

Shock resignation puts vote in focus

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Colin Armer's resignation from Fonterra's board and its reported board split in the vote for a new chair has loudly signalled the significance of director elections later this year to farmer shareholders.

Not only does Armer's resignation mean a new director will definitely join the board, shareholders will also be given the final say-so on putting chair-elect John Wilson into that position as he too is up for re-election by rotation.

The split vote and apparent division in the board will mean the next chair will have their work cut out for them not only in unifying shareholders, still voicing their disquiet over the trading among farmers (TAF) vote, but also in bringing fellow board members together.

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Armer's press release to announce his resignation was more telling in what it didn't say than in what it did, saying he had nothing but praise for the Fonterra chief executive and the management team.

But he failed to recognise the board and more importantly chair Sir Henry van der Heyden.

Armer made a point of stating that he will continue to support the cooperative model

and thanked shareholders for their past support.

Armer's resignation, tendered on August 1 was effective immediately which meant the July board meeting where Wilson was voted in as chair-elect was his last.

Van der Heyden said Armer's resignation took him by surprise and he regretted his decision.

"Colin is a very good director, he's a successful farmer, he's got six year's experience on the board, he understands the business and he has commercial skills, skills that will be missed."

He rejected the idea there was division around the board table and said once the chair's election was completed every director had supported Wilson in the role.

The transition in leadership at Fonterra had been a controlled and well-managed process that had started three years ago. It had taken a similar path to the change in chief executive with the criteria for the job clearly defined and then options explored around the board table.

Van der Heyden said he will announce within the next two months whether he will stand down as director at the annual meeting to be held on December 17 or carry on until the end of his three year term, which will be at the end of next year.

If he vacates his position this year he will open the way for a second new director to come on to the board.

He defended himself against criticism he has a "strong" leadership style saying he believed he was inclusive.

"But everyone has their own view. It's been a hard process around TAF but I think I've been respectful of everyone's views. The board allowed a second vote and allowed everyone to have their say."

Fostering unity within the cooperative was paramount although it was a challenge.

Any suggestion that the



Colin Armer – still supports cooperative model.

board or management weren't cooperatively minded was blatantly wrong.

"Every board member supports the protection of the co-op," he said. "It's very much a cooperative board and I can't think of anyone more cooperatively minded than John Wilson."

The board had worked hard to find cooperative solutions to all the big issues it faced and TAF was one of those solutions.

Fonterra Shareholders' Council (FSC) chair Ian Brown said the timing of Armer's resignation was unfortunate, but it was his decision to make. He'd been a great director for Fonterra over the six years he'd held the position and he would be missed.

He wasn't concerned that the election of one or two new board members if van der Heyden also stood down would be a problem with the transition to TAF imminent although it was theoretically possible that four new directors could be appointed.

That would happen if van der Heyden stands down

and sitting directors Nicola Shadbolt and Wilson aren't returned.

Spokesperson for Our Co-op Leonie Guiney was saddened by Armer's departure as she said he had worked to ensure co-op protections were developed within TAF.

She was concerned any apparent board disunity and divisions among shareholders would be seized on by opportunistic investors once TAF was implemented.

Federated Farmers Dairy chair Willy Leferink said he too was disappointed that Armer didn't see out his three year term. But he thought those opposed to TAF would see openings at the board table as a huge opportunity to get people at governance level who supported their views.

Nominations are required by October 12 with candidates announced, following the candidate assessment panel (CAP) process, on November 5. Voting results will be announced before the co-op's December 17 annual meeting to be held in Hamilton.