

Good Together

from one generation
to the next

Annual Review
2022

Arotake-ā-tau
Te Mātāpuna



Fonterra
Dairy for life

Our Co-operative,
Empowering people
To create goodness
for generations.
You, me, us together
Tātou, tātou.



Contents

Welcome to our Annual Review, which forms part of our end-of-year reporting suite.

We know there are a wide range of stakeholders who are interested in our Co-op. This report gives an integrated view of our performance across financial and non-financial measures, and our targets for the future. It is supported by a series of supplementary reports where stakeholders can find more detailed information most relevant to them.

This Annual Review provides a summary of our environmental, social and economic activities and performance. It covers key achievements and performance data, as well as the challenges and opportunities we have faced across our Co-op over the last 12 months. It is a chance to reflect on our work, quantify our impacts and look to the future.

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Fonterra uses several non-GAAP measures when discussing financial performance. Total Group measures present the combined financial performance of the Group's continuing and discontinued operations. Non-GAAP financial measures are not defined or specified by NZ IFRS.

Management believes that these measures provide useful information as they provide valuable insight on the underlying performance of the business. They are used internally to evaluate the underlying performance of business units and to analyse trends.

These measures are not uniformly defined or utilised by all companies. Accordingly, these measures may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS. Non-GAAP measures are not subject to audit unless they are included in Fonterra's audited Financial Statements.

Please refer to the Non-GAAP Measures section for further information about non-GAAP measures used by Fonterra, including reconciliations back to NZ IFRS measures. Definitions of non-GAAP measures used by Fonterra can be found in the Glossary.

- OUR 2022 SUITE OF REPORTS**
- Annual Review 2022** (Referenced as **AR**)
- Financial Statements 2022** (Referenced as **FS**)
- Business Performance Report 2022** (Referenced as **BP**)
- Sustainability Report 2022** (Referenced as **SR**)
- Corporate Governance Statement & Statutory Information 2022** (Referenced as **C&S**)
- Modern Slavery Statement 2022** (Referenced as **MS**)
- Farmgate Milk Price Statement 2022** (Referenced as **MP**)

OUR REPORTS ARE AVAILABLE FROM [FONTERA.COM/NZ/EN/INVESTORS.HTML](https://fonterra.com/nz/en/investors.html)



About us

We're a co-operative formed and owned by Aotearoa New Zealand dairy farmers. Fonterra farmers sit at the very heart of our Co-op, producing the high quality, sustainable milk sought out by our customers around the world.

We're committed to producing dairy nutrition in a way that cares for people, animals and the environment, and brings value to our communities. New Zealand milk is the focus of our strategy, and our global presence helps us generate revenue in over 130 countries.

Our range of dairy ingredients are sold under our NZMP™ brand and are found in prominent food and nutrition brands.

Under our Anchor™ Food Professionals brand, we create high-quality products and innovative solutions for foodservice professionals.

We also manufacture, market and distribute our own consumer products. These include branded dairy products sold direct to consumers, such as milk, milk powders, yoghurt, butter and cheese. Our three global consumer brands are Anchor™, Anlene™ and Annum™.

Farm Source™ is the Co-op's main farm-facing team, providing guidance and support to farmers, including through a network of rural supply stores in New Zealand.



Anlene™



Annum™



Solid progress towards our 2030 performance targets

Kia ora farmers and unitholders,
Our Co-op has continued to make good progress towards becoming an innovative and customer-led organisation over the past 12 months, while delivering another year of strong performance under challenging circumstances.



Peter McBride – Chairman

The Board is very pleased with the team's overall progress on implementing our strategy and this year's strong financial performance in the context of historically high milk prices, inflationary pressure, and continued geo-political disruption in a number of key regions.

Our final Farmgate Milk Price of \$9.30 per kgMS exceeds the previous high mark of \$8.40 per kgMS set in the 2013-14 season.

It's the third consecutive year of +\$7.00 milk prices and will be welcomed by farmers, as we face significant cost pressures in our individual farming operations and continue to pay down debt. Reserve Bank data shows dairy sector debt has declined by around 12% (\$5 billion) since its peak level in 2018.

The Co-op's normalised earnings per share were 35 cents, and in-line with our policy, the Board has approved a final dividend of 15 cents per share. Combined with the 5 cent interim dividend declared in March, and the final Farmgate Milk Price, this brings the total payout for a fully share-backed farmer to \$9.50 per kgMS for the 2022 financial year.

We will always push hard for performance, but when you consider the continued supply chain disruption resulting from COVID-19, the geo-political and economic challenges in Sri Lanka and the conflict in Ukraine, Miles and his team have done an excellent job to remain agile and use the Co-op's scale to deliver a Reported Profit After Tax of \$583 million, down 3% on the prior year.

“The outlook for our Co-op remains strong and we are committed to achieving our long-term performance targets.”

Within this year's overall performance, there are three key strategy and performance points of interest the Board would like to highlight.

1. Progress on Innovation and R&D

Innovation, research and development, and collaborations with strategic partners are critical to achieving our strategy and are a focus area for the Board.

We acknowledge the changes Miles has made to the Co-op's organisational structure to increase the visibility and focus on innovation and strategic implementation – to drive performance in these areas.

The internal promotion of Komal Mistry-Mehta (Chief Innovation and Brand Officer) and Emma Parsons (Managing Director Strategy and Optimisation) onto the Co-op's leadership team adds to our existing capabilities and recognises the emerging home-grown talent within Miles' wider team.

2. Co-op's debt levels

Our net debt of \$5.3 billion is up \$1 billion, and as a result our gearing ratio has increased from 38.5% to 42.4% reflecting higher working capital during the second half of the financial year and at year end due to higher dairy prices and a conscious decision to carry higher inventory given our strong balance sheet. The Board remains vigilant about these measures but we do expect them to improve as working capital returns to normal levels during this calendar year.



3. Implementing our Flexible Shareholding Capital Structure

We are pleased to see the Co-op maintain its share of New Zealand milk supply in a very competitive market. It's the first year in more than a decade that our local market share has not declined.

Fonterra's strategy relies on our ability to maintain a reliable and sustainable source of New Zealand milk in an environment where we see total milk supply in New Zealand as likely to decline, and remain flat at best, due to environmental pressures, new regulations and alternative land uses.

Our new Flexible Shareholding model will help our Co-op maintain a sustainable milk supply. It is intended to make it easier for new farmers to join our Co-op and for existing farmers to remain in our Co-op.

The decision to change the Co-op's capital structure was not something we went into lightly and it was a confronting conversation with our farmers at times. In the end, we received a very strong mandate. Of the 83% of eligible votes that were cast, 85% were in support of the Flexible Shareholding structure.

We look forward to participating in the Government's Select Committee process and will continue to advocate for the necessary legislation being in place before the end of the 2022 calendar year.

Finally, on behalf of the Board I would like to thank our farmers, our dedicated team of people around the world and the Co-op's many other partners for their continued support and commitment. The outlook for our Co-op remains strong and we are committed to achieving our long-term performance targets. However, there are significant uncertainties and a number of headwinds, both here at home and out in our global markets, that may create earnings volatility year-to-year as we move through to 2030.

Ngā mihi

Peter

The Board is pleased to present Fonterra's 2022 Suite of Reports. Fonterra's Annual Report for the year ended 31 July 2022 comprises this Annual Review, the Business Performance Report, the Financial Statements, and the Corporate Governance Statement and Statutory Information. The Annual Report was approved by the Board on 21 September 2022 and is signed on its behalf by:

Peter McBride, Chairman

Bruce Hassall, Director

Faced with global challenges, our teams stepped up

FY22 has been a year like no other, but once again our Co-op has shown that these challenges make us stronger. In the face of unprecedented macroeconomic events, we have continued to deliver for our farmer owners and New Zealand, delivering \$13.7bn to the domestic economy in milk price payments alone. Combined with a total dividend of 20 cents per share, we've delivered a total payout of \$9.50 to our farmer owners.



Miles Hurrell – CEO

COVID-19

While we've seen the world opening up, COVID-19 continues to challenge us. The lockdowns in China, shipping delays and supply chain disruption were felt in many of our markets throughout the year and we expect this to continue in the short to medium term.

Here in New Zealand, new variants presented new challenges to our operations but I'm proud of how our people stepped up. We've learned a lot over the last couple of years and through good management and planning, we kept collecting our farmers' milk, our manufacturing plants continued to operate and we kept delivering for our customers. While this came at an additional cost to the Co-op, collecting and processing our farmers' milk is our key role.

Geopolitical events

Sri Lanka has been a good market for us historically and we've built a strong consumer business over the decades, with our Anchor and Rattih businesses Sri Lanka's most popular dairy brands.

While it represents a small part of our overall business, the economic fallout for our business has been significant. To minimise the impact, we've temporarily reduced our sales volume into Sri Lanka so that we can direct our milk into more profitable products and markets.

The team has done a remarkable job in really trying circumstances and as a resilient nation, Sri Lanka will come through these challenging times. In the meantime, we will continue to care for our people and their families and keep the business running on a restricted basis, ensuring that our nutritious dairy is available to our customers in the country.

The conflict in Ukraine has added to an already complex operating environment, impacting global supply chains, oil prices and the global supply of grain.

We suspended shipment of product to Russia while we assessed the safety of our people and impact of economic sanctions and discussed our long-term plans with our customers and joint venture partner. Following careful consideration of the impact on our people and our long-term plans for the Russian market, we made the decision to exit both operations.

While supply chains remain impacted, our Kotahi partnership continues to deliver with its scale and strategic partnership with Maersk reducing the impacts of schedule slippage and container shortages.

Inflation is dominating headlines, both here in New Zealand and globally, and we are all feeling the impact. While our operating expenses are up 7% in FY22 to NZ\$2.4 billion, this included an impairment. Operating expenses excluding impairments rose 5%, reflecting tight control on expenses throughout the year.

Household incomes are being hit as the price of food staples like fruit, vegetables, and milk rise. That's why our community work is so important, ensuring that we're getting our nutritious dairy to those who need it most.

Here in New Zealand, we reached the milestone of serving 50 million KickStart breakfasts with Sanitarium and the Ministry of Social Development, and this year we donated more than 12 million dairy servings to the New Zealand Food Network. It's a similar story globally, with our teams stepping up to help their communities.

Our diversified portfolio, and the Co-op's scale and ability to move products between different markets and categories, has seen us weather the long tail of COVID-19, various economic pressures and the knock-on effects of the Russia-Ukraine conflict.

From the outside it may appear easy, but our ability to navigate these unprecedented storms is thanks in large part to the constant and careful planning by talented teams of people right across the Co-op.

We're focused on what makes a difference

Despite these challenges, our people have continued to deliver for our farmer owners with both a strong financial performance and milk price, by focusing on the things that matter.

Collecting and processing milk

It all starts on farm. We collected 1,478 million kgMS, which was 4% down on last financial year, but at \$9.30 per kgMS, this year's Farmgate Milk Price is the strongest it has ever been. It is great news for our farmers, and New Zealand also benefits, with \$13.7 billion returned into the economy in milk price payments alone this year.

A record number of farms achieved The Co-operative Difference in 2022. As our framework for ensuring that our on-farm practices support the achievement of our strategy, these outstanding results enable us to give important reassurances to customers about the quality and sustainability credentials of Fonterra dairy.

Delivering excellence to customers

While it all starts on farm, it ends with our customers and consumers. In an increasingly competitive environment, our diversity, and ability to change product mix and move our products between markets, has allowed us to keep delivering for our customers.

We are delivering nutrition solutions to help consumers live longer and healthier lives and we're using technology to improve customer experience and adapt to changing buying and procurement needs. An example of this is myNZMP, our industry-leading business-to-business platform, offering personalised digital services to our customers.

Our end-to-end supply chain was recognised for delivering service levels that are the benchmark in the industry, with Foodstuffs awarding Fonterra Brands New Zealand the National Partnership Award.

Our Australian Consumer business was ranked the #2 overall supplier in this year's Grocery Advantage Survey, and Anchor Food Professionals was ranked the #1 foodservice supplier.

One of our biggest Australian foodservice customers, NAFDA, which distributes to around 40,000 out-of-home establishments in Australia, awarded the team the prestigious Chairman's Award which recognises the business that is best aligned with NAFDA's values of ethos, passion and integrity.

We continue to innovate, despite challenges

Despite global challenges, we've remained steadfast in our approach to innovation.

We continue to leverage our world-class dairy expertise to partner with our customers and respond to the evolving needs of consumers. Through these innovations, we are maximising value for both our customers and farmer owners, while ensuring we utilise every single drop of milk.

Earlier this year we announced a transformative dairy science collaboration with VitaKey Inc. to further unlock the benefits of our probiotic strains, while FBNZ kicked off a trial for Anchor café milk taps which means less waste and ultimately reduces the customer's costs.

Our innovation isn't limited to New Zealand. In Vietnam, the country's leading premium coffee brand, Trung Nguyen, is using Anchor butter to roast its coffee beans, with Anchor's provenance and grass-fed value proposition offering a compelling advantage.

Looking to the year ahead

The 2023 financial year is already off to a strong start. We've revised our 2023 forecast earnings guidance to 45 to 60 cents per share, up from 30 to 45 cents per share, with strong demand, particularly for cheese and protein, driving this change.

We launched Nutiani, which sits alongside NZMP as a complementary business-to-business brand targeted at both the multi-billion-dollar medical and everyday wellbeing nutrition markets.

Hitting the market is BioKodeLab, a new nutritional supplement using our famous phosphatidylserine and probiotic strains working with the best of other ingredients such as lutein and zeaxanthin to create something really different to support peak brain performance.

Our partnership with Royal DSM will establish a start-up company to accelerate the development and commercialisation of fermentation-derived proteins with dairy-like properties, ramping up opportunities in complementary nutrition.

Delivering our 2030 targets

Our 2030 targets are still firmly in sight. We've made some great progress since announcing our strategy last September and now is the right time to really double down on our three strategic choices – to lead in sustainability, to lead in dairy innovation and science and to focus on our New Zealand milk.

We continue to strive for a better future for the environment and have made solid progress against some of our key sustainability targets. Water use at our manufacturing sites in water-constrained regions is

down by 6.6% and 71% of Co-op farms now have a Farm Environment Plan – a substantial undertaking by our farmer shareholders and the Farm Source team.

We've also made good progress on the decarbonisation of our fleet and continue to work with the Government, our sector and commercial partners to find a solution to the on-farm methane challenge.

The changes we've made to the FMT will enable us to accelerate our progress towards our 2030 goals and increase the Co-op's focus on innovation and strategic implementation.

Komal Mistry-Mehta, as Chief Innovation and Brand Officer, brings a new level of focus, capability and thinking to the FMT to help grow the premium value of our products, while Emma Parsons, as Managing Director Strategy and Optimisation, is focusing on demand choices and portfolio and asset management, using analytics to inform decision making.

With effect from October, Judith Swales will head up our Global Markets team, following the consolidation of AMENA and APAC. Taking the best parts of the Co-op and applying them to create great local outcomes, we are leveraging the scale of the Co-op to deliver true customer and market intimacy.

I'm confident that with this new aligned structure we're in a good place to achieve our strategic aspirations and maintain our focus on milk price and earnings, so that we continue our strong performance and deliver for our farmers and unit holders and take the best of New Zealand to the world.



Miles Hurrell, Chief Executive Officer

Our purpose, values and goals

OUR PURPOSE:

Our Co-operative,
Empowering people
To create goodness
for generations.
You, me, us together
Tātou, tātou

OUR VALUES:

Co-operative spirit
Do what's right
Make it happen
Challenge boundaries

OUR PRINCIPLES:

Our principles are
aligned with the
Māori world view.

Manaakitanga is the care
we show for others – it
strengthens our relationships
and communities.

Kaitiakitanga is how we
care for our environment
today, tomorrow, and for
future generations.

Whanaungatanga is our
Co-operative spirit – it sits
at the heart of our values.

WE'VE MADE KEY STRATEGIC CHOICES:



Focus on Aotearoa
New Zealand Milk



Be a leader in
dairy Innovation
& Science



Be a leader in
Sustainability

KEY ASPIRATIONS FOR 2030:

Group ROC
~9-10%

Operating Profit
40-50%
increase from FY21

Strong progress towards
2050 aspiration to be

**Net Zero
Carbon**



Our approach

A sustainable future for our Co-operative is core to our strategy – it's how we create long-term value for future generations.

 People & culture	 Nature	 Relationships	 Intellectual Capital	 Assets and infrastructure	 Financial
<p>Able to retain, develop and attract the best talent</p> <p>PRIORITY ACTIVITIES</p> <ul style="list-style-type: none"> – Providing a safe, healthy and inclusive place to work – Continuously developing people's skills for meaningful careers within the everchanging nature of work 	<p>Demonstrating that dairy can be a net-positive contributor to nature</p> <p>PRIORITY ACTIVITIES</p> <ul style="list-style-type: none"> – Leading the transition to net-zero GHG emissions for dairy nutrition – Farmers are adopting and investing in leading on-farm practices – Using science and innovation skills to solve environmental challenges on and off farm 	<p>Trusted relationships through high-quality, innovative products and services and playing our part for positive social, environmental and economic outcomes</p> <p>PRIORITY ACTIVITIES</p> <ul style="list-style-type: none"> – Understanding the needs of our customers and being responsive to these – Partnering with others to help unlock the full potential of dairy and deliver improved sustainability outcomes – Being clear on what we stand for and demonstrating the value we bring to specific relationships and more broadly 	<p>Leveraging intellectual property to deliver additional value</p> <p>PRIORITY ACTIVITIES</p> <ul style="list-style-type: none"> – Converting our specialised dairy know-how into value through the products, solutions and partnerships we develop 	<p>Operational assets are resilient and efficiently delivering our most valuable products</p> <p>PRIORITY ACTIVITIES</p> <ul style="list-style-type: none"> – A mindset of continuous improvement to protect and enhance our scale/ cost advantage and stay competitive on a world stage – Applying innovation to our assets so they are safe and able to respond to future needs 	<p>Consistently attractive performance for providers of funding, including our farmer shareholders</p> <p>PRIORITY ACTIVITIES</p> <ul style="list-style-type: none"> – Using science and innovation to improve efficiency and grow value – Sustainability credentials are valued building preference and premium for our dairy – Target to return ~\$1 billion to shareholders through planned divestments

How we created value in 2021/22

The resources we rely on (our inputs)	
	PEOPLE (AND CULTURE) <ul style="list-style-type: none"> - 19,000+ skilled and motivated employees led by a board and management team with diverse skills and experience - 20,000+ dedicated farmers and farm workers - Thousands more people in our supply chain
	NATURE <ul style="list-style-type: none"> - 4.1 million milking cows grazing on 1.6 million hectares of pastoral land - Some fertiliser, irrigated water and supplementary animal nutrition - Energy (27.7PJ) and freshwater (48.6 million cubic metres) for our manufacturing sites
	RELATIONSHIPS <ul style="list-style-type: none"> - With farmers, governments and regulators, unions, employees, customers, iwi and communities
	INTELLECTUAL CAPITAL <ul style="list-style-type: none"> - Our know-how, systems and intellectual property - Our strong global brands - 230 granted patents across 25 patent families
	ASSETS AND INFRASTRUCTURE <ul style="list-style-type: none"> - Our portfolio of property, plant and equipment including right-of-use assets (\$6,465 million total net book value) - 500+ milk collection tankers - 48 manufacturing sites
	FINANCIAL <ul style="list-style-type: none"> - A strong financial base, capital from our farmer shareholders, unit holders and debt (\$12,356 million average capital employed)



We recognise the critical role governance plays in the success of our Co-operative so we are committed to achieving the highest standards with a focus that promotes:

- the interests of our key stakeholders including farmer shareholders, unit holders, debt investors, employees, customers, governments and the communities we operate within
- transparency and meaningful engagement with stakeholders
- effective risk management and compliance

Our progress in 2021/22	
	PEOPLE (AND CULTURE) <ul style="list-style-type: none"> - Serious harm injuries 8 ↓ - Female representation in leadership 34.8% ↑
	NATURE <ul style="list-style-type: none"> - GHG emissions (Scope 1&2) reduction since FY18 11.2% ↓ - Farm Environment Plan adoption (New Zealand) 71% ↑ - Water use reduction in constrained regions since FY18 6.6% ↓
	RELATIONSHIPS <ul style="list-style-type: none"> - Share of New Zealand milk collected 79.1% ↑
	INTELLECTUAL CAPITAL <ul style="list-style-type: none"> - EBIT from New Zealand value-add businesses \$307m ↓
	ASSETS AND INFRASTRUCTURE <ul style="list-style-type: none"> - Cost of quality (% cost of goods sold) 0.44% =
	FINANCIAL <ul style="list-style-type: none"> - Return on capital 6.8% ↑ - Farmgate Milk Price (\$) \$9.30 per kgMS ↑ - Normalised earnings per share \$0.35 ↑



Creating value for our stakeholders

Customers & consumers



We create value by

- Delivering nutrition products that are high-quality, low-carbon and responsibly produced – [See page SR-10](#)
- Providing access to nutrition products that include healthier options and linked to sustainable credentials – [See page 39](#)
- Using responsible procurement to influence our supply chain – [See page SR-49](#)
- Responding quickly to changing needs and customer demand for innovative new products and ingredients – [See page 40](#)

How we engage

- On an ongoing basis through our account management teams
- By sharing information through programmes such as SEDEX and the Carbon Disclosure Project (CDP)
- With our own direct consumers through our service teams, email, social media and consumer research

Employees



We create value by

- Providing a safe workplace – [See page SR-16](#)
- Supporting health and wellbeing – [See page 35](#)
- Providing good learning and development opportunities – [See page SR-20](#)
- Building an inclusive culture where everyone contributes and feels supported – [See page SR-21](#)

How we engage

- On an ongoing basis through our everyday interactions, regular engagement surveys and engagement with unions

Farmers



We create value by

- Delivering a strong total payout – [See page 20](#)
- Reliably collecting their perishable product and providing efficient access to valuable international markets – [See page 34](#)
- Adding value to their milk through innovation and a flexible product portfolio – [See page 40](#)
- Providing resilience to operating volatilities such as price, energy, foreign exchange rates and ocean freight – [See page BP-31](#)
- Providing access to technology and services that helps meet regulatory requirements and continues to improve farming practices – [See page SR-47](#)

How we engage

- On an ongoing basis led by our Area Managers and Sustainable Dairying Advisors or equivalent
- At meetings and roadshows, and through our formal governance processes

Society



We create value by

- Complying with regulatory requirements, including food safety, marketing and environmental – [See page SR-15](#)
- Reducing our environmental footprint including GHG emissions, water consumption and waste – [See page SR-24](#)
- Contributing to the development of policy and responding to crises – [See page 17](#)
- Collaborating with industry partners to achieve international commitments – [See page SR-51](#)
- Taking a responsible approach to tax – [See page SR-55](#)
- Supporting international relations through our presence in global markets – [See page 4](#)

How we engage

- On an ongoing basis through our Global Sustainability, Stakeholder Affairs and Trade team
- Through formal consultation on important issues such as climate change
- Through partnerships on initiatives such as Living Water with the New Zealand Department of Conservation

Investors



We create value by

- Providing sustainable returns via earnings per share, dividends, and interest paid – [See page SR-57](#)
- Reducing investment risk through transparency and independent assessment – [See page SR-45](#)
- Providing opportunities to invest in New Zealand dairy nutrition through the [Fonterra Shareholders' Fund](#)

How we engage

- On a regular basis through updates, formal reporting and meetings coordinated by our Capital Markets team

Local communities



We create value by

- Providing direct and indirect, rural and urban employment – [See page SR-56](#)
- Lowering our environmental footprint – [See page SR-24](#)
- Supporting communities through natural disasters and crises such as floods – [See page 16](#)
- Providing access to nutrition through school nutrition programmes and food bank donations – [See page 17](#)
- Strengthening and enhancing our relationships with tangata whenua – [See page SR-21](#)

How we engage

- With interested groups such as NGOs through collaboration and consultation on specific topics
- On an ongoing basis with iwi around Aotearoa New Zealand through our Matakahi – Māori business development team
- Through public events, the media and our own social media channels

The world we operate in

The way food is produced and consumed is at the centre of many challenges facing society. With a growing population, consumers are looking for healthier and sustainable food options that don't threaten the planet's ability to support food production. We believe our pasture-based dairy has an important role to play.

Consumer trends

73%

of global consumers find sustainability pledges important when buying dairy products.

58%

of people look for the health-boosting claims of the dairy products they consume.

The world's population is growing, and so is demand for nutrition

NEXT
5 YEARS

400m



NEXT
10 YEARS

800m



NEXT
15 YEARS

1100m



Geopolitical events



The conflict in Ukraine, the economic crisis in Sri Lanka and COVID-19 are pushing food and energy prices up and adding fuel to inflationary pressures.

7.5%

Global inflation is forecast to rise to 7.5% by the end of 2022.

The planet faces interconnected crises



1/3rd

Globally, an estimated one-third of people suffer from at least one form of micronutrient deficiency.

670m

Projections indicate that nearly 670 million people will still be facing hunger in 2030.

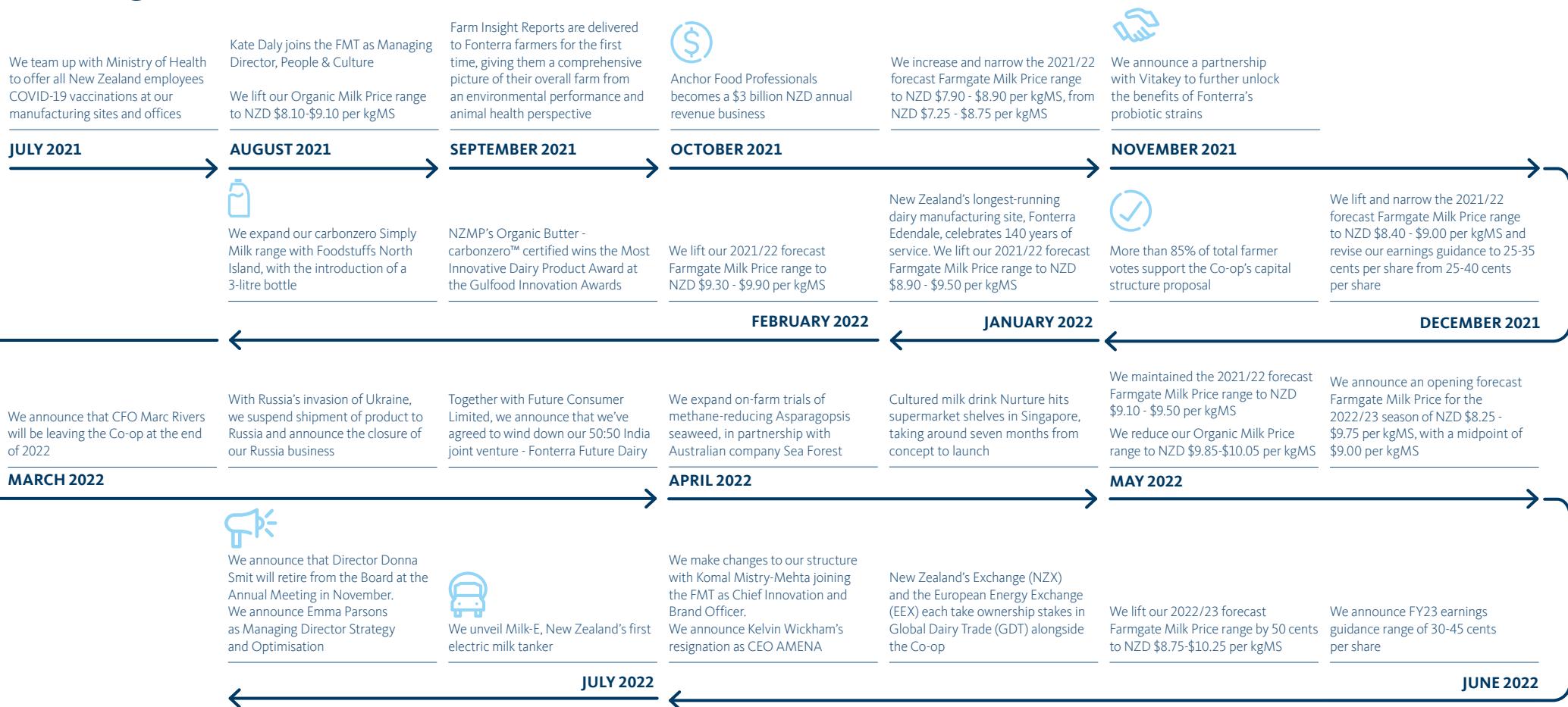
3.6b

In 2018, 3.6 billion people had inadequate access to water at least one month per year. It is estimated that by 2050, this will grow to 5 billion people.

x3

Worldwide obesity has nearly tripled since 1975.

Our year in review



Doing Good Together



Student at Waitara Central School
enjoying KickStart breakfast

50 million
KickStart breakfasts served
since the programme started

\$899,362
donated to community
projects globally

\$671,606
donated to community
projects in New Zealand

12 million
dairy serves donated to the
New Zealand Food Network

The communities we are part of have always been important to us. It's through community, kinship and coming together for a common cause that we create meaningful impact.

As a co-operative of 9,000 farming families, we know just how much good can come from working together, which is why we're working with partners right across the country. Because a better Aotearoa comes from Doing Good Together.

Guided by our Co-operative's purpose of empowering people to create goodness for generations, our community work is targeted where it is needed the most and where we can make a greater impact. Our three impact areas are:

- **Putting good quality nutrition in the hands of those who need it most:** We believe everyone should benefit from the goodness of dairy
- **Protecting and regenerating the environment:** We need to preserve our land, our whenua
- **Keeping our communities strong:** We want to create meaningful impact that goes beyond our farming families

Partnerships play a critical role in helping us make a sustainable difference. Working hand-in-hand with government, other organisations, not-for-profits and community stakeholders, means we can make a bigger impact.



Rebecca & Gracie, NZ Food Network

Putting good quality nutrition in the hands of those who need it most

Here in New Zealand, we work with Sanitarium and the Ministry for Social Development to give nearly 40,000 Kiwi kids the best possible start to their day through our KickStart Breakfast programme. This year we have been humbled to share our 50 millionth breakfast.

As a foundation donor partner of the New Zealand Food Network and through our work with Feed Out, we're helping to supply food banks throughout the country with nutritious dairy products. Together we have donated more than 15 million serves of dairy since July 2020 to help feed New Zealand communities.

Protecting and regenerating the environment

We are working with farmers, iwi, councils and communities to restore and enhance water catchments across New Zealand. We are taking the lessons learnt from our Living Water Partnership with DOC and scaling these across the country. The Co-op has more than 140 partnership initiatives underway, and have contributed \$1 million this year to partner organisations across Aotearoa.

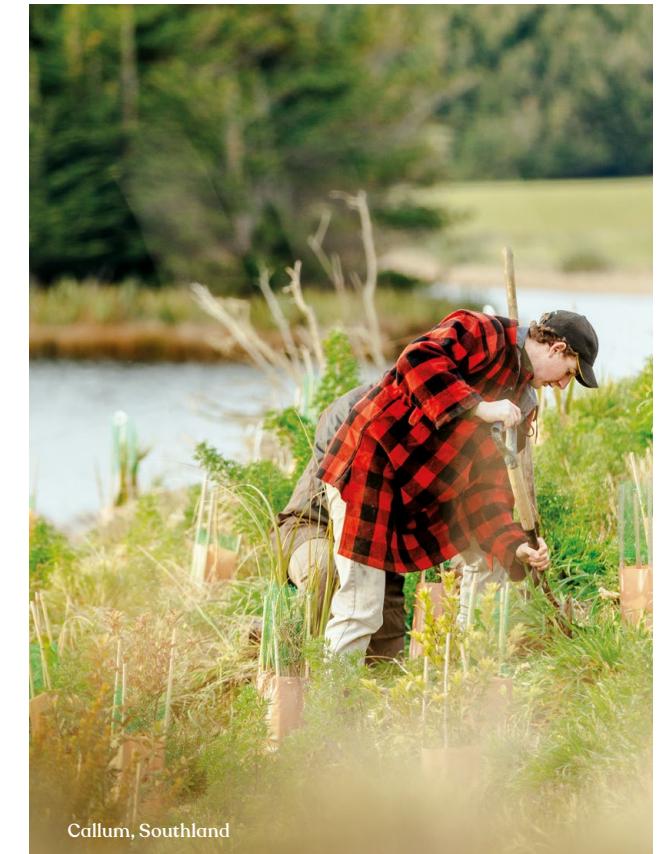
Keeping our communities strong

Hapori means community, kinship & coming together for a common cause, and through our 11 regional teams across New Zealand we work alongside our communities to create meaningful impact on the causes that are important to them. Through Hapori we have donated \$671,606 to community projects across the country.

As New Zealand's largest employer of volunteer firefighters, we're proud to have our contribution to the communities we live and work in recognised by Fire and Emergency New Zealand. Fonterra employees volunteer in over 60 fire stations across the country and in some communities they make up over 40% of the fire crews.

Global support

Globally, our focus has been to get our good quality nutrition into the hands of those who need it the most. We have supported aid efforts in Tonga following the volcanic eruption, donated dairy products to the Yayasan Food Bank in Malaysia and whole milk powder to Sri Lankan families impacted by the economic crisis.



Callum, Southland

Business performance



Emma & Daniel, Auckland

Our Co-op has delivered another strong financial performance, with a 2021/22 Farmgate Milk Price of \$9.30 per kgMS and normalised profit after tax of \$591 million.

With a total dividend of 20 cents per share for our fully shared-up farmers – comprising of an interim dividend of 5 cents per share and a final dividend of 15 cents per share – the final cash pay-out for farmers is \$9.50 per kgMS.

Like every sector, we've seen input costs rise sharply right through our value chain, but we've also seen a positive supply and demand picture. Throughout the year, demand for our milk has been strong, in the face of a shrinking supply picture for other dairy-producing regions.

Business Performance Dashboard



Reported profit after tax¹
\$583
↓ from \$599m



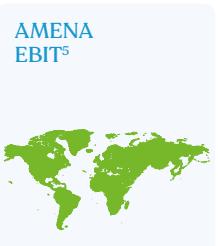
Reported earnings per share²
36c
no change



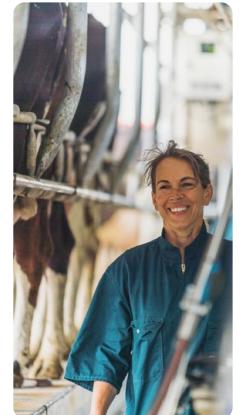
Normalised earnings per share²
35c
↑ from 34c



Return on capital⁴
6.8%
↑ from 6.6%



Total Group normalised EBIT³
\$991m
↑ from \$952m



Milk Price per kgMS
\$9.30
↑ from \$7.54

Dividend per share
20c
no change

Total pay-out⁴
\$9.50
↑ from \$7.74



Asia Pacific EBIT⁵
\$237m
↓ from \$305m

AMENA EBIT⁵
\$527m
↑ from \$336m

Greater China EBIT⁵
\$432m
↑ from \$403m



Net debt⁴
\$5.3b
↑ from \$4.3b

Gearing ratio⁴
42.4%
↑ from 38.5%

Debt to EBTIDA⁴
3.2x
↑ from 2.7x

Ingredients EBIT⁵
\$916m
↑ from \$365m

Foodservice EBIT⁵
\$138m
↓ from \$369m

Consumer EBIT⁵
\$142m
↓ from \$310m

¹ Reported profit after tax includes amounts attributable to non-controlling interests.

² Earnings per share excludes amounts attributable to non-controlling interests.

³ Total Group includes continuing and discontinued operations.

⁴ Refer to the Glossary for definition.

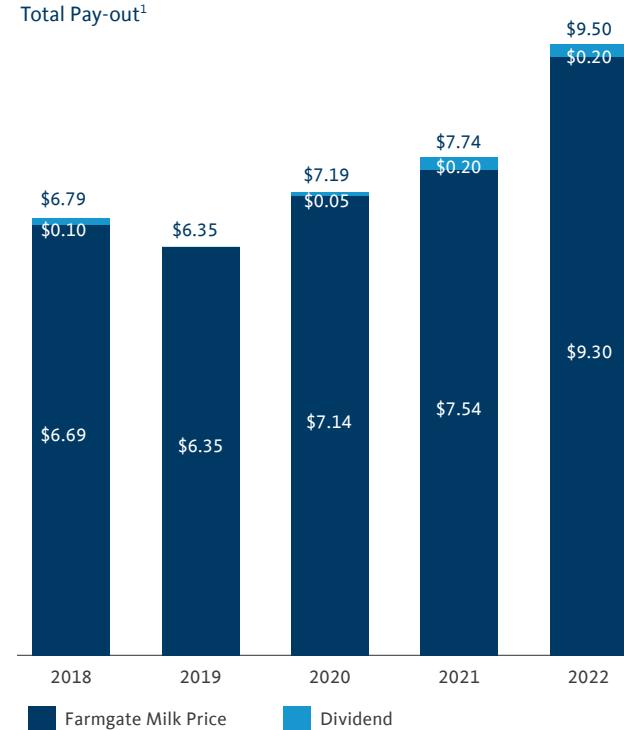
⁵ Prepared on a normalised continuing operations basis.

We returned \$9.30 on average for every kilogram of milk solids our farmer owners supplied us. Combined with a dividend of 20 cents per share, this means a total pay-out of \$9.50 per kgMS – a record pay-out for the Co-operative.

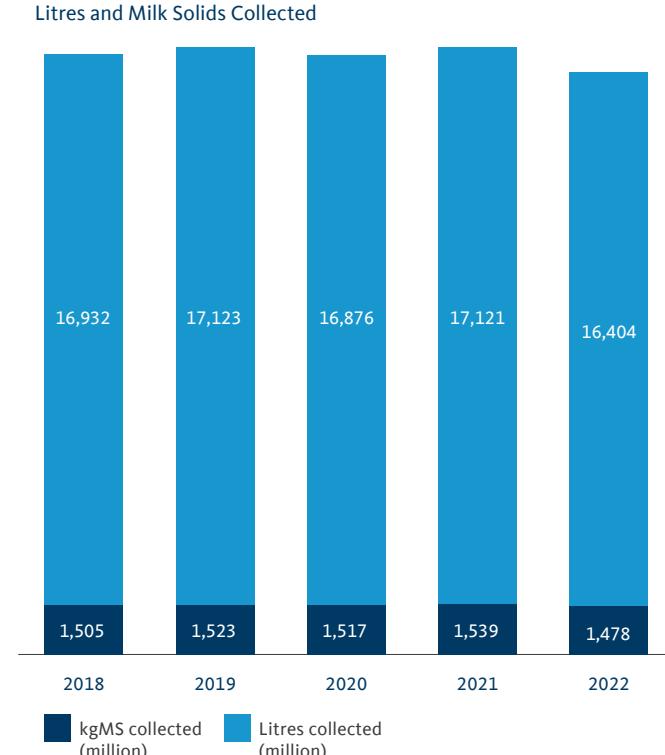
Normalised earnings per share increased 3% from 34 cents to 35 cents per share.

The higher milk price and earnings performance reflects strong demand for dairy across multiple markets and products at a time of constrained milk supply, global supply chain challenges and a significantly higher cost of milk for our businesses. This operating environment significantly increased our working capital requirements through the second half of the financial year and at financial year end, and our net debt was \$1 billion higher at \$5.3 billion.

Our strong balance sheet enabled us to absorb the increased working capital requirements and our net debt position is forecast to improve during the 2023 financial year as working capital returns to normal levels.



¹ Refer to the Glossary for definition.



Fonterra milk collections (kgMS) for the season were down in New Zealand by 4.0%, reflecting a cold and wet spring contributing to a lower peak in milk supplied

Our reported profit after tax of \$583 million is \$16 million lower than last year, with the prior year benefiting from larger gains from the sale of non-core assets.

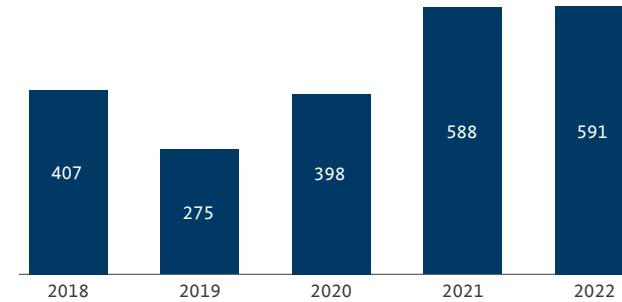
After removing the net impact of these gains, our underlying performance has improved despite a significant increase in the cost of milk and operating expenses, with normalised profit after tax up \$3 million to \$591 million.

Total Group gross profit is up 7% to \$3,340 million. The main driver of this performance was a significant increase in gross profit from our Ingredients channel due to stronger underlying market demand resulting in a broad strengthening of product prices and higher margins, particularly in our protein products such as casein.

Throughout the year we remained focused on allocating milk into products that generate the best overall returns to Fonterra and our farmer owners. This year we increased the allocation of New Zealand milk solids to our Active Living products within our Ingredients channel, as we look to shift volume away from Core Ingredients products to higher value products.

The improved Ingredients performance was partially offset by the impact of higher milk input costs in our Foodservice and Consumer channels. Where possible, our in-market teams worked with customers to adjust sales prices to reflect the increased costs in our Foodservice and Consumer channels. However, we have not been able to fully adjust pricing at the same rate as our cost increases.

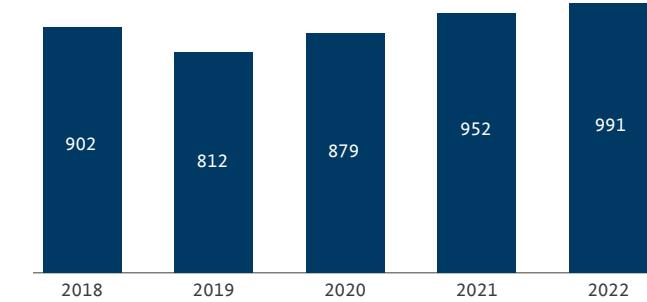
Normalised Profit After Tax¹ (\$ million)



¹ Includes amounts attributable to non-controlling interests.

Our performance was also impacted by the deterioration of economic conditions in Sri Lanka. The US dollar appreciated around 80% against the Sri Lankan rupee over the third quarter, resulting in a \$80 million adverse revaluation of our business payables, impacting our EBIT. To reduce the impact of the Sri Lankan crisis we chose to limit sales volume into Sri Lanka, resulting in lower sales volume and milk solids being allocated to our Asia Pacific Consumer channel during the second half of the financial year. Sri Lanka has historically been a strong business for us, and our brands Rattih and Anchor are the top two consumer dairy brands in the country. We remain committed to the market and making dairy products available to consumers by continuing to operate, but at a restricted capacity to mitigate further impact to our business in the current economic climate. In our Asia Pacific business we also recognised an impairment of \$34 million on our Asia Brands - Annum, Anlene and Chesdale.

Total Group Normalised EBIT (\$ million)



Total Group reported EBIT increased 2%, or \$17 million, to \$976 million. Normalisation adjustments for the year were an adverse \$15 million, a decrease of \$22 million on the prior year's net favourable normalisations of \$7 million, which included gains on sale from the Ying and Yutian China farming hubs and the China Farming joint venture, but partially offset by realised losses on the sale of Beingmate shares and a further impairment of the carrying value of DPA Brazil.

This year's normalisations comprise of the \$42 million gain on sale on the partial sale of the Global Dairy Trade (GDT) with a further \$57 million pre-tax impairment made to the value of DPA Brazil.

After removing the impact of the gains from asset sales and impairment of DPA Brazil, our underlying performance improved by \$39 million, with a normalised EBIT of \$991 million.

Total Group normalised EBIT, which reflects underlying business performance, was up 4% to \$991 million. This comprised \$982 million from our continuing operations and \$9 million from our discontinued operations – which are DPA Brazil and our Hangu China Farm

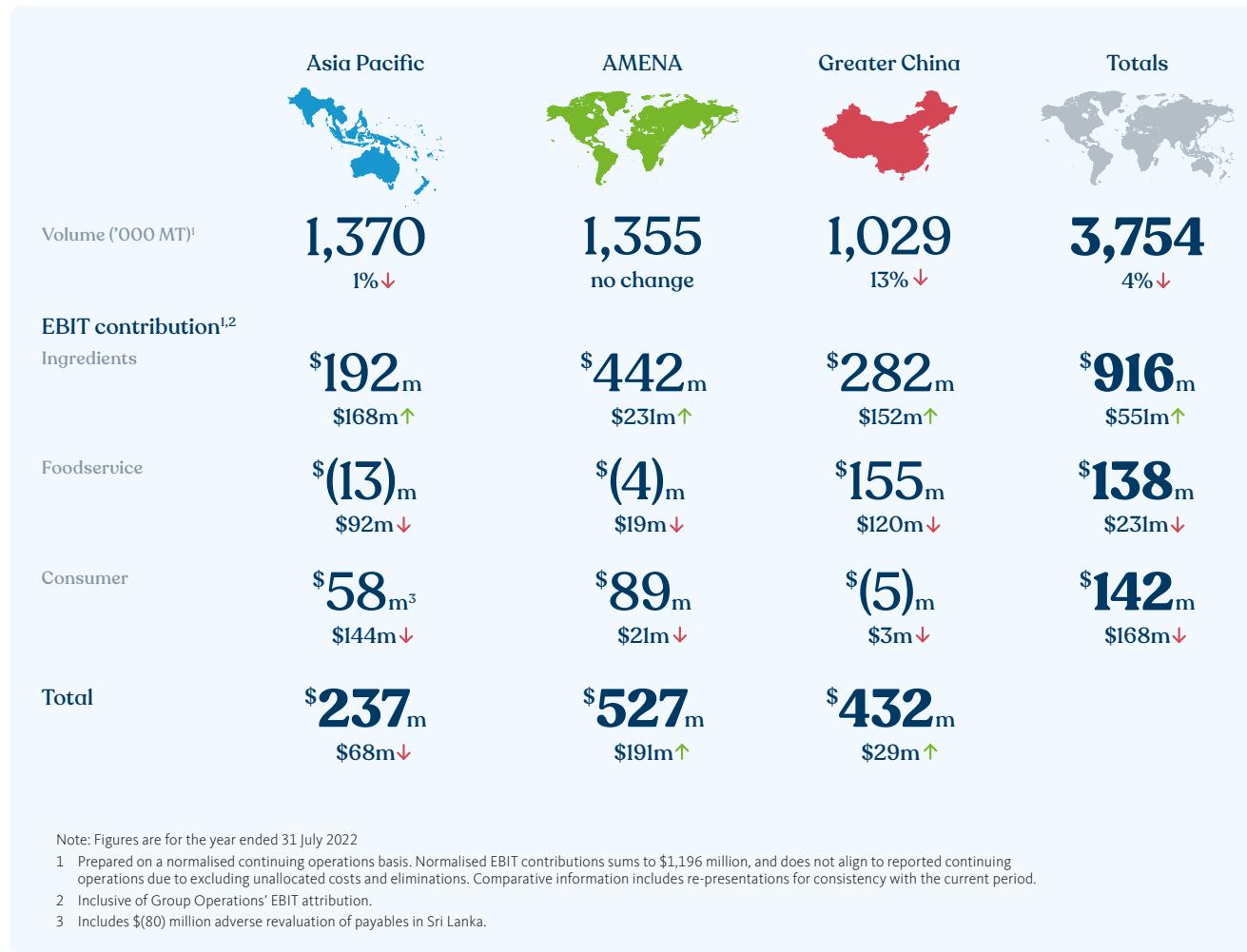
Breakdown of Total Group Performance

FOR THE YEAR ENDED	31 JULY 2021			31 JULY 2022		
	NORMALISED BASIS NZD MILLION	CONTINUING OPERATIONS ¹	DISCONTINUED OPERATIONS ¹	TOTAL GROUP	CONTINUING OPERATIONS ¹	DISCONTINUED OPERATIONS ¹
Sales volume ('000 MT)	3,874	228	4,102	3,706	218	3,924
Revenue	20,565	559	21,124	22,953	472	23,425
Cost of goods sold	(17,581)	(429)	(18,010)	(19,737)	(348)	(20,085)
Gross profit	2,984	130	3,114	3,216	124	3,340
Gross margin (%)	14.5%	23.3%	14.7%	14.0%	26.3%	14.3%
Operating expenses	(2,153)	(89)	(2,242)	(2,284)	(113)	(2,397)
Other ²	65	15	80	50	(2)	48
Normalised EBIT	896	56	952	982	9	991
Normalisations ³	(9)	16	7	42	(57)	(15)
EBIT	887	72	959	1,024	(48)	976

1 Refer to Note 1a and 2b of the FY22 Financial Statements.

2 Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.

3 Refer to the Non-GAAP Measures section of the report.



Looking at our continuing operations on a regional basis;

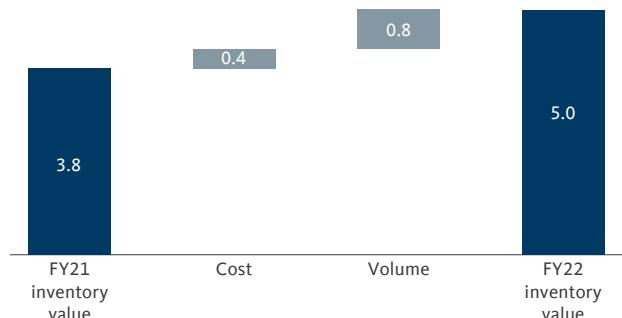
- **Asia Pacific** normalised EBIT decreased 22% to **\$237 million**, due to the Foodservice and Consumer channels being impacted by the increased cost of milk and weaker market conditions including the impact of COVID-19 restrictions, particularly in South East Asia. The Consumer channel was also impacted by the economic crisis in Sri Lanka. The reduced earnings in the Foodservice and Consumer channels were partially offset by a significant improvement in the Ingredients channel due to improved product prices.
- **AMENA** normalised EBIT increased 57% to **\$527 million**, due to higher gross margins in the Ingredients channel, reflecting a broad strengthening of product prices, particularly in our protein products such as casein. Our Consumer business in Chile performed well, but overall, the Consumer channel EBIT was down on the prior year.
- **Greater China** normalised EBIT increased 7% to **\$432 million**, due to higher gross margins in the Ingredients channel, driven by improved pricing of our protein portfolio and allocation of greater volume to higher margin ingredients. This was partially offset by the lower sales volumes and gross margins achieved in the Foodservice and Consumer channels due to increased input costs and the impact of strict COVID-19 restrictions.

Financial discipline

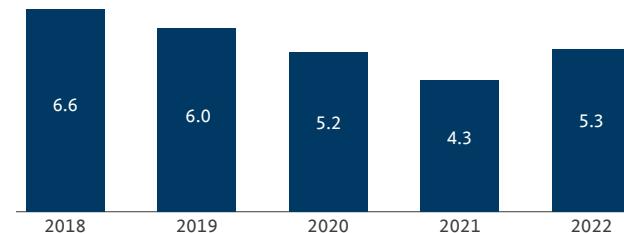
As at 31 July 2022, our working capital increased \$1.6 billion reflecting:

- Higher inventory of \$1.2 billion, due to higher milk price and higher inventory on hand at year end due to increased late season milk production and shipping constraints
- At year end we held an additional 126,000 MT of product. 88% of total inventory was contracted with an agreed price prior to year end
- Higher receivables due to increased sales revenue in the month of July 2022 compared to the prior year, partially offset by;
- Higher payables reflecting increased accruals for capital expenditure, amounts owing to suppliers due to higher milk prices and the impact of supply chain disruptions.

Closing Inventory as at 31 July (\$ billion)



Net Debt¹ (\$ billion)



¹ Comparative figures are shown on a consistent basis with current year. Refer to Glossary for definition.

As a result of higher working capital requirements, our net debt increased \$1.0 billion.

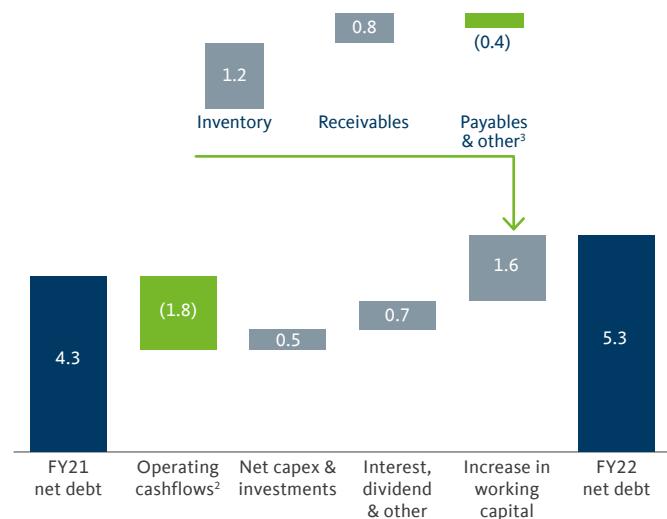
We have steadily reduced our net debt over the period to 2021, through the alignment of our asset portfolio and improved underlying operating performance. However, this year our net debt has increased \$1 billion due to:

- cash generated from operations increasing \$479 million on the prior year to \$1.9 billion. After tax of \$137 million, this is \$1.8 billion in operating cashflows excluding changes in working capital

Offset by:

- net cash flow used for investing activities of \$517 million, which was predominantly capital expenditure
- funding of \$0.4 billion of dividends and interest payments of \$0.3 billion, and
- increase in working capital of \$1.6 billion

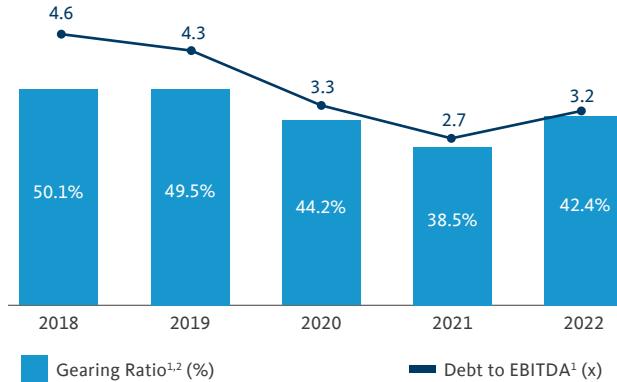
Change in Net Debt¹ (\$ billion)



¹ Refer to Glossary for definition.

² Excluding working capital.

³ Includes supplier payables and other movements.

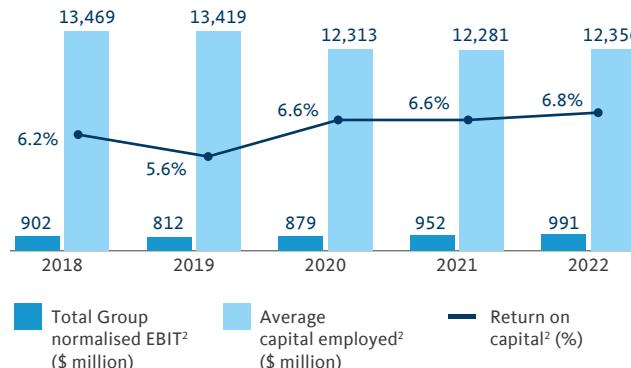
Leverage Metrics

¹ Refer to Glossary for definition.

² Comparative figures are shown on a consistent basis with current year.

Both leverage metrics, gearing ratio and debt to EBTIDA ratio, have increased due to the higher net debt.

Our strong balance sheet enabled us to absorb the increased working capital, and we expect both our net debt position and leverage metrics will improve during the 2023 financial year as working capital returns to normal levels.

Return on Capital¹

¹ For a reconciliation of return on capital calculation see page BP-19.

² Refer to the Glossary for definition.

Total Group return on capital improved from 6.6% to 6.8%

The improvement in our return on capital was primarily due to the increase in our normalised EBIT. The impact of the improved EBIT was partially offset by the additional working capital increasing our average capital employed.

The impact on our average capital employed from year end net debt increasing by \$1 billion is limited due to our low net debt position at the start of the year, and the significant increase in working capital requirements only impacting towards the end of the second half.



On-farm



Blair, Billie, Penelope & Joe, Tararua

The 9,000 farming families across our Co-op are committed to producing the world's most sustainable, high-quality dairy.

Here in New Zealand, we have many natural advantages – a temperate climate, lush grass and a pasture-based system, but at the heart of it all is our farming families, who care for their animals and care for their land.

Our farmer owners know that we will take care of their precious milk, and that we'll move it into the most valuable products and markets. This gives the owners of our Co-op control of their own destiny and the certainty to invest in their businesses.

Being part of our Co-op means working together to address some of our biggest on-farm challenges. New Zealand dairy farmers are already among the most carbon-efficient in the world, but together we are working hard to ensure that dairy farming and the environment can thrive for future generations.

Having a strong farmer-owned co-operative is important to every New Zealand dairy farmer and for the country as a whole. It enables efficiency and supports innovation. Our milk price sets the New Zealand benchmark.

The Co-operative Difference

The Co-operative Difference is our way of encouraging the positive practices on-farm that support our strategy of maximising the value of our New Zealand milk.

Integrating our global view of current and future market trends and insights, The Co-operative Difference framework provides farmers the confidence to invest on-farm, for the future. Requirements are organised within five key areas – the Environment, Co-op & Prosperity, Animals, People & Community and Milk Quality.

Through supporting our farmers' achievement, the Co-op stays at the forefront of key issues such as safety, animal wellbeing and sustainability while recognising those farmers who consistently provide the highest quality milk. Ultimately, it means our milk is backed by the quality and sustainability credentials our customers and communities expect.

The Co-operative Difference was launched in 2019 to give farmers the opportunity to adapt and for the first time this year, up to 10 cents of each farm's milk payment has been determined by performance under the framework.

There are three levels of achievement under The Co-operative Difference:

- **Te Pūtake:** achieving this first step is all about looking after people, animals, the environment and our Co-op. Reaching Te Pūtake receives an additional 7 cents per kgMS for all milk supplied during the season.
- **Te Puku:** reaching Te Puku means achieving Milk Quality Excellence on at least 30 days during the season. Once this is achieved, all milk supplied during the season that meets the milk quality excellence standard attracts an additional 3 cents per kgMS on top of the base price and the Te Pūtake component of the Co-operative Difference payment.
- **Te Tihi:** this recognises those in the Co-op who consistently deliver the highest quality milk. Achieving Te Tihi means achieving Milk Quality Excellence for 90% of the season. There is no additional payment for Te Tihi - it is simply about recognising those at the top of their game.



This year, up to 10 cents of each farm's milk payment has been determined by its sustainability credentials and milk quality.





Addressing the methane challenge

Fonterra farmers are world leaders when it comes to their care for their animals and the environment. Our Co-op's milk has a carbon footprint one third the global average, but we know there's more we can do.

We're stronger together and that's why we're working with Government, our sector and commercial partners to find a solution to the on-farm methane challenge.

We've also made progress on some of the methane-busting projects we've been working on, with on-farm studies now well underway.

In partnership with Australian company Sea Forest, we've expanded on-farm trials of Asparagopsis seaweed in Tasmania to understand if using it as supplemental feed can replicate lab trials that have seen emission reductions of over 80%.

"Asparagopsis seaweed looks like it could be the first viable option we have had to achieve major emission reductions, and although it's early days, it could potentially be part of the future sustainability of our industry."

– Richard Gardner, Fonterra Farmer

Working with Royal DSM, a global science-based company, we're testing whether DSM's feed additive product Bovaer®, which reduces methane emissions from cows by over 30% in non-pasture-based farming systems, can do the same in New Zealand's pasture-based farming systems.

With MPI and DairyNZ, we've expanded a promising trial with Nestlé to include plantain in a cow's diet to reduce the amount of nitrogen produced, reduce carbon emissions and improve freshwater quality.

We're also tapping into our large collection of dairy cultures to create new fermentations we are calling Kowbucha™, which could inhibit the methanogens that create methane in cows.



Richard & Sam, Tasmania

Farmers put a lot of time and effort into recording data that provides evidence they're producing milk in a way our customers require. Through individual Farm Insights Reports the Co-op is able to help farmers get greater visibility of what's happening on their own farms.

Each report gives farmers a comprehensive picture of their overall farm performance from an environmental, milk quality and animal health perspective. This year, for the first time, the reports will include a fertiliser efficiency report. These insights are in addition to the GHG emissions report, Nitrogen Risk scorecard and insights on things like somatic cell count, heat stress, milking efficiency and lameness. Our local Farm Source team can help farmers maximise the value of the reports by working alongside them to understand information and identify areas of opportunity.

"For us, the information was empowering. If I have our people engaged in what they're doing, then it makes it easier to implement the plan. I always say it's the people in the gumboots that make the difference."

– Dave Hislop, Fonterra farmer

Improving water quality

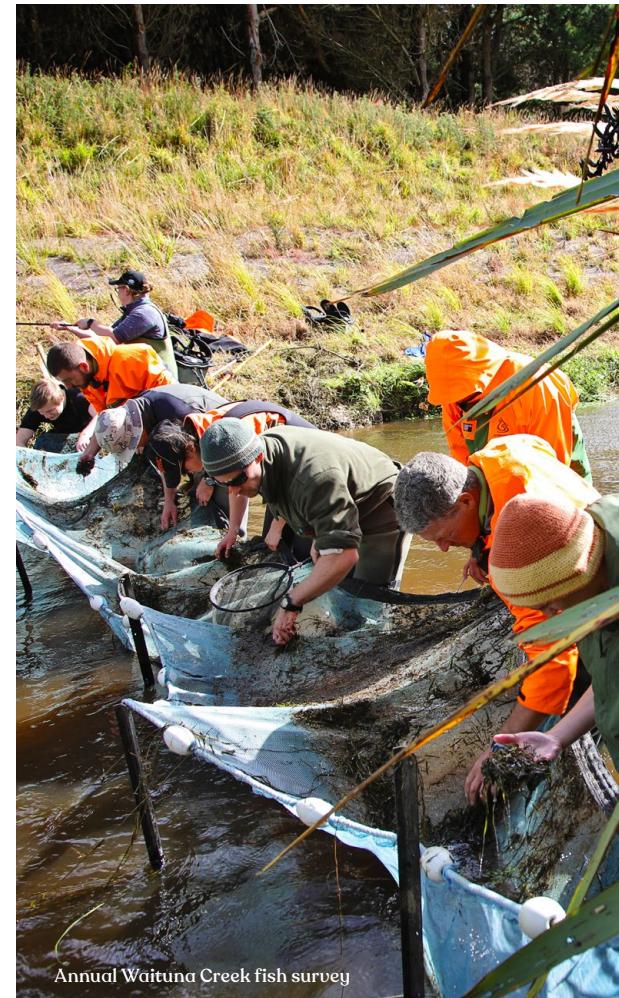
Through the 6,200 Farm Environment Plans we've delivered so far, farmers have bespoke plans that help them work towards improving water quality on farm.

For the last nine years, we've also been working with the Department of Conservation (DOC) on our Living Water partnership. The partnership brings together communities, farmers, scientists and iwi in five catchments across New Zealand, to trial game-changing and scalable solutions across different freshwater environments. These include on-farm tools, catchment-based solutions and addressing implementation barriers including funding, consenting, capability and waterway management.

One example being trialled on farm is a woodchip bioreactor that could reduce nitrates in the Ararira River in Canterbury. If successful, in-stream tools like this could be used in key areas around the country. By partnering, we're making it easier for farmers, iwi and communities to accelerate freshwater improvement.

The partnership is also supporting a new project that helps farmers make the best decisions for the environment based on better landscape information. Living Water and Land & Water Science recently launched a new web-based map LandscapeDNA tool, which integrates landscape properties and cutting-edge science to understand why water quality varies.

It brings next generation spatial landscape data into one platform, putting landscape information in the hands of our Fonterra farmers, helping them to manage their land, while minimising the risk of pollution and maximising production.



Supporting our farming families

Being part of a co-operative means supporting our farming families. Many know Farm Source as our network of 66 rural retail stores across the country, but there's much more to the team than that.

Alongside our store teams, Farm Source has regional services teams, digital tools and advisors who work alongside our farmers, helping them produce the highest quality milk in the most sustainable way. Our retail stores maximise our collective scale to deliver competitive prices to farmers, while our Sustainable Dairy Advisors support farmers on their sustainability journeys.

“In our simplest form, we are our Co-op’s farmer-facing team across the country. We are passionate, local people who work hard every day to help lower on-farm costs, provide on-farm support and advice, and support rural communities.”

– Anne Douglas, Director Category, Marketing & Digital Innovation



Lending a hand

Dairy farming is the economic engine that powers New Zealand, this year contributing \$13.7 billion to the domestic economy in milk price payments alone. But the impact of our Co-operative extends far beyond just our financial contribution.

Through our Doing Good Together programme ([page 16](#)), our community work is targeted where we can make the biggest impact. That includes working alongside our communities to help make them more resilient.

Over the last year, we teamed up with the Rural Support Trust (RST) to improve the health and wellbeing of our rural communities and support our farming families. In the wake of the 2021 South Island floods, a Fonterra Good Together rugby team, coached by Scott 'Razor' Robertson, beat the Parliamentary First XV, raising \$100,000 for the RST in the process.

This year, we supported RST's Time Out Tour which took TV presenter turned sheep and beef farmer, Matt Chisholm, to communities across New Zealand, where he shared his experiences of mental wellness and resilience.

The RST was also one of the beneficiaries of an idea suggested by Micha Johansen, one of our farmer shareholders in Eketahuna. Micha suggested that farmers could donate their Farm Source Reward Dollars to charity instead, with the RST, the New Zealand Food Network and Feed Out all benefiting from her idea.

Feed Out NZ - a nationwide charity that supplies milk to city missions and food banks – also joined our Doing Good Together programme this year. Founded by farmer owner Wayne Langford, Feed Out NZ allows farmers to donate milk which the Co-op turns into milk powder to be distributed by the New Zealand Food Network to those most in need.

"As farmers, we can tell a thousand stories of the great things we are doing on-farm, but nothing will speak louder than giving a family a meal when they are at their most vulnerable."

– Wayne Langford, Feed Out founder and Fonterra farmer



Sharing our know how

As well as being among the most carbon-efficient milk in the world, our dairy is also packed with nutrients, thanks to our pasture-based system. As part of the New Zealand Embassy's Hokkaido partnership in Japan, we've been using our know-how to help farmers in the Hokkaido region convert to grass-fed farming.

Japan is the world's largest importer of grain feed for dairy cows so as well as being more environmentally friendly, grass-fed farming also makes good business sense. The region's soil and climate are well-suited to grass-fed farming, and conversion, where appropriate, helps transition grass-fed from a niche farming system to a successful sustainable model with widespread demand.

Our farmer owners have shared their experiences through regular seminars and we have recently extended our commitment to the programme.

Honour Roll for On-farm Excellence

Thank you to all our farmer owners who have worked hard in the 2021/22 season to provide safe, high-quality milk. In addition to the honour roll, we acknowledge the efforts of all our farmer owners for their commitment to on-farm excellence and producing the best possible milk.

Legend

Farming entities that achieved Grade Free for at least the last 10 seasons

A & N Harvey Family Trust	C & H Mabey	F A & R C M Smits Ltd	J & LM Van Burgsteden	R S & R D Gordon	W J & J G Pile Family Trust
A Holten & N Brown	C J & C J McKenzie Limited	Farmer Fred Ltd	Kemra Farm Ltd	Rainbowcreek Farms Limited	Waicola Holdings Ltd
Ashgrove Dairy Farms Limited	C M & K M O'Donoghue	Fowler Family Prosperity Trust	Maken Milk Ltd	S G & B L Thirkell	Waiotu Farms Ltd
Barmac Dairies Limited	Caskey Farms	G J Farms Limited	Owhango Farms Limited	Schorn Trust	Waituna Investments Ltd
Black & White Cow Company Limited	Cotlands Ltd	Glen Eden Otago Ltd	R & P Woods Farms Ltd	Shawlink Ltd	Whenuakura Farm Limited
	D C & V F Frew	Golden Mile Farms Ltd	R & S Singh	T D & J A Rhind	

Te Tihi

Farming entities that achieved The Co-operative Difference Te Tihi (Level 3)

A & C Hodges Family Trust	Aerodrome Farm Limited	Arahwi Farm Limited	B M & J A Ahlers	BLL Farm Trust	Burnell Farms Limited	Casterbridge Farms Limited	Cview Trust	Daybreak Farms Limited
A B Lime Limited	Aghern Holdings Limited	Aramaunga Farms Limited	B M & R M Sarten	Blom Family Farm Limited	Burton Farm Trust	Clan Leslie Limited	D & D M Coupe Trust	DB & MJ Kalma Ltd
A D Harwood Limited	Ahipaipa Farms Limited	Ararata Holdings Limited	B W & C A McNeil	By the Beach Company Limited	Claremont Trusts Partnership	D & K M Kavanagh	D & K M Kavanagh	DDB Dairy Enterprises Limited
A G & G F J Pijfers	Akaranra Partnership	Ardendale Farm Trust	B W & S J Phillips	BM & GI Watson Limited	C & H Mabey	Clarendshelf Forty-Three Ltd	D & K Verryt Farms Limited	Deebury Pastoral Partnership
A H & B M Kuttel	Alan & Lynette Smith Family Trust	Arnmore Dairy Limited	B W E Binnie	Brensan Farm Limited	C G & A M Janson	D C & C N Davison	D C & V F Frew	Deltabrooke Farms Limited
A H Baxter Limited	Ashmore Limited	Barnsdale Farms 2014 Limited	Barnsdale Farms 2014 Limited	Brentwood Farm (2003) Limited	C G & J A Venn	Clemcorp Ltd	D G & H A Bloor	Dennis & Donna Gill Family Trust
A J & B M Simmonds	Albert & Karen Pouwels Limited	Ashvale Jerseys Limited	Barridge Farms	C J Biddle & R Godinagh	Clyde Colin Bishop	D J & J A Veen	Dennley Farms Ltd	Dennley Farms Ltd
A J & Est L R Arnet	Askin Plains Dairy	Baucke Family Trust	Brittany Trust Partnership	C J Dairies Limited	Clyde Dairy Farm Ltd	D M & J C Brogden	Department of Corrections	Derrynane Family Trust
A J & P T Bryant	Alderbrook Farms Limited	B & G Park Limited	Beckett Family Trust	C M & K M O'Donoghue	Collingwood Farm Trust	D M J S Trust	D P & T M Stephens	Dillons Farms Ltd
A L & W A Mullan	B C & H J McLellan	Belbrook Farming Limited	Brookside Farms	C & F Farms Limited	Cornik Farms Limited	D R & J B Wallace	D R & J E Gilchrist	DJ & AJ Williams Ltd
A P Jones & J G Craw	Alkington Limited	B F & S J Gordon	Brookside Farms No2	Cairra Farms Limited	Corona Farms Ltd	D R & M E Kidd	D W & M E Kidd	Dodd Farms Limited
A R & P A Hayward	Alley Farms Limited	B H & L J Bourne	Broughshane Farm Limited	Cantley Developments Limited No 1	Cotlands Ltd	Dammar Farms Ltd	Dammar Farms Ltd	Dogterom Farming Limited
A T & J L Hughes Trust	Allison Family Farms Limited	B J & D A Verryt Family Trust	Belrali Farm Limited	Brunswick Downs (2014) Limited	Careyfarm Limited	Daniel Symons		
A8 Enterprises Limited	Alpine Rose Limited	Benmore Downs Limited	Bell Family Farms Limited	Bromski Farms 2001 Limited	Cashmore Investments Limited			
Abbey Farm Partnership	Andesite Trust	Berry Farm Limited	Berry Farm Limited	Bucman Trust	Craigower Farms Ltd			
Abbott Trusts Partnership	Aniwhenua Farms Limited	B J & R Goodwin	Bj & TM Verryt Limited		Cressey Dairies Ltd			
	B L & D J Haylock	Bj Caird Limited						

Te Tihi Continued...

Dogterom Thomson Limited	Farnley Tyas (2018) Limited	Glenmore Farm	Hopcroft Farms Limited	K & LG Pickett Limited	L K Farms Partnership	M P & V M J Joyce Trusts P/Ship	Milestone Trust	P J & H J Horo
Dogterom Thomson Ltd	Feeistra & Bouwmeester Company Limited	Glenmore Farming	Huntersview Farm Ltd	K A & N J Riddington Ltd	L M Farms	M T & D H Simpson	Milk Power Ltd	P J & K J Henderson
Donald Pearson Farm Ltd	Trust	Glenrowan Trust	Hunly Road Dairies Ltd	K C & D M Gooch	L P & I Bylsma	Maandonks Farm Limited	Minus 1 Trust	P J & M E Gamble Family
Doneve Agriculture Limited	Fernhill Farms Koru Ltd	Glenwrae Farming Ltd	Hwtian Tune Holdings Ltd	K C & L M Berry	L S & K A Phipps	Macedonian Properties Limited	Molehill Farm Ltd	Trust
Doric Trust	Finch Contracting Limited	GM & AM Woolley	I & M Selak Ltd	K G Reeve	Landcorp Farming Ltd	Macken Farm Ltd	Moo2U Ltd	P J & T L Walsh Family
Drought & Kalin Family Trusts Partnership	Firdale Farms Limited	GN & LG Burgess	I G Haigh	K J & H Chalmers Ltd	Langman Family Trust	Maerewhenua Investments Limited	Moonlight Farms Trust Ltd	Trusts
Drumderg Farm Ltd	Flaxwood South	Golden Mile Farms Ltd	I J Versalko and I J Versalko Family Trusts	K J & P J Death Family Trust	Lawson Road Farm Ltd	Mahdeen Partners	Morag Farm Limited	P Jones Family Trust
Dryden Farming Limited	Fleming Family Trust (2006) Ltd	Gordon Dale Farms	Ingram Farming (2003) Limited	K J & S R Crowley	Le Emari Trust - Morven	Mahunga Farm Limited	Mullerherwo Farming Ltd	P M & K F Westenra
Drylands Trust	Flo New Zealand Limited	GP Wilson	K R Vollebregt	K R Vollebregt	Le Emari Trust T/A Willowbridge Dairies	Manganui Partnership Limited	Murphy Farms Limited	P M & K J Clinton Family
E A White Ltd	Florida Farms Ltd	Granity Dairy Limited	K W Laing	Lenek Farms Limited	Leniburn Valley Dairies Ltd	N K & A M Fox	Netherland Holdings Ltd	Trust
E B & J L Day	Fonterra -Kapuni Farm 1	Green Sky Dairies Limited	Inveraray Dairy Ltd	Kahikatea Dairy Ltd	Lobblinn Farms Ltd	Mangaroa Farms	Newlane Trusts	P N & D L Waite Family
E C Briden & Sons Ltd	Freely Farms Ltd	Ivesburn Limited	Ivy Plains Ltd	Kairoa Dairies 2016 Limited	Loch Ness Farm Ltd	Mangatoki Partnership	Ngahape Valley Farm Ltd	P S & H J Wilson
E J & A M Kiser	G & C Came Ltd	Greenhart Limited	J & D Reynolds	Kanuka Terrace Limited	Lochlea Partnership	Mary Rose Trust	Ngai Tahu Farming	P T & E A Kelly
E T De La Rue	G & N Wightman Farms Ltd	Gregory Farms Ltd	J & J Van Polanen Family Trust	Kauri Karaka Ltd	Lowburn Dairy Farms Ltd	Mathieson@Rongomai Limited	Ngatitu Whanau Trust	P W & S J Ryan
E.K. & M.J. Chisnall Ltd	G & P R Rennie Ltd	Greywacke Farms Limited	J & P S Malcolm	Kauri Moor Farms Limited	LR and SJ Hammond Limited	Matricksen Ag Holdings Ltd	Nicholson O'Rourke Ltd	P.J. and H.J. Horo Family
Ealing Dairies Limited	G A & K T Lynch	Guy Wong & Son Ltd	J H & H R Smyth	Kavanagh Trust Partnership	Ludell Limited	Nilock & Camole Trusts	Pahtuna Farms Ltd	Trust
Edge Holdings Limited	G A Knight	Gwen-May Trust	J H & R Cotman	Luscombe Partnership	Maude Peak Farm Trust	NP & AE Bluett	Pakarau Heights Ltd	
Est C W Schultz	G B & J S Coulter	H & H Singh Sandhu	J L & K S Gwerder Family Trust	Keelinn Farms Limited	Maxlands Farms Limited	NP Van Straalen Family	Parekarangi Trust	
Est of M F Blake & M Blake	G B and S J Harrison Ltd	H J & A M Van Hout	H L & J E Wallace	Keitra Farms Limited	McClean's Pampas Grass Ltd	O'Connell Dairy Ltd	Pastoral Holdings Ltd	
Estate M J Abbott	G G Ring	H L & M L North	J M & L M North	Kelvin Vickers Family Trust	McClelland Dairies Ltd	Old Kookaburra Farms Limited	Paton Trading Company Ltd	
Estate of T J Hailes	G I Norgate	Haket Trust	J M Mellow	M & A Schrader Family Trust	McCullough Family 2008 Ltd	Oporo Farms Ltd	Paul Kay Family Trust	
Evans Partners Ltd	G L & G F Bell	Hall Agri Ltd	J R & B R Murdoch	Kemra Farm Ltd	McCullough Orakau Farm Trusts Partnership	Oreti Plains Agriculture Limited	PB & CF Purdie Family	
Evergreen Ventures Ltd	G M & D M Tomsett	Harakeke Dairy Ltd	J R & J P Barrett	Ken Bullians Trust	M A Watt Family Trust	Orini Downs Station Limited	Peebles Siding Dairy	
Eyretonlea Partnership	G P & D J Wolvers Family Trust	Hartland Pastoral Limited	J W & A M Steeghs	Kilfinan Farm Ltd	M B & K M Watkins Family Trust	Orongo Meadows Ltd	Limited	
Eyretonlea Partnership	G P & M E J Voogt	Haswell Farm Limited	Jackel Trust Partnership	Kilkenny Farm Ltd	M C & M Davey	OTO Trust	Pine Bush Grazing	
Eyrewell Dairy Ltd	G P S 2007 Ltd	Jaska Farm Trust	Jareem Trust	Kilvarock Farming Company Ltd	M E Hunt & Son Ltd	Owen & Robyn Ruddell Partnership	Limited	
F A & R C M Smits Ltd	Galloway Enterprises Ltd	Jersey Collective	Jask Farm Trust	KJ&HL Uhlenberg(Waitui)Farm Tr. P'Ship	M F & D C Robinson Trust Partnership	Pinelane Trust		
Fairfax Stonehouse Farm Ltd	Geordie Farms Limited	JF & LM Le Fleming	JM & RM Martin	Kohinoor Farms Ltd	McDonald Farming Company (Ohau) Ltd	Pineridge Partnership		
Fairview Dairies Ltd	Gilray Partnership	Highfield Farm Holdings Ltd	Joblin Partners Limited	Kowalski Farms Ltd	McNab Farms Limited	Pirie Farms Limited		
Falcon Farms Trust	Gladvale Farms Ltd	Hildersea Limited	Johns Hill Trust	KRTH Limited	McSwag Limited	PKW Farms LP		
Farm Partners Limited	Glanton Holdings Limited	Partnership	Hogsback Limited	Kyle Farm (2005) Limited	M J & L M Van Tiel	P B & D P White		
Farmbuild Milk Company Ltd	Glenarine Limited	Jomar Farm Ltd	JS & KJ Lorimer trading as Laurel Hill Farm	L & A Verstappen	M J Robertson	P B & E J Chick		
Farmer Fred Ltd	Glendine Ltd	Hollands Farm Limited		L & M Wild River Limited	M L & K I Clark Family Trust	P G & J G Wilson Family		
	Glengairn Trust	Homelands Ltd			M M & L Baxter	Mid Island Farms Limited	Pomona Farming Limited	
						Midway Holdings Limited	Ponga & Pukeko Farms Ltd	

Te Tihi Continued...

Port Molyneux Dairies Limited	Riverview Trust	Searle's Dairy Ltd	Tablelands Dairy Limited	Turney Farms Limited	Westbrook Farming Company Limited
Poyer & Swanney Partnership	Roaring View Farms Limited	Shawlink Ltd	Tamatea Farms Limited	Twin River Dairies Ltd	Westmere Co (2007) Ltd
Premier Dairies Limited	Robren Farms Ltd	Sheenfield Farms Ltd	Taradise Farm	Tyndale Family Trust	Whakahau Trust
Prima Farms Ltd	Rockburn Dairy Ltd	Shenandoah Trust	Taranga Town Supply	Tyrone Trust P/Ship	Whakahora Farm Ltd
PT & CA Shearer Family Trust	Rogers Farming Ltd	Silverdene Farms (2000) Ltd	Tatiara Ltd	Uruwhenua Farms Ltd	Wheyland Farms Limited
Pukerua Farm Ltd	Rolling Farms Limited	Sisley Farms Ltd	Tauhei Farms Ltd	V C & S H Dearlove	White Gold Dairy Farms Ltd
Puniho 606 Partnership	Rollinson Farms Limited	Skyhigh Farming Limited	Tayco Farm Limited	Vale Green Services Limited	Whitten Holdings Ltd
R & L Swafford	Rolwood Farms Ltd	Smith Family Trusts	Te Mahanga (2018) Ltd	Van Rossum Ltd	Willowbank Farms 2015 Limited
R & P McIntosh Ltd	Rombouts Farm Ltd	Smithill Ltd	Te Whanake Enterprises Ltd	Ventsha Farms Ltd	Willowbank Farms 2015 Ltd
R & S Singh	Rooney Farms Limited	Somerset Trust	Ternstone Limited	W & C Candy Trust	Willowcreek Trust
R A & F N Davidson	Rosebrae Farm Limited	Southern Pastures (Longmead Farm) Ltd Partnership	Terrace Top Dairy Ltd	W A & D P McKenzie	Willowhaugh Enterprises Limited
R A & J L Hamilton	Roslyn Plains Ltd	Southern Pastures (Mamaku Farm) Ltd Partnership	The D & A Roberts Family Trust	W B Scott Family Trust	Willowview Pastures Limited
R A & P E Adam	Ross & Louise Fieten Family Trust	Southern Pastures (Mauri Farm) Ltd Partnership	The Flavall Trust	W M & S R Fisher	Wilmat Farms Limited
R C & K M Ormsby	Roswin Farm Limited	Southern Pastures (Tatua Farm) Ltd Partnership	The Grange Ltd	Wade Industries Ltd	Windsor Park Dairies Limited
R F & C L Lansdaal Ltd	Rotoma Farms Limited	Spark Brothers Limited	The Herewahine Trust	Wai-iti Dairy Farm Ltd	Windvale Farms Limited
R F Seebeck	Rozel Farm Limited	St Helena Trust	The Milky Way Limited	Waiotu Farm Ltd	Wiremu Trusts
R G King Ltd	RP & K J Willans Family Trust	Staple Homestead Limited	The Red Cow Company Limited	Waiotu Farms Ltd	Wolff Farms Ltd
R J & J F Van Marrewijk	Ruakiwi Dairies Limited	Stichbury Farms Limited	Theland Purata Farm Group Limited	Waipa Meadow Ltd	Woodside Dairying Ltd
R L & F M Hurley	Rubia Farm Limited	Stonebrook Dairy Farm Limited	Thistlehurst Dairy Ltd	Wairakau Farm Trust	Wyke Partnership
R L & S F Thompson	Rydal Farm Trust	Tiaki Farm Limited Partnership	Thomas Falconer	Waitago Farms Ltd	Ziang Farm Ltd
R P Maclnnes Trust	S B & A H Stevenson	Toey Farms Ltd	Thornehayes Farm Ltd	Waituna Investments Ltd	Zonneveld Farms Ltd
R W & R D Kane	S B & Y M Thompson	Toggenburg Trust	Three Leaf Farm Limited	Walker & McLean Partnership	
Rakaia Incorporation (Pahau) Limited	S C & A N Charmley Ltd	Strathyre Farms Ltd	Tokarata Farms Ltd	Wallace Johnstone Ltd	
Rangitata Island Dairy Ltd	S E & S A Nicholas Family Trusts	Streamline Limited Partnership	Tokoroa Pastoral Ltd	Walsh Enterprises Limited	
Rangitata Island Dairy Partnership Ltd	S G Holland Ltd	Surseleigh Park Limited	Torlesse Farm Ltd	Walters Holdings (2008) Ltd	
Redpark Farm Limited	S J Bruce Family Trust	Stonylea Dairies Limited	Totoro Trust	Waterscape Dairies Ltd	
Reuver Limited	S Peterson Family Trust	Strathmore Farms Ltd	Trinity Lands Limited	Watershed Ventures Ltd	
Rhodes Hills Ltd	S.V. & M.L. Helms	Streamline Limited Partnership	TRK Farm Limited	Watford Trust	
Rich Feet Limited	Sanddale Farm Ltd	Sursum Farms Ltd	T & N Kuter Family Trust	Wattle Downs Limited	
Ridgedale Limited	Schayes Enterprises Ltd	Swim Farms Ltd	TJ & L E Luond	Weirburn Farms Limited	
Rimoo Farm Limited	Schnuriger Family Trust	T & N Kuter Family Trust	T M & H D Green	Wells Partnership	
Riverside Dairy Farm Ltd	Schorn Trust	TRK Farm Limited	T M McDowall	Welsh Family Farms Limited	
Riverside Park Limited	Schouten Dairies Ltd	Tronnoco Farming Co Ltd	Tui Company Limited	West Mains Farm Ltd	
	Seamist Dairies Ltd	Turnbull Family Trust			



Off-farm



Tracy, Palmerston North

COVID-19 disruptions and geo-political events have dominated news headlines again this year. Our Co-op hasn't been immune to the impacts of these events. However, our diversity, ability to change product mix and move our products between markets has allowed us to minimise the negative impact.

Once again, our people around the world have stepped up. When Omicron hit New Zealand, our supply chain team was ready. Anticipating the need to change product mix at a moment's notice, the team ensured we had contingency packaging and ingredients, alongside warehouse capacity.

In China, our Anchor consumer team tapped into the 'group buying' phenomenon that took off during the Shanghai lockdown, getting products delivered direct to customers. It is this ingenuity, combined with our scale and optionality, that has kept our milk moving through the supply chain in spite of the many challenges this year.

Rising to the challenge

The conflict in Ukraine has placed more pressure on a global supply chain that was already under pressure from COVID-19 disruptions. In the face of this, our Kotahi partnership continues to deliver, reducing the impacts of schedule slippage and container shortages.

“It’s not just Fonterra that sees benefits from this. Through the scale that Kotahi brings with its strategic partnership with Maersk, many other Kiwi companies are able to get their product exported. It also indirectly underpins many imports for all New Zealanders.”

– Fraser Whineray, COO

We've also been able to lean into our global reach and our ability to change product mix, enabling us to get value from every drop of milk. This agility has been important throughout the COVID-19 outbreak, ensuring that our sites could continue to operate. While COVID-19 is something we're learning to accommodate, right across our Co-op there are great examples of people stepping up to deliver.

At our Kauri site in New Zealand, DAIRYCRAFT coach Ross Beddows and technologist Coen Cramer helped out on the production line when Omicron hit. Our communications team in Australia also put their hands up to fill a shift if needed at our Tullamarine plant when Omicron led to shortages across the site floor.

At our Selangor plant in Malaysia, the team juggled the impact of the COVID-19 peak alongside flash floods which damaged many of our people's homes. Despite this, the production line kept moving.

The Takanini milk transport team – Louis Compaan, Gene Watene, Mike Adams, Glynn Yern, Hamish McCrae and Quentin Sullivan – swapped farm pick-ups for supermarket drop offs to keep the supermarket shelves stocked during the Omicron peak. And our tanker operators mobilised to drop off COVID-19 test kits to all of our supplying farms in New Zealand.



Michelle, Auckland



Ross (left) and Mason, Kauri

Supporting our people

At all of our workplaces, health and safety measures have kept our people safe from COVID-19. But as well as the physical wellbeing of our people, we've also been conscious of the psychological toll the last three years has had.

This year, we expanded our Good Yarn workshops to include an online option. These provide a safe forum, where people can talk about mental health and know how and when to get more support for themselves or others if needed.

These workshops are facilitated by our very own team of ‘GoodSorts’ – colleagues who have volunteered to be trained to be people employees can reach out to at work to talk about mental health and how to get support. We have continued to expand the reach of this programme with 55 GoodSorts in New Zealand and 26 globally.

In 2019, we committed to doubling on-the-job training and reskilling hours in New Zealand by 2025 ([page SR-20](#)). The Skills Pledge aligns with our focus of developing our people to put us in the best possible position to deliver on our long-term strategy.

One of the key drivers of our training hours is DAIRYCRAFT, an 18-month programme which equips participants with technical skills and an independently recognised qualification. Since 2015, more than 1,000 qualifications have been achieved through this programme.

“Since achieving my DAIRYCRAFT NZQA Qualification and with the support of my manager, I was appointed to a secondment position in IWS Cell Team as Process Lead. I put it down to the additional capability building that I have done.”

– Nazeefah Ali, Process Lead, CANPAC



Aligning for success

Delivering on our long-term strategy also requires a step change in our culture. Over the last year, thousands of our people have engaged in culturing conversations, with parts of the Co-op most critical to the delivery of innovation and our long-term aspirations focused on how we improve our decision making, operational effectiveness and value creation.

We've also adapted our organisational structure so that we can accelerate progress towards our long-term aspirations. Our ambitions are to grow the value we derive from our New Zealand milk through our sustainability credentials, innovation and nutrition science.

Two new Fonterra Management Team (FMT) roles to increase the Co-op's focus on innovation and strategic implementation have seen Komal Mistry-Mehta appointed as Chief Brand and Innovation Officer and Emma Parsons as Managing Director, Strategy and Optimisation.

Minimising our footprint

Milk collections play a vital role in keeping our product moving through the supply chain and this year, we welcomed New Zealand's first electric milk tanker to our fleet. Milk-E is part of our fleet decarbonisation work and one of a number of programmes helping us towards our goal of being net zero carbon by 2050.

Made possible in part by the Government's Low Emissions Transport Fund, Milk-E is also a significant milestone for the wider heavy transport sector, with the potential for the pilot to be replicated across other businesses.

The introduction of Milk-E has given the transport team an opportunity to design and trial other innovations to improve milk collection efficiencies, reduce safety concerns and reduce the amount of work required to customise a Fonterra tanker. A battery swap system is being installed at the Waitoa site, where Milk-E will be based, to trial how this could work within a fleet to minimise downtime from battery charging.

We're making other changes to our fleet to realise our sustainability goals. For the last two years, we've been working with our supplier Carters to reduce the number of tyres we use. By changing the way we monitor tyre tread wear, we've saved 2,900 tyres over the course of one year.



That hasn't been the only achievement - of the 20,000 tyres purchased in FY21, 13,000 were re-treads, meaning the Co-op only purchased 7,000 new tyres.

In terms of sustainability achievements, we've been able to reduce 247 tonnes of CO2 emissions, saving 75,000 litres of crude oil used to manufacture tyres. The next focus for the project is on recycling, with the aspiration that all tyre waste will be recycled to make new tyres, aligned with a circular economy.

"By working together with our vendor, the depot teams have reduced the number of tyres required without compromising safety, which is great for people and the environment. At the same time, we've made a significant cost saving which is great for our shareholders."

- National Parts and Warranty Manager, Guy Cooper

Packaging

Through a partnership with not-for-profit charitable trust Agrecovery, the Co-op is making it easier for our farmer shareholders to recycle on-farm packaging, with collection points now available at 65 of our 66 Farm Source stores in New Zealand.

The Co-operative Difference programme is helping to drive change. To be eligible for The Co-operative Difference payment, farms need to manage plastics and unused agrichemicals through an approved scheme like Agrecovery. In 2021, this resulted in a 521% increase in registrations for the scheme. Last year Farm Source stores recycled over 400 tonnes of plastic, including 71,000kg of containers from customer farms.

In-store, Farm Source is also making strides, by removing non-recyclable packaging where it can. More than half of the Farm Source Country Mile brand now has no plastic packaging at all, through either elimination or replacement with a paper-based alternative.

“Sustainability is at the heart of our Co-op. At Farm Source we’re working to reduce waste by eliminating non-recyclable packaging, facilitating recycling and using recycled materials.”

– Anne Douglas, Director Category, Marketing & Digital Innovation

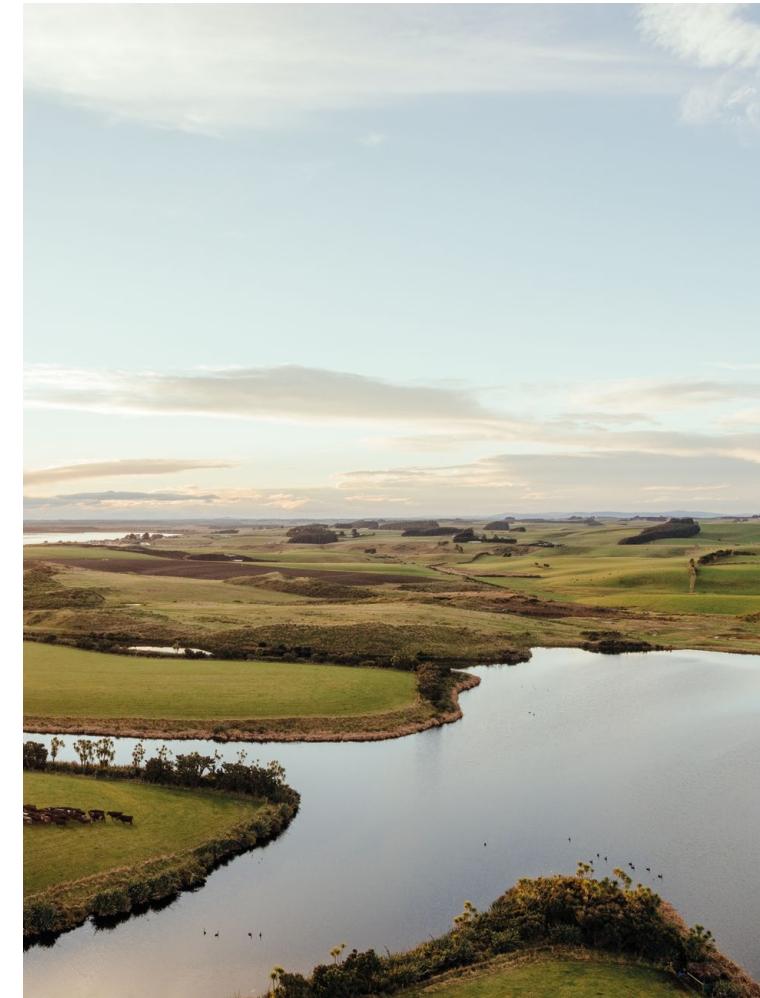
Reducing water usage at site

Minimising our impact on the environment safeguards it for future generations. Recovering water from milk when we make powdered products means that the majority of our sites discharge more water than they consume. By improving processes and using new technology, we are improving water quality treatment so that we can be even more resource efficient.

Our Maungatūroto site was recognised at the 2022 Water New Zealand Excellence Awards for reducing water usage by up to 25%. In a first of its kind for Fonterra, evaporator condensate (water extracted from milk) from the site is redirected through a natural wetland before being further treated and re-used at the site. By recycling up to 700,000 litres of water a day through the wetland, the site has been able to reduce its reliance on Kaipara District Council supply, giving the community more security of water supply.

“We’ve taken an holistic, circular and nature-based approach to look at how we could work in partnership with nature. By providing the right amount of nutrients for the native plants and habitat to thrive promotes greater biodiversity within the wetland.”

– Stuart Glen, Maungatūroto Environmental Manager



Products & customers

"Nurture is a great example of an entrepreneurial mindset. If you can't get somebody to do it for you then do it yourself and make it happen and that's exactly what the team did. Their 'start-up like' model meant Fonterra was able to get Nurture to market quickly and on a shoestring budget."

– Judith Swales, Fonterra CEO APAC

Billie, Tararua

A close-up photograph of a young girl with blonde hair, wearing an orange and black patterned shirt. She is holding a clear glass and drinking milk from it. The background is blurred, showing some greenery and a wooden surface.

At Fonterra we believe our New Zealand pasture-based farming produces the best milk in the world, a testament to the care and attention our farmer owners give to their animals and the land.

This high level of focus means that our on-farm carbon footprint is amongst the lowest in the world. As our customers and consumers become more focused on the provenance of their food, our sustainability credentials are more important than ever before as we offer our trusted goodness beyond New Zealand's backyard.

We play an important part in the development of new dairy innovations, helping customers as they look to nutrition solutions to help them live longer and healthier lives. This year, Fonterra's Research and Development Centre (FRDC) celebrated turning 95, and this centre of excellence continues to be an important part of our strategy to become a leader in innovation and science.

As the world changes, we change with it, adapting to the evolving needs and desires of our customers and consumers. Using our extensive dairy expertise, we are creating new value-add products to cater to the changing tastes of consumers around the world. Through these innovations, we are maximising value for both our customers and farmer owners, while ensuring we utilise every single drop of milk.



Provenance

New Zealand's reputation for our low-carbon pasture-based farming system is expanding as consumers are increasingly interested in understanding where their food comes from, how it is made and its impact on the environment.

Across the globe, our New Zealand provenance is featured strongly on-pack, particularly in South-East Asian markets, where New Zealand is perceived as a marker for superior nutrition and purity.

While external animal wellbeing standards and certifications exist, not all are relevant to New Zealand's pasture-based farming system. In response to this, we've developed our Cared for Cows Standard as a representation of how we approach animal wellbeing alongside our farmers.

The Cared for Cows Standard formalises the process for assessing and managing animal wellbeing on farms supplying Fonterra New Zealand and sets out the requirements for Fonterra's management of animal wellbeing on our farms.

Our South Korea customer Daesang has started using the Cared for Cows Standard on their packaging as a byword for quality.

New Zealand origin has become a trustworthy signal in the eye of consumers. In Vietnam, one customer, Nutifood, recently released its 100% New Zealand Grass-Fed milk brand, the first of its kind in the country. Vietnamese consumers are becoming more interested in natural, high-quality foods and using our provenance story and sustainability claims allows Nutifood to differentiate its products on supermarket shelves.

With 72% of global consumers expressing an interest in brands that actively communicate achievements around sustainability, we're leveraging our stainability solutions to create a range of carbonzero™ ingredients. Achieving carbonzero™ certification for products like Simply Milk and NZMP™ Organic Butter is a great way for us to help our customers and the environment.

Carbonzero™ ingredients help unlock real benefits for our customers, allowing them to meet their sustainability targets, signal environmental values and grow brand preference and market share.

To achieve our carbonzero™ certification, we partnered with independent company Toitū Envirocare. They measure the impact of producing our carbonzero™ products right the way through the supply chain, including the disposal of packaging by customers. Understanding our footprint means we can offset our impact with high-quality carbon credits from projects, including native forest regeneration in New Zealand and Gold Standard renewable energy projects.

In recognition of this work, this year NZMP Organic Butter carbonzero™ certified won the 'Sustainability Innovation Award' at Food Ingredients Europe 2021 and the 'Most Innovative Dairy Product Award' at the Gulfood Innovation Awards 2022, a first for Fonterra. We also continued our work with another New Zealand co-operative, Foodstuffs North Island, to expand the Simply Milk range, the first carbonzero™ milk in the Southern Hemisphere. The range now includes a 3-litre bottle size, offering more choice to consumers.

"It's becoming increasingly important to customers to know where their food comes from and that it's being produced sustainably. Simply Milk offers customers the opportunity to purchase their everyday milk and know their choice is making a difference to something that's really important to them."

– Chris Anderson, Merchandise Manager for chilled beverages at Foodstuffs North Island

Reducing Waste

Fancy your latte or flat white from a source that produces less waste and is better for the environment? Our Fonterra Brands New Zealand (FBNZ) team has been working with baristas around New Zealand to trial Anchor café milk taps.

The Anchor café milk tap is connected to a recyclable 10 litre bladder, filled with milk, which replaces five 2-litre standard milk bottles, reducing plastic by 65%. The tap itself measures the precise amount of milk into coffee cups, meaning less waste and ultimately a reduction in costs.

The Anchor café milk tap is yet another small step towards our goal of becoming a leader in sustainability.



Driving innovation

At the forefront of dairy innovations, Fonterra is continuously looking at ways to better leverage the nutritional value of New Zealand milk. With an enviable research and development facility in Palmerston North, we continue to develop new dairy innovations to help customers as they look to nutrition solutions to help them live longer and healthier lives.

Although most nutritional innovation happens in one of our Fonterra laboratories, during COVID-19, our team had to be a little more creative. Creating and launching a brand of cultured milk drink for Singapore all happened from the home kitchen of one of our Food Technologists in New Zealand.

Without access to their usual labs, the team used their ingenuity to develop the product at home and then conduct socially distanced testing in parks and outdoor spaces to ensure that they got the taste and texture just right. The resulting product, Nurture cultured milk, uses only a little sugar, unlike regular cultured milks on the market, and has added vitamins to support immunity. This is just one example of how we're leveraging agile lean innovation techniques.

In Greater China, our team has developed and launched Anchor Veg-Fruit Probiotic Milk Powder. The Anchor Veg-Fruit Probiotic Milk Powder contains four kinds of fruit: banana, pineapple, prune, and cranberry, as well as three vegetable ingredients – pumpkin, corn and carrot. All these natural elements help provide vitamin A, dietary fibre, zinc, iron, magnesium and other nutrients needed by the human body.

Further cementing our position as a leading dairy nutrition producer, Fonterra this year became a member of the Medical Nutrition International Industry (MNI). Representing companies that provide expert solutions to feed patients in hospital care or in otherwise vulnerable stages of their health, this new membership strengthens our efforts to provide quality nutritional interventions and services to best serve the interests of patients and those working in healthcare. By partnering with MNI, we can show dairy is more than just a daily dose of nutrition for breakfast – it's also a medical superfood that can help save lives.



Elise, Food Technologist, Auckland

“Because there is less waste and spillage with every pour from the Anchor café milk tap, it means less cost for us and increased productivity and time savings for the baristas making coffee. From our perspective it also enhances the whole café experience because it gives us more time to connect with our customers.”

– Eric Heycoop, Owner Emporio Coffee

Taking the Co-op to our customers

We're also using technology to improve customer experience and adapt to changing buying and procurement needs. E-commerce has come a long way over the past ten years, thanks in particular to business-to-consumer e-commerce, which has radically pushed boundaries and innovated in this space. In response to our customers' desire for more convenience and flexibility, our ingredients business, NZMP, launched myNZMP.

Built and powered by Fonterra, myNZMP is an industry-leading business-to-business platform, offering personalised digital services to our customers, including an e-commerce store. myNZMP makes it easier and more convenient for customers to plan, buy, track and manage their NZMP orders.

With the introduction of myNZMP, customers have a seamless online to offline experience. They can buy quickly online when needed and access order data and insights, as well continuing to access ingredients support from NZMP's experienced sales network when required.

Since the myNZMP Store's pilot launch in September 2020 with a small group of customers, myNZMP Store has evolved month-on-month with the help of customer and employee feedback. To date, over USD \$200 million worth of product has been sold via myNZMP Store.

myNZMP Store is becoming a significant enabler of our Ingredients business over the next decade and is helping us to deepen relationships with our customers, a key to achieving our long-term ambitions.

Fonterra has a long history of hosting thousands of visitors annually, all eager to understand the stories that sit behind our much-loved products, ingredients and brands. When COVID-19 put a halt to our entire visitor programme, we faced an interesting challenge – if we can't bring our customers to the Co-op, how do we take the Co-op to our customers?

Aiming to showcase both New Zealand and Fonterra virtually, the Co-operative Experience team developed 'Visit Fonterra'. The interactive digital experience focuses on our people, sustainability, innovation, traceability and food safety quality.

Since its launch in March this year, there have been over 12,000 visitors to the platform from 107 countries globally, consuming over 90,000 pages of Fonterra content. It's a valuable tool to educate people from around the world about our grass-fed farming methods and quality products.



Tapping into trends

Innovation means we need to constantly look at consumer trends, and what's happening in the world. At Fonterra, our teams are always looking to drive demand for New Zealand milk by developing new ways of using our products in local cuisine to find the next big food trend.

Chinese New Year festivities last for a few weeks each year. An important feature of these celebrations is spending time with family and sharing dumplings - a symbol of prosperity and wealth. In Greater China, using the power of social media, the team promoted the idea of mozzarella on dumplings. The dish gained huge attention and sparked a new trend in the lead-up to the Lunar New Year.

In Vietnam, coffee beans are traditionally roasted with fat to remove the acidity of the beans. Working with the country's leading premium coffee brand Trung Nguyen, we introduced Anchor butter to the roasting process of their coffee. The butter gives the coffee beans a glossy finish, an enhanced aroma and a distinctive taste profile. Our ability to assure consistency of supply and Anchor's provenance and grass-fed value proposition offered a compelling advantage over other alternatives.

Board of Directors



PETER MCBRIDE

BOARD RESPONSIBILITIES Elected Director, Chairman, Member of the People, Culture and Safety Committee, the Disclosure Committee, and the Governance Development Programme Committee

TERM OF OFFICE Elected 2018, last re-elected 2021

Peter McBride was elected to the Fonterra Board in 2018 and became Chairman in November 2020. He is the Chief Executive Officer of Trinity Lands Limited, a dairy and kiwifruit operation largely based in the Waikato, and is the Managing Director of Ellett Beach Farms Joint Venture. Peter is a Director of Sequl Holdings Limited and its subsidiaries, and is a member of the New Zealand China Council and the Zespri Global Supply Advisory Board.

Peter was previously the Chairman and a Director of Zespri Group Limited and other related companies, and Managing Director of South East Hort Limited and its subsidiaries. Peter was also previously a Director of the New Zealand International Business Forum and the Zespri China Advisory Board. Peter has shareholding interests in the Waikato.

B. Horticulture, PG Dip Com Agribusiness



CLINTON DINES

BOARD RESPONSIBILITIES Appointed Director, Member of the Co-operative Relations Committee, the Divestment Review Committee and the People, Culture and Safety Committee

TERM OF OFFICE Appointed 2015

Clinton was appointed to the Fonterra Board in 2015. Clinton lived and worked in China for 36 years, 21 of which as President of BHP Billiton's China business. He has extensive experience as an executive in China and Asia businesses and has had an active career as a Non-Executive Director, currently serving on the Boards of the Port of Newcastle, Sky Renewables Pty Limited and Zanaga Iron Ore Company Limited.

He was Executive Chairman of Caledonia Asia from 2010 to 2013, an investment group in Asia, and is a Partner in Moreton Bay Partners, a strategic advisory firm based in Brisbane. He is an Adjunct Professor at Griffith University's Asia Institute and is a Member of the Griffith University Council. Clinton has extensive experience as a senior executive in China and Asia businesses, including global manufacturing and commodity businesses.

BA (Modern Asian Studies), Griffith, CIM, INSEAD



BRENT GOLDSACK

BOARD RESPONSIBILITIES Elected Director, Member of the Audit, Finance and Risk Committee, the Co-operative Relations Committee, the Divestment Review Committee and the Milk Price Panel

TERM OF OFFICE Elected 2017, last re-elected 2020

Brent Goldsack was elected to the Fonterra Board in 2017. Brent had a 25-year career in both New Zealand and abroad in various corporate advisory roles, including being a Partner at PwC for more than 12 years. Brent is a fellow of the Chartered Accountants of Australia and New Zealand. Brent currently Chairs the Board of Waitomo Group Limited and its subsidiaries and Better Eggs Limited and is a Director of Rabobank NZ Limited, The Hills Golf Club Limited and Henergy Cage-Free Limited. Brent previously served on the Board of Canterbury Grasslands Limited.

Brent is actively involved as a shareholder of three dairy operations in the Waikato. In addition to his strong financial skills and knowledge, Brent has particular expertise in Fonterra's Farmgate Milk Price and the drivers of the Co-operative's earnings.

BCA, FCA



LEONIE GUINEY

BOARD RESPONSIBILITIES Elected Director, Member of the Co-operative Relations Committee and the People, Culture and Safety Committee

TERM OF OFFICE Elected 2018, last re-elected 2021

Leonie Guiney was elected to the Fonterra Board in 2018. Leonie previously served on the Board from 2014 to 2017. Leonie has worked in the agriculture sector for more than 25 years in a number of positions including lecturer of Dairy Production at Lincoln University, consultant on the BNZ Growth Programme for farmers and has held roles with Golden Vale Dairy Co-operative in Ireland, LIC and FarmRight South Island.

Leonie lives and farms at Fairlie in South Canterbury and is a director and shareholder of seven South Canterbury farms and Bobby Square Limited.

BAgSci

Board of Directors (continued)



BRUCE HASSALL

BOARD RESPONSIBILITIES Appointed Director, Chair of the Audit, Finance and Risk Committee, Member of the Disclosure Committee, the Divestment Review Committee, the Milk Price Panel and is an observer on the People, Culture and Safety Committee

TERM OF OFFICE Appointed 2017

Bruce Hassall was appointed to the Fonterra Board in 2017. Bruce is a Chartered Accountant and has had a 35-year career at PwC, including holding the position of Chief Executive Officer of the New Zealand practice from 2009 to 2016. Bruce is Chairman of The Farmers Trading Company Limited, Prolife Foods Limited and Fletcher Building Limited and serves as a director on the Board of Bank of New Zealand.

Bruce was previously a member of the University of Auckland Business School Advisory Board and was a founding Board Member of the New Zealand China Council. Bruce has extensive experience in financial reporting, information system processes, risk management, business acquisitions, capital raising and IPOs across both listed and private companies.

BCom, FCA (CAANZ)



HOLLY KRAMER

BOARD RESPONSIBILITIES Appointed Director, Chair of the People, Culture and Safety Committee, and Member of the Audit, Finance and Risk Committee

TERM OF OFFICE Appointed 2020

Holly Kramer was appointed to the Fonterra Board in 2020. Holly has more than 25 years of extensive governance, management and product/marketing experience. She was Chief Executive Officer of major Australian retailer Best & Less. She has also held senior executive roles at Telstra Corporation, Ford Motor Company (in the US and Australia) and Pacific Brands.

Holly is currently a Director on the Boards of Woolworths (Chair, Sustainability Committee), Abacus Property Group, Endeavour Group, the GO (Goodes-O'Loughlin) Foundation and The Ethics Centre. She is also the Pro-Chancellor of Western Sydney University and a Member of the Bain Advisory Group. Holly's previous governance roles include the Boards of Australia Post, Nine Entertainment Corporation, AMP Limited, Lendi and Telstra Clear (NZ).

Holly and her husband live on a small rural property in the Southern Highlands, NSW, where they raise beef cattle. Holly volunteers her time as a mentor for numerous programs (including AICD Chair's Mentoring, Women in STEM, Minerva Sports Network,) and speaks publicly on the topics of leadership, gender diversity and sustainability.

BA, MBA



ANDY MACFARLANE

BOARD RESPONSIBILITIES Elected Director, Chair of the Co-operative Relations Committee, Member of the People, Culture and Safety Committee and the Governance Development Programme Committee, and Fonterra appointed Director of FSF Management Company Limited

TERM OF OFFICE Elected 2017, last re-elected 2019

Andy Macfarlane was elected to the Fonterra Board in 2017. Andy was a farm management consultant for 38 years and is a past President of the New Zealand Institute of Primary Industry Management (NZIPIM). He is a Director of ANZCO, chairs the SFFF Plantain Project and Edgewater Hotel Lake Wanaka and is a member of the International Farm Management Association (IFMA). Andy is a previous Director of Ngai Tahu Farming Limited and AgResearch, past chair of Deer Industry New Zealand, and served on the council of Lincoln University for 12 years.

Andy and his wife Tricia commenced farming in 1989 and live near Ashburton. His shareholding interests are in Canterbury. He has a strong interest in the governance of food processing and manufacturing, research and development, and strategic use of technology in the farming sector.

B.Agr.Sc



JOHN NICHOLLS

BOARD RESPONSIBILITIES Elected Director, Member of the Co-operative Relations Committee and the Disclosure Committee, and Fonterra appointed Director of Fonterra Farmer Custodian Limited

TERM OF OFFICE Elected 2018, last re-elected 2021

John Nicholls was elected to the Fonterra Board in 2018. An experienced company director, he is the current chair of MHV Water, New Zealand's largest intergenerational irrigation co-operative.

As the owner of several mid-Canterbury dairy farms forming part of the Rylib Group, John is highly focused on investing in and mentoring the next generation of farmers in New Zealand and on safeguarding the sustainability of farming for the long term. He brings professionalism, cost consciousness and a strategic mindset to governance, ensuring that business operations align with core strategy and are consistently adding value.

John served on the Fonterra Co-operative Council from 2009 to 2011. He has a degree in agriculture and a postgraduate diploma in agricultural science, both from Massey University.

B.Agr, PG AgrSci

Board of Directors (continued)

**CATHY QUINN**

BOARD RESPONSIBILITIES Elected Director, Chair of the Disclosure Committee and the Divestment Review Committee, Member of the Audit, Finance and Risk Committee, and an observer on the Milk Price Panel

TERM OF OFFICE Elected 2020

Cathy Quinn was elected to the Fonterra Board in 2020. She has a number of governance roles having previously enjoyed a 30+ year career as a commercial and corporate lawyer with MinterEllisonRuddWatts, and has significant expertise in governance, equity capital markets, mergers and acquisitions and private equity services. Amongst the numerous awards she has won, Cathy was made an Officer of the New Zealand Order of Merit for services to law and women in 2016.

Cathy is a director and indirect shareholder of Thistlehurst Dairy Limited, based in the Waikato. Cathy advised the dairy industry for many years including the Dairy Board, Fonterra, the Fonterra Co-operative Council, and competitors of Fonterra. Cathy serves on the Fletcher Building and Rangatira Boards and chairs the Boards of Tourism Holdings and Fertility Associates. In terms of public service roles Cathy is the Pro-Chancellor of the Council of Auckland University. She was previously on the advisory Board at New Zealand Treasury, the New Zealand Securities Commission and New Zealand China Council.

ONZM, LLB

**DONNA SMIT**

BOARD RESPONSIBILITIES Elected Director, Member of the Audit, Finance and Risk Committee, and Fonterra appointed Director of FSF Management Company Limited

TERM OF OFFICE Elected 2016, last re-elected 2019

Donna Smit was elected to the Fonterra Board in December 2016. Donna serves on the Board of the Manager of the Fonterra Shareholders' Fund (FSF Board). In July 2022, Donna announced she will retire from the Fonterra Board and the FSF Board following their respective Annual Meetings in November 2022. Donna lives and farms at Edgcumbe, and has built and owns five dairy farms in Eastern Bay of Plenty and Oamaru. Donna is a Director of Kiwifruit Equities Limited and a Trustee of the Dairy Women's Network and was previously a Director of EastPack Limited.

Donna is a Fellow Chartered Accountant and was a company administrator of kiwifruit co-operative EastPack for 24 years. Donna's strong focus on financial and risk management has been built through her extensive business and manufacturing experience and financial background, and complements her deep dairy farming experience.

FCA

**SCOTT ST JOHN**

BOARD RESPONSIBILITIES Appointed Director, Chair of the Milk Price Panel and Member of the Audit, Finance and Risk Committee, the Disclosure Committee and the Divestment Review Committee

TERM OF OFFICE Appointed 2016

Scott St John was appointed to the Fonterra Board in 2016. He was the CEO of First NZ Capital (FNZC) for 15 years, stepping down from that role in early 2017. Scott is the Chair of Fisher and Paykel Healthcare and serves on the Board of ANZ Bank New Zealand, Mercury NZ Limited and NEXT Foundation.

Scott served on the Council of the University of Auckland from 2009 to 2021, including as Chancellor from 2017 to 2021. His other previous roles have included Chairman of the Securities Industries Association, and membership of both the Capital Markets Development Taskforce and the Financial Markets Authority Establishment Board.

BCom, Diploma of Business

Fonterra Management Team

**MILES HURRELL****CHIEF EXECUTIVE OFFICER**

Miles was appointed Chief Executive in 2018. He is responsible for leading the organisation, delivering strategy and financial performance, and engaging with our farmer owners, employees, customers and shareholders.

As Chief Executive, Miles has led the Co-operative through strategic reviews into a new growth phase focused on New Zealand's pasture-based milk, dairy innovation and science and sustainability.

Previously, Miles held the role of Chief Operating Officer, Farm Source, with responsibility for farmer services and engagement, milk sourcing and the operation of New Zealand's 70 Farm Source™ retail stores.

Miles has also held a number of leadership roles across the Co-op, including Group Co-operative Affairs Director and General Manager Middle East, Africa, Russia and Eastern Europe where he led a period of sustained growth across the region. Earlier in his career, Miles worked as the General Manager of Global Sourcing, building relationships with many of our global partners of today.

Miles has completed management programmes at INSEAD (International Executive Development), London Business School (Finance), Kellogg's NorthWestern University (Global Sales) and IMD Switzerland (Global Marketing).

**TEH-HAN CHOW****CHIEF EXECUTIVE OFFICER, GREATER CHINA**

Teh-han oversees the Co-op's business in the Greater China region, including Ingredients, Foodservices and Consumer Brands. The region is one of the largest markets for Fonterra, accounting for roughly a third of the Co-op's total business.

Prior to his appointment as Chief Executive Officer of the Greater China region in 2020, Teh-han was President of Fonterra's ingredients business, NZMP, in Greater China, and South and East Asia.

Teh-han has over 20 years of experience in China across a variety of industries and functions, including marketing, public relations, advertising, sales, and management roles in food, agriculture, commodities, FMCG, luxury goods, and hospitality sectors.

Prior to joining Fonterra in 2015, Teh-han was Chief Executive Officer of Louis Dreyfus Commodities China, where he doubled the business, expanded the company's business lines, built and acquired production facilities, and was involved in establishing multiple joint-ventures including COFCO Agricultural Industry Investment Fund. Prior to Louis Dreyfus, Teh-han was Managing Director for Greater China for J.R. Simplot, a United States-based diversified agribusiness with farming and food processing operations in China.

Teh-han has a Bachelor's degree in Marketing from California State University Northridge, and a Master's degree, with honours, in International Management from Thunderbird Graduate School of International Management.

**MIKE CRONIN****MANAGING DIRECTOR CO-OPERATIVE AFFAIRS**

Mike Cronin oversees Co-operative Affairs which includes Governance, Risk and Audit, Farm Source, Global Sustainability, Stakeholder Affairs and Trade, Legal, Inclusion and Māori Strategy.

Mike joined Fonterra in 2002 and has been a member of teams that have contributed to some of Fonterra's key initiatives, including Trading Among Farmers, the Governance and Representation Review, the Fonterra Purpose, The Co-operative Difference and Flexible Shareholding.

Prior to 2014 when he joined the Fonterra Management Team, Mike was the General Manager of Strategy Deployment and then Group Director Governance and Legal.

Mike has a Bachelor of Laws and Bachelor of Arts from the University of Auckland.

**KATE DALY****MANAGING DIRECTOR, PEOPLE AND CULTURE**

Kate was appointed as Managing Director People and Culture in August 2021.

She has oversight of the teams responsible for facilitating Fonterra's people strategy including Culture and Wellbeing, Employment Relations, Leadership Development, Talent and Future Capabilities, Rewards and Global Mobility.

Kate first joined Fonterra in December 2020, making significant contribution to the Co-operative as Director of HR for COO, where she held responsibility for leading the HR function for Fonterra across NZ Manufacturing, Technical Excellence, Global Supply Chain, Global Sustainability, Global Quality & Safety, Category Strategy & Innovation and Information Technology.

Prior to joining Fonterra, Kate had extensive experience in Human Resources and Communications leadership, having held senior roles across these portfolios since 2001. Kate previously led a transformation of the People and Culture function at the BNZ. She also was appointed as the Chief People and Communications Officer with Fletcher Building Ltd. Kate was awarded the HRINZ HR person of the year in 2018 in recognition for her contribution to Fletcher Building.

Kate has a Bachelor of Commerce in Economics and International Finance and a Bachelor of Science in Pharmacology, both from the University of Auckland.

Fonterra Management Team (continued)



KOMAL MISTRY-MEHTA

CHIEF INNOVATION AND BRAND OFFICER

Komal leads Fonterra's innovation, research and development functions along with the Co-operative's brand and communications activities. This includes shaping the future of Fonterra by developing and commercialising innovation, technologies and new business models.

In addition, Komal oversees the Active Living Business Unit, and has responsibility for setting the global strategy for Core Dairy, Foodservice and the Nutrition Science portfolio.

Prior to joining the Fonterra Management Team in August 2022, Komal led Fonterra's high-value global ingredients business Active Living, unlocking growth through developing and commercialising science-backed health and wellness solutions. In her prior role, Komal's work establishing and developing Fonterra Ventures earned her the title of New Zealand's Young Executive of the Year in the 2017 Deloitte Top 200 Awards. Prior to joining Fonterra in 2011, Komal worked for Deloitte in Europe.

She is known for her leadership in developing people and her strong advocacy for diversity and inclusion.

Komal has completed the Executive Program at Stanford University School of Business and holds Bachelor of Laws and Bachelor of Management degrees from the University of Waikato. She is a Barrister and Solicitor of the High Court of New Zealand as well as a member of the New Zealand Institute of Chartered Accountants.



EMMA PARSONS

MANAGING DIRECTOR, STRATEGY AND OPTIMISATION

Emma leads Fonterra's work on strategy and optimisation, overseeing the central portfolio management function, and the development and implementation of strategy.

Prior to August 2022 when Emma joined the Fonterra Management Team, she was the General Manager of Capital Strategy and CEO of Agrigate, a joint venture between Fonterra and Livestock Improvement Corporation (LIC), GM Responsible Dairying, and had roles in Brazil and Argentina where she developed the Co-operative's export relationships and supply chain integration across Latin America.

Before joining Fonterra in 2001, Emma worked for the New Zealand Dairy Board and Kiwi Dairies.

She has a Master of Business Administration, with First Class Honours, from Massey University, and has Bachelor of Science and Bachelor of Commerce degrees from Victoria University of Wellington.



MARC RIVERS

CHIEF FINANCIAL OFFICER

Marc Rivers joined Fonterra in February 2018 as the Chief Financial Officer, responsible for the Co-operative's finances. Marc's responsibilities extend to the centralised management of Fonterra's physical and financial portfolios, as well as mergers and acquisitions.

Marc is an experienced global finance executive. Prior to joining Fonterra, Marc was the CFO at Roche Pharmaceuticals Division in Switzerland. Marc has worked in both emerging and established markets, including China, Japan, Southeast Asia, Europe and the United States. During this time, he has led teams through significant change and provided strategic leadership. Marc is known for his commitment to leading and developing his people while building diverse and inclusive teams.

He has a Bachelor of Arts in International Studies and an International Master of Business Administration, Finance and German from the University of South Carolina, Columbia, SC, USA.



JUDITH SWALES

CHIEF EXECUTIVE OFFICER, ASIA PACIFIC (APAC)

Judith Swales leads Fonterra's business in Asia Pacific where she is responsible for all sales and marketing of Fonterra's Consumer, Foodservice and Ingredients products in the region.

Judith and her team also set the global strategy for the Consumer, Foodservice and paediatric businesses.

Prior to this she was Fonterra's COO Global Consumer and Foodservice having earlier led the Innovation and Transformation business unit, shaping the future of Fonterra by harnessing innovation, emerging technologies and game changing business models, while embedding a performance driven culture.

Judith joined the Co-operative in 2013 as Managing Director Australia and Fonterra Oceania, where she led the successful turnaround of the Australian business and oversaw Fonterra Brands New Zealand.

The daughter of a milkman, Judith grew up helping her father on his daily milk run. She has extensive experience in senior management and business turnarounds, and prior to joining Fonterra was the Managing Director of Heinz Australia, and CEO and Managing Director of Goodyear Dunlop, Australia and New Zealand. Judith worked for a number of UK retailers which culminated in her move to Australia in 2001 as the Managing Director of Angus and Robertson.

She currently serves as a Non-Executive Director for Super Retail Group and has served on the boards of Virgin Australia, DuluxGroup and Fosters. Judith has a Bachelor of Science (Honours) in Microbiology and Virology, and is a graduate member of the Australian Institute of Company Directors.

Fonterra Management Team (continued)

**FRASER WHINERAY****CHIEF OPERATING OFFICER**

Fraser is responsible for our New Zealand manufacturing site and global supply chain operations, sustainability, IT and safety, quality and regulatory teams.

He joined the Co-operative from Mercury, a 100% renewable electricity retailer and generator, where he was the Chief Executive from 2014 and held executive roles since joining the company in 2008.

Fraser is no stranger to the dairy industry. He started his career as a graduate of the New Zealand Dairy Board's technical training programme and spent time at manufacturing sites that are now part of the Co-op, and also in Fonterra's export markets. He has also worked in the investment banking and forestry industries, both in New Zealand and internationally.

Fraser is a keen advocate for astute long-term decisions that leverage New Zealand's competitive advantages, including its people, for sustainable growth.

He served as a Non-Executive Director of Opus International Consultants from 2008 – 2016 and of Tilt Renewables and Chaired the Prime Minister's Business Advisory Council. In 2019 he was named the Deloitte Top 200 Chief Executive of the year.

Fraser holds an MBA from the University of Cambridge, a Bachelor of Chemical Engineering from Canterbury University and a Diploma in Dairy Science and Technology from Massey University.

**KELVIN WICKHAM****CHIEF EXECUTIVE OFFICER, AMENA**

With over 30 years at Fonterra and in the global dairy industry, Kelvin Wickham is driven by his belief in dairy as a high-quality source of nutrition for the world.

In his current role as the CEO of AMENA, he is responsible for Fonterra's activities across Consumer, Foodservice and Ingredients in Africa, Middle East, Europe, North Asia and the Americas.

Over his career, Kelvin has played a key role in building Fonterra's ingredient's brand, NZMP, across the world, developing Fonterra's business in expanding markets, and establishing key customer relationships and partnerships.

He has also led major projects during pivotal moments in the history of Fonterra and the dairy industry. This includes when he oversaw the launch of Global Dairy Trade, a first for the industry, which in addition to making global online dairy sales possible, offered transparent price discovery to support the development of dairy price risk management tools.

Kelvin holds a Chemical and Materials Engineering Degree, a Master of Management and a Diploma of Dairy Science and Technology.

Fonterra Management Team Overview

Fonterra announced several changes to the Fonterra Management Team (FMT) in 2022:

- Fonterra's Chief Financial Officer, Marc Rivers, is leaving Fonterra in November 2022. Chris Rowe has been appointed as the Acting Chief Financial Officer from 1 October 2022, with Mr Rivers moving into the role of Strategic Advisor to the Chief Executive Officer from 1 October 2022 until his departure.
- Two new FMT roles were established with effect from 1 August 2022 to reflect Fonterra's focus on innovation and strategic implementation. Komal Mistry-Mehta has been appointed as the Chief Innovation and Brand Officer and Emma Parsons has been appointed as the Managing Director Strategy and Optimisation.
- The AMENA and APAC Business Units will be consolidated into one business unit from 1 October 2022, to be led by Judith Swales as the CEO Global Markets. Kelvin Wickham (AMENA CEO) will be leaving Fonterra in December 2022.

Non-GAAP Measures

Fonterra uses several non-GAAP measures when discussing financial performance. Non-GAAP measures are not defined or specified by NZ IFRS.

Management believes that these measures provide useful information as they provide valuable insight on the underlying performance of the business. They may be used internally to evaluate the underlying performance of business units and to analyse trends. These measures are not uniformly defined or utilised by all companies. Accordingly, these measures may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS.

Please refer to the following tables for reconciliations of NZ IFRS to non-GAAP measures, and the Glossary for definitions of non-GAAP measures referred to by Fonterra.



Reconciliation from profit after tax to total Group normalised EBITDA

	GROUP \$ MILLION	
	31 JULY 2022	31 JULY 2021
Profit after tax	583	599
Net finance costs from continuing operations	194	252
Net finance costs from discontinued operations	37	10
Tax expense from continuing operations	169	103
Tax credit from discontinued operations	(7)	(5)
Depreciation and amortisation from continuing operations	635	642
Depreciation and amortisation from discontinued operations	–	–
Total Group EBITDA	1,611	1,601
Gain on sale of Global Dairy Trade	(42)	–
Gain on sale of Ying and Yutian China Farms	–	(32)
China Farms impairment reversal	–	(23)
Gain on sale of Falcon China Farms JV	–	(40)
Brazil Consumer and Foodservice business impairment	57	39
Income Statement impact of Beingmate investment	–	49
Total normalisation adjustments	15	(7)
Total Group normalised EBITDA	1,626	1,594

Reconciliation from profit after tax to total Group normalised EBIT

	GROUP \$ MILLION	
	31 JULY 2022	31 JULY 2021
Profit after tax	583	599
Net finance costs from continuing operations	194	252
Net finance costs from discontinued operations	37	10
Tax expense from continuing operations	169	103
Tax credit from discontinued operations	(7)	(5)
Total Group EBIT	976	959
Normalisation adjustments (as detailed on the previous page)	15	(7)
Total Group normalised EBIT	991	952

Reconciliation from profit after tax to normalised profit after tax and normalised earnings per share

	GROUP \$ MILLION	
	31 JULY 2022	31 JULY 2021
Profit after tax	583	599
Normalisation adjustments (as detailed on the previous page)	15	(7)
Tax on normalisation adjustments	(7)	(4)
Normalised profit after tax	591	588
Loss/(profit) attributable to non-controlling interests	1	(21)
Normalisation adjustments attributable to non-controlling interests	(24)	(17)
Normalised profit after tax attributable to equity holders of the Co-operative	568	550
Weighted average number of Co-operative shares (thousands of shares)	1,613,353	1,613,105
Normalised earnings per share (\$)	0.35	0.34

Reconciliation from gross profit from continuing operations to total Group normalised gross profit

	GROUP \$ MILLION	
	31 JULY 2022	31 JULY 2021
Gross profit from continuing operations	3,216	2,984
Gross profit from discontinued operations	124	153
China Farms impairment reversal	–	(23)
Total Group normalised gross profit	3,340	3,114



Glossary

TERMS	DEFINITION
Active Living	represents ingredients & solutions sold to businesses who cater to consumers' health and wellness needs. It addresses three dimensions of wellbeing (Physical, Mental, Inner), extending to meet the nutrition needs of medical patients through to everyday people pursuing active lifestyles. This portfolio includes proteins, specialty ingredients such as probiotics, lactoferrin & lipids, and patented formulations.
Adjusted net debt	is calculated as total borrowings, plus bank overdraft, less cash and cash equivalents, plus a cash adjustment for 25% of cash and cash equivalents held by the Group's subsidiaries, adjusted for derivatives used to manage changes in hedged risks on debt instruments. Amounts relating to disposal groups held for sale are included in the calculation.
Aggregate minimum shareholding requirement	means the total amount of shares required to be held by farmer shareholders to meet the Share Standard.
AMENA	represents the Ingredients, Foodservice and Consumer channels in Africa, Middle East, Europe, North Asia and Americas.
Asia Pacific	represents the Ingredients, Foodservice and Consumer channels in New Zealand, Australia, Pacific Islands, South East Asia and South Asia.
Attributable to equity holders of the Co-operative	is used to indicate that a measure or sub-total excludes amounts attributable to non-controlling interests.
Average capital employed	is a 13-month rolling average of capital employed.
Bulk liquids	means bulk raw milk that has not been processed and bulk separated cream.
Business growth capital expenditure	covers investments to drive business expansion or improvement toward our strategy, and generate incremental revenue.

TERMS	DEFINITION
Capital employed	is adjusted net debt less the cash adjustment (used in calculating adjusted net debt), plus cash and cash equivalents held by subsidiaries for working capital purposes, plus equity excluding hedge reserves and net deferred tax assets.
Capital expenditure	comprises purchases of property (less specific disposals where there is an obligation to repurchase), plant and equipment and intangible assets (excluding purchases of emissions units), net purchases of livestock, and includes amounts relating to disposal groups held for sale.
Capital invested	comprises capital expenditure plus right-of-use asset additions and business acquisitions, including equity contributions, long-term advances, and investments.
Consumer	the channel of branded consumer products, such as powders, yoghurts, milk, butter and cheese.
Continuing operations	means operations of the Group that are not discontinued operations.
Custodian	means the Fonterra Farmer Custodian, which is the legal holder of the shares in respect of which economic rights are held for the Fund.
Debt to EBITDA	is adjusted net debt divided by Total Group normalised earnings before interest, tax, depreciation and amortisation (Total Group normalised EBITDA) excluding share of profit/loss of equity accounted investees and net foreign exchange gains/losses.
DIRA	means the Dairy Industry Restructuring Act 2001, which authorised Fonterra's formation and regulates its activities, subsequent amendments to the Act, and the Dairy Industry Restructuring (Raw Milk) Regulations 2012.
Discontinued operations	means a component of the Group that is classified as held for sale (or has been sold) and represents, or is part of a single co-ordinated plan to dispose of, a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.
Dividend yield	is dividends (per share) divided by volume weighted average share price for the period 1 August to 31 July.

TERMS	DEFINITION
Earnings before interest and tax (EBIT)	is profit before net finance costs and tax.
Earnings before interest, tax, depreciation and amortisation (EBITDA)	is profit before net finance costs, tax, depreciation and amortisation.
Earnings per share (EPS)	is profit after tax attributable to equity holders of the Co-operative divided by the weighted average number of shares on issue for the period.
EBIT margin	is EBIT divided by revenue from sale of goods.
EBITDA margin	is EBITDA divided by revenue from sale of goods.
Economic rights	means the rights to receive dividends and other economic benefits derived from a share, as well as other rights derived from owning a share.
Essential capital expenditure	covers investments to maintain the capability of our existing assets from risk management, legislation/regulation commitments, business continuity and capital replacement, as well as projects that drive the Co-operative sustainability targets
Farmgate Milk Price	means the average price paid by Fonterra for each kilogram of milk solids (kgMS) supplied by Fonterra's farmer shareholders under Fonterra's standard terms of supply. The season refers to the 12-month milk season of 1 June to 31 May. The Farmgate Milk Price is set by the Board, based on the recommendation of the Milk Price Panel. In making that recommendation, the Panel provides assurance to the Board that the Farmgate Milk Price has been calculated in accordance with the Farmgate Milk Price Manual.
Fonterra's average NZD/USD conversion rate	is the rate that Fonterra has converted net United States Dollar receipts into New Zealand Dollars including hedge cover in place.
Foodservice	represents the channel selling to businesses that cater for out-of-home consumption; restaurants, hotels, cafés, airports, catering companies etc. The focus is on customers such as; bakeries, cafés, Italian restaurants, and global quick-service restaurant chains. High performance dairy ingredients including whipping creams, mozzarella, cream cheese and butter sheets, are sold in alongside our business solutions under the Anchor Food Professionals brand.

TERMS	DEFINITION
Free cash flow	is the total of net cash flows from operating activities and net cash flows from investing activities.
Gearing ratio (Adjusted net debt)	is adjusted net debt divided by total capital. Total capital is equity excluding hedge reserves, plus adjusted net debt.
Global accounts	means large scale, multi-national/multi-region customers.
Global Dairy Trade (GDT)	means the electronic auction platform that is used to sell commodity dairy products.
Greater China	represents the Ingredients, Foodservice and Consumer channels in Greater China, and the Falcon China Farms JV.
Gross margin	is gross profit divided by revenue from sale of goods.
Group Operations	comprises functions under the Chief Operating Office (COO) including New Zealand milk collection and processing operations and assets, supply chain, Group IT, Sustainability and Innovation; Fonterra Farm Source™ retail stores; and the Central Portfolio Management function (CPM).
Held for sale	an asset or disposal group is classified as held for sale if it is available for immediate sale in its present condition and its sale is highly probable. A disposal group is a group of assets and liabilities to be disposed of (by sale or otherwise) in a single transaction.
Ingredients	represents the channel comprising bulk and specialty dairy products such as milk powders, dairy fats, cheese and proteins manufactured in New Zealand, Australia, Europe and Latin America, or sourced through our global network, and sold to food producers and distributors.
kgMS	means kilograms of milk solids, the measure of the amount of fat and protein in the milk supplied to Fonterra.
Net debt	means adjusted net debt.
Net tangible assets per security	is net tangible assets divided by the number of equity instruments on issue. Net tangible assets is calculated as net assets less intangible assets.
Net working capital	is total trade and other receivables plus inventories, less trade and other payables. It excludes amounts owing to suppliers and employee entitlements.

TERMS	DEFINITION
Non-reference products	means all dairy products, except for reference commodity products manufactured in NZ.
Non-shareholding farm	means a farm where the owning entity is not entitled to hold shares in the Co-operative. As an example, farms supplying MyMilk.
Normalisation adjustments	means adjustments made for certain transactions that meet the requirements of the Group's Normalisation Policy. These transactions are typically unusual in size and nature. Normalisation adjustments are made to assist users in forming a view of the underlying performance of the business. Normalisation adjustments are set out in the Non-GAAP Measures section. Normalised is used to indicate that a measure or sub-total has been adjusted for the impacts of normalisation adjustments. E.g. 'Normalised EBIT'.
Product channel	Fonterra has three product channels, Ingredients, Foodservice and Consumer.
Profit after tax margin	is profit after tax attributable to equity holders of the Co-operative, divided by revenue from sale of goods.
Reference commodity products (also referred to as reference products)	means the commodity products used to calculate the Farmgate Milk Price, comprising Whole Milk Powder, Skim Milk Powder, Butter Milk Powder, Anhydrous Milk Fat and Butter.
Reported	is used to indicate a sub-total or total is reported in the Group's Financial Statements before normalisation adjustments. E.g. 'Reported profit after tax'.
Retentions	Means earnings per share, less dividend per share. Retentions are reported as nil where Fonterra has reported a net loss after tax.
Return on capital	is Total Group normalised EBIT including finance income on long-term advances less a notional tax charge, divided by average capital employed.
Season	New Zealand: A period of 12 months from 1 June to 31 May. Australia: A period of 12 months from 1 July to 30 June. Chile: A period of 12 months from 1 August to 31 July.

TERMS	DEFINITION
Share Standard	means the number of shares a farmer shareholder is required from time to time to hold as determined in accordance with the Constitution, currently being one share for each kilogram of milk solids obtainable from milk supplied (excluding milk supplied on contract supply) to Fonterra. For these purposes, milk supplied is based on a three season rolling average of a farm's production.
Shareholding farm	means a farm where the owning entity of the farm has a minimum required shareholding of at least 1,000 shares in the Co-operative. This includes farms where the owning entity is in the process of sharing up on a Share Up Over Time contract.
Total Group	is used to indicate that a measure or sub-total comprises continuing operations, discontinued operations and noncontrolling interests. E.g. 'Total Group EBIT'.
Total pay-out	means the total cash payment per milk solid that is backed by a share, being the sum of the Farmgate Milk Price per kgMS and the dividend per share.
Tradeable shares	represents shares on issue that are in excess of Aggregate minimum shareholding
Unallocated costs and eliminations	represents corporate costs including Co-operative Affairs and Group Functions; and any other costs that are not directly associated to the reporting segments; and eliminations of inter-segment transactions
Voucher	means a voucher provided to a farmer shareholder who transferred the economic rights of a supply backed share to the Fund, and which can be used to count towards a farmer shareholder's Share Standard.
WACC	means weighted average cost of capital.
Weighted average share price	represents the average price Fonterra Co-operative Group Limited shares traded at, weighted against the trading volume at each price over the reporting period.
Working capital days	is calculated as 13-month rolling average working capital divided by revenue from the sale of goods (excluding impact of derivative financial instruments) multiplied by the number of days in the period. The working capital days calculation excludes other receivables, prepayments, other payables and includes working capital classified as held for sale.

Directory

FONTERA BOARD OF DIRECTORS

Peter McBride
Clinton Dines
Brent Goldsack
Leonie Guiney
Bruce Hassall
Holly Kramer
Andrew Macfarlane
John Nicholls
Cathy Quinn
Donna Smit
Scott St John

FONTERA MANAGEMENT TEAM

Miles Hurrell
Teh-Han Chow
Mike Cronin
Kate Daly
Komal Mistry-Mehta
Emma Parsons
Marc Rivers
Judith Swales
Fraser Whineray
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