainer is included in their Director's fee and not additional.

Recipient Created Tax Invoices (GST Inclusive) will be prepared and submitted for payment on behalf of the Councillors to facilitate their payments (on a quarterly basis).

To facilitate the payment process, and to provide limited cover while travelling, Delegates are required to sign an agreement with Fonterra Australia for the provision of services.