

Bonlac Supply Company Pty Limited



ABN 21 095 271 266

<< Supplier name >>
<< Supplier Address 1 >>
<< Supplier Address 2 >>
<< State Postcode >>

October 2019

Dear <<Salutation>>,

It is with pleasure that I invite you to our 2019 Bonlac Supply Company Annual General Meeting of suppliers.

Each year we hold this event in a different milking region. This year the meeting will be held in Launceston, Tasmania – at The Tramsheds Function Centre (Tram Room 28), 4 Invermay Road, Inveresk **at 11am on Wednesday 13th November.**

If you can, please do come to our Annual Meeting, listen to our guest speakers after the meeting formalities, and then join us and the Supplier Forum for a sit-down lunch.

If you would like to attend the meeting, for catering purposes, may I please ask that you formally respond the Farm Source Service Centre on 1800 266 674, advising the number of attendees and any dietary requirements.

Included with this letter is the formal notice of meeting for our AGM (including voting forms).

Yours faithfully

John Dalton

Chairman, Bonlac Supply Company

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Bonlac Supply Company Pty Limited



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NOTICE OF ANNUAL GENERAL MEETING OF SUPPLIERS

The Trustee of the Bonlac Supply Company Pty Limited Z Class Share gives notice that a General Meeting of Suppliers will be held at the Tramsheds Function Centre, 4 Invermay Rd, Inveresk, TAS, 7248 on **Wednesday, 13 November 2019 at 11.00am.**

Direction to the Trustee, being the holder of the Z Class Share in Bonlac Supply Company Pty Ltd which is subject to the trust established by the Declaration of Trust on 28 February 2001.

ORDINARY BUSINESS

Re-election of South Supplier Director – Mr Alan Davenport

1. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That the Trustee, is directed to vote the Z Class Share to re-elect **Mr Alan Davenport**, who retires in accordance with rule 2.10 of the Constitution of the Company and, being eligible, offers himself for re-election as the South Supplier Director, and who is unopposed."*

SPECIAL BUSINESS

Change of Company Name

2. To consider and, if thought fit, to pass the following resolution as a special resolution:

"That the Trustee, is directed to vote the Z Class Share that the Company change its name to "Fonterra Australia Suppliers' Council Pty Ltd" with effect from the day on which the Australian Securities and Investments Commission issues a new certificate of registration".

Amendment of Constitution

3. To consider and, if thought fit, to pass the following resolution as a special resolution:

"That the Trustee, is directed to vote the Z Class Share that the Company modify its constitution, with effect from the change of name, in the manner set out in accordance with the attached explanatory notes, and the revised Constitution that is available on the BSC website at www.bonlacsupplycompany.com.au".

**John Dalton
The Trustee
9 October 2019**

INFORMATION FOR SUPPLIERS

This information forms part of the notice of Meeting of Suppliers.

Bonlac Supply Company Voting Protocol – Background

Since the capital reduction in January 2015, Bonlac Supply Company Pty Ltd (**Bonlac**) has a single share on issue. This share is held by the Chairman of Bonlac (currently John Dalton) on trust for suppliers of milk to Fonterra in accordance with the trust established by the Declaration of Trust on 28 February 2001.

To provide Eligible Suppliers with an ongoing role in indirectly determining matters that would otherwise be determined by shareholders of Bonlac, the Voting Protocol was proposed by the Trustee and adopted by suppliers on 14 January 2015.

Under the Voting Protocol, Eligible Suppliers are able to vote to direct the Trustee on how the Trustee is to exercise the voting rights attached to the Z Class Share.

Right of Eligible Suppliers to Vote

Under the Voting Protocol, Eligible Suppliers have a right to vote at the meeting.

An Eligible Supplier is a supplier who has supplied at least 1,000 kilograms of milk solids in the financial year ended 30 June 2019 and who has not, in the reasonable opinion of the Trustee, ceased to supply milk solids.

Supplied means supplied by a Dairy Farmer to Fonterra Group.

Calculation of your voting entitlement

Please refer to the attached Appendix A for information on the calculation of your total voting entitlement.

Your number of eligible supplier votes is included on the enclosed proxy form. If you have a question concerning your voting entitlement, please call Will Kermod (Company Secretary) on 03 8541 1824.

Appointment of proxies

A proxy form for the Meeting is enclosed.

Each Eligible Supplier entitled to vote at the Meeting of Suppliers may appoint a proxy to attend and vote at the meeting.

A proxy need not be an Eligible Supplier and can be an individual or a body corporate.

A body corporate appointed as an Eligible Supplier's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Meeting of Suppliers. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed.

Lodgement of proxy documents

For an appointment of a proxy for the Meeting to be effective:

- the proxy's appointment; and
- if the appointment is signed by the appointor's attorney, the authority under which the appointment was signed (e.g. a power of attorney) or a certified copy of it,

must be received by the Trustee at least 48 hours before the meeting (i.e. by 11.00am on Monday, 11 November 2019).

The following address and fax number is specified for the purposes of receipt of proxies:

By mail:	By email:
Bonlac Supply Company Pty Ltd Level 2, 40 River Boulevard Richmond VIC 3121	will.kermod@fonterra.com

Bodies corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of Suppliers. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all the powers that the appointing body could exercise at a meeting or in voting on a resolution.

The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed.

EXPLANATORY NOTES

Ordinary business

Item 1 – Re-election of Regional Supplier Director

Mr. Alan Davenport is a retiring South Supplier Director who is eligible, and who has offered himself, for re-election. He is not opposed.

Recommendation: The Directors of Bonlac have recommended to the Trustee that item 1 be approved.

Special Business

Items 2 & 3 - Special business – change of name and amendments of constitution (1)

The following is an explanation of the proposed amendments to the Company's constitution to be effected in the special resolution if passed.

The Company has been negotiated with Fonterra Australia Pty Limited (**Fonterra**) to replace the existing Milk Supply Agency Agreement between the parties, given the approaching sunset date for key obligations under that agreement. The Milk Supply Agency Agreement will not apply beyond the 2018-2019 Milk Season and has been replaced by a new agreement (**Supplier Representation Agreement**).

The Supplier Representation Agreement is much simpler than the Milk Supply Agency Agreement, reflecting that milk is supplied directly to Fonterra, rather than being collected by the Company as Fonterra's agent, and that there is no longer a benchmark milk price.

The Supplier Representation Agreement provides for the reconstitution of the Supplier Forum and ongoing commitments by Fonterra, including consultation with the Board and provision of support services and funding. Under the Supplier Representation Agreement, the Company has agreed to propose to Suppliers the following changes to the Company's Constitution to reflect the new governance principles agreed:

- (a) that the Company change its name to "Fonterra Australia Suppliers' Council Pty Ltd";
- (b) that the board shall be comprised of five supplier directors, up to one independent director and up to one Fonterra director (rather than six supplier directors, two independent directors, and up to one Fonterra director);
- (c) the Board will conduct a pre-selection process which considers a Supplier's suitability for the role of director (with reference to their skills, knowledge and experience and the desirability of having each Milking Region represented on the Board). Whilst still strongly desired, it is no longer a requirement that supplier directors must always represent each of the Eastern, Western, Northern and Southern Regions;
- (d) the candidacy requirements for Directors have been altered to recognise that candidates may have different kinds of interests in Suppliers;
- (e) that the chair's consent is now required in order for Fonterra to appoint a director;
- (f) the procedures for board meetings have been amended slightly:
 - (i) meetings must now be held at least one per quarter of each Financial Year;
 - (ii) directors should be given 10 business days' notice of a board meeting (rather than "reasonable notice");

- (iii) the quorum of three directors includes the Independent Director, which was not previously a requirement;
- (iv) each director has one vote at a meeting; and
- (v) minutes signed by the chair are deemed prima facie evidence of proceedings at the meeting they record.

The Company's constitution has also been amended such that upon the winding up of the Company, assets will no longer be distributed to the sole member. Instead, assets must be given to one or more dairy, or other primary producing, industry organisations, as selected by a resolution of the Board (or in the absence of a Board resolution, the liquidator).

Recommendation: The Directors of Bonlac have recommended to the Trustee that items 2 & 3 be approved.

- (1) Note that a full copy of the proposed new constitution (as well as the current constitution) is available on the BSC website for review; www.bonlacsupplycompany.com.au

APPENDIX A:

Voting entitlement based on the aggregate amount of milk solids supplied to Fonterra Australia

The BSC voting protocol provides that an Eligible Supplier will have one vote for every 1,000 kilograms of milk solids (with fractions of a vote to be disregarded) supplied in aggregate during the three prior Financial Years last ending before the date of this notice of meeting.

If an Eligible Supplier Supplied less than 1,000 kilograms of milk solids in any of those three Financial Years, the amount of milk solids Supplied by that Eligible Supplier in that Financial Year and in the Financial Years (if any) before that Financial Year are to be ignored in calculating the number of votes to which that Eligible Supplier is entitled.

Please note that where an eligible supplier has >1 farm, we have aggregated where possible the total Milk Solids against a single farm of that supplier for the purposes of calculating this voting entitlement.

Your calculated number of votes appears in the "Eligible Supplier votes" box on the attached proxy form.

Worked examples:

Example one

Eligible Supplier supplied:

- 75,600kg of milk solids in FY2017
- 80,400kg of milk solids in FY2018
- 65,450kg of milk solids in FY2019

The aggregate continuous supply in the last 3 Financial Years = 221,450kg of milk solids. In each of those three Financial Years at least 1,000kg of milk solids had been supplied. Eligible Supplier's voting entitlement for a meeting occurring in FY2020 = **221 votes**

Example two

Eligible Supplier supplied:

- 23,000kg of milk solids in FY2017
- less than 1,000kg of milk solids in FY2018
- 54,300kg of milk solids in FY2019

The aggregate continuous supply in the last three Financial Years = 54,300kg of milk solids. Supplies from FY2017 and FY2018 not included as the amount of milk solids supplied in FY2018 was below the minimum amount of 1,000kg of milk solids. Eligible Supplier's voting entitlement for a meeting occurring in FY2020 = **54 votes**

Example three

- 82,000kg of milk solids in FY2017
- 65,000kg of milk solids in FY2018
- less than 1,000kg of milk solids in FY2019

The aggregate continuous supply in the last three Financial Years is less than 1,000kg of milk solids. Supplies from FY2019, FY2018 and FY2017 not included as the amount of milk solids supplied in FY2019 was below the minimum amount of 1,000kg of milk solids. Eligible Supplier's voting entitlement for a meeting occurring in FY2020 = **0 votes**

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Bonlac Supply Company Pty Limited

ABN 21 095 271 266

<< Supplier name
<< Supplier Address 1
<< Supplier Address 2
<< State Postcode

Farm: X 0001

Lodge your vote:



By Mail:

Using the enclosed Reply-Paid Envelope or
Bonlac Supply Company Pty Ltd, Level 2, 40 River
Boulevard, Richmond VIC 3121

Alternatively, you can scan and email your form to
will.kermode@fonterra.com

For all enquiries call:

Will Kermode on 03 8541 1824

Voting & Proxy Form – Meeting of Suppliers

For your vote to be effective it must be received by 11am (Melbourne time) Monday, 11 November 2019

How to Vote on Items of Business

All your voting entitlement will be voted in accordance with your directions.

Vote Directly

Tick the first box in step 1, complete steps 2 & 3 and sign

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of 'votes' you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes for each in Step 1 overleaf.

Signing Instructions

Individual: Where the supplier relationship is in one name, that person must sign.

Joint Holding: Where the supplier relationship is in more than one name, all of the suppliers should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the company, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate security holder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission.

Turn over to complete the Form →

Supplier Voting Form

Please mark

to indicate your directions

I/We being eligible suppliers of Fonterra Australia hereby;

STEP 1

Direct Vote or Appoint a Proxy to Vote on Your Behalf

Vote Directly

To vote directly, mark this box, then proceed to Step 2. You should mark either "For" or "Against" for each item in Step 2. Do not mark the "Abstain" box.

OR

Appoint a Proxy -

the Chairman of the Meeting

OR



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Bonlac Supply Company Pty Ltd to be held at The Tramsheds Function Centre, 4 Invermay Road, Inveresk, TAS, 7248, at 11am on Wednesday 13th November 2019 (Melbourne time) and at any adjournment or postponement of that meeting.

STEP 2

Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS

Item 1 Re-election of Supplier Director – Mr Alan Davenport

For Against Abstain

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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SPECIAL BUSINESS

Item 2 Change of Company name

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Item 3 Amendments of Constitution

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

STEP 3

Complete your details *This section must be completed.*

Name of Individual or Eligible Supplier 1

Name of Eligible Supplier 2

Name of Eligible Supplier 3

Farm reference #

X 0001

Eligible Supplier votes

0000

SIGN

Signature of Eligible Supplier(s) *This section must be completed.*

Signature of Individual or Eligible Supplier

Sole Director & Sole Company Secretary

Signature of Eligible Supplier 2

Director

Signature of Eligible Supplier 3

Director/Company Secretary

Contact Name

Contact Telephone

Date ____/____/____