



# Market Announcement

9 November 2023

## FONTERRA ANNOUNCES CLIMATE PLANS FOR THE FUTURE

Fonterra has taken a significant step towards achieving its climate ambitions today with the announcement of an on-farm emissions reduction target, and release of a Climate Roadmap and voluntary Climate-related Disclosure report.

The Co-operative is targeting a 30% intensity reduction in on-farm emissions by 2030\* (from a 2018 baseline) which will see it further reduce the emissions profile of its products.

86% of Fonterra's emissions come from on-farm, and the new target is seeking to reduce emissions intensity by tonne of FPCM (fat and protein corrected milk) collected by Fonterra.

In making the announcement at the Co-operative's Annual Meeting, Fonterra CEO Miles Hurrell said New Zealand farmers are some of the most emissions-efficient suppliers of dairy at scale, but work needs to continue to maintain this position.

"There is a lot of activity to reduce emissions across other markets, and the Co-op needs to keep making progress to make sure it doesn't fall behind.

"As a dairy partner to many of the world's leading food companies, we're responding to growing sustainability ambitions from our customers and financial institutions, along with increasing market access, legal and reporting obligations.

"Our collective efforts to reduce emissions – from on farm, across our operations and by our R&D teams – will help future proof Fonterra, supporting our ambition to be a long-term sustainable Co-op for generations to come," says Mr Hurrell.

"At the other end of the supply chain, as a large part of our customers' Scope 3 emissions, today's announcement further demonstrates to them that we are committed to being their sustainable dairy partner of choice both now, and into the future."

Fonterra expects this new target will be achieved through a number of ways:

- 7% reduction through farming best practice such as feed quality and improving herd performance
- 7% reduction through novel technologies that we're developing through AgriZeroNZ, the joint venture between agribusiness and Government working to find a solution to methane, and other partnerships
- 8% reduction through carbon removals from existing and new vegetation
- 8% from historical land-use change conversions to dairy.

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Fonterra Chairman Peter McBride says that the Co-op's overall on-farm emissions reduction target would affect each farm differently.

"There is significant variation within and across farming systems when it comes to emissions intensity. We are confident that we can make solid progress towards our target by working together and sharing information farmer-to-farmer.

"There's no one solution to reducing on-farm emissions. It will require a combination of sharing best farming practices and technology to reduce emissions – it's both our biggest opportunity and our biggest challenge," says Mr McBride.

"We have deep empathy for the challenges our farmers are already dealing with. The Co-op's approach will be to work alongside farmers, not against them, as we collectively make progress towards our target, including investing in methane reduction technologies".

Fonterra says the target comes after close to a year of discussions with farmers about why it is needed and how the Co-op will work with them to achieve it. It says the methodology will continue to evolve alongside the science that supports the changes.

Fonterra also launched its Climate Roadmap <https://fonterra.com/climate-roadmap>. The roadmap is a plan that outlines the actions the Co-op will take towards its 2030 targets and ambition to be net zero by 2050.

Earlier this year, Fonterra lifted its emissions reduction targets for its manufacturing and operations. This new target completes the package.

Mr Hurrell says having a full suite of targets and a plan to achieve them will provide high-value customers with the confidence to continue buying dairy from Fonterra, as well as protect its reputation as being one of the most emissions-efficient suppliers of dairy at scale.

In addition to this, the Co-operative has voluntarily released its first Climate-related Disclosure report <https://view.publitas.com/fonterra/2023-climate-related-disclosure>. This report identifies risks and opportunities related to climate and helps the Co-operative plan for the future.

New Zealand is the first country in the world to pass a law introducing mandatory climate-related risk reporting, with it becoming mandatory next year for around 200 New Zealand companies, including Fonterra.

Mr Hurrell says he's proud of the steps the Co-op is taking to address the challenges it faces when it comes to climate.

"Today's announcements are not just important for Fonterra. They will also help the country achieve its 2030 targets set under the Zero Carbon Act. We know we play a significant part in New Zealand's emissions profile, and it's up to all of us to work towards helping New Zealand achieve its climate targets," says Mr Hurrell.

\* The 2030 targets are aligned to the Science Based Target initiative (SBTi), which means they're aligned to limiting global warming to 1.5degrees. We are currently in the process of submitting the following 2030 targets to SBTi for validation:

- Fonterra commits to reduce its Scope 1 and 3 FLAG GHG emissions from dairy by 30% per tonne of Fat and Protein Corrected Milk by FY30 (from a FY18 baseline); and
- Fonterra commits to reduce its absolute Scope 1 and 2 GHG emissions by 50% by FY30 (from a FY18 baseline).

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