

**FONTERRA ANNUAL MEETING  
9 NOVEMBER 2023  
CEO'S ADDRESS**

Kia ora. On behalf of Fonterra's Management Team, I'm pleased to welcome you to our 2023 Annual Meeting.

I thank those who have travelled to be with us here in person and greetings to those joining us online.

Before passing to Peter, I will share with you an overview of our Co-op's performance for FY23, our outlook for FY24, and provide key updates on our Co-op's plan to deliver on our 2030 strategy.

Then I will hand over to Peter to provide an update from the Board.

The Co-op delivered strong results for FY23 and made good progress on its strategic initiatives.

During the year, we implemented our new Flexible Shareholding capital structure, completed the divestment of our China Farms and Chilean Soprole businesses, and launched our new nutrition science corporate ventures arm Ki Tua.

These milestones were several years in the making and I'm proud the team delivered upon the commitments we made to you, our shareholders.

Our FY23 financial performance was shaped by market dynamics which we worked hard to make the most of where possible.

Our profit after tax was \$1.6 billion, up 170% on last year, and our return on capital was 12.4%, up from 6.8%. This was primarily driven by high protein prices, which we captured in our Ingredients channel.

Our earnings performance put us in the position to pay a full year dividend of 50 cents per share, including the interim dividend of 10 cents per share.

In addition, we returned tax-free 50 cents per share following the divestment of our Chilean Soprole business.

However, we acknowledge these strong returns were against the backdrop of a Farmgate Milk Price which fell across the season. This was a result of reduced demand for Whole Milk Powder, in particular from key importing regions.

To optimise our Farmgate Milk Price, we moved milk into higher performing reference product categories, such as skim milk powder and cream where possible, and ended the season with a final Farmgate Milk Price of \$8.22 per kgMS.

Farmers faced pressure across the year from high input costs and a Farmgate Milk Price that was below break even for many. In response, we utilised our balance sheet strength to assist farmers with on-farm cash flow.

Fonterra's balance sheet metrics are better than target levels, even after adjusting for the impact of the Capital Return, thanks to a dedicated focus on lowering debt and financial discipline.

This has allowed us to introduce a new Advance Rate Schedule which gets cash to farmers sooner. It has also supported our ability to pay a full year dividend slightly above our dividend policy range of 40% to 60% of earnings.

At all times, we focus on what's within our control to maximise overall returns to our shareholders and unit holders.

We are continuing our disciplined approach through the introduction of two new efficiency measures and a new resource allocation framework.

The new efficiency measures will assist us to stay on track for our short and long-term targets by ensuring that our costs are managed relative to the value we can generate and the milk volumes we collect.

The two new core metrics are:

- a 4% cash operating cost improvement per year, which will assist long-term discipline in our global operating expenses; and
- a 2% New Zealand cash manufacturing cost improvement every year. This is to support efficient New Zealand operations while ensuring we remain laser focused on delivering value.

We expect application of these two measures will see us reduce costs across our business by \$1 billion by 2030.

We are also increasing our focus on the efficient allocation of our farmers' milk and capital, guided by our new resource allocation framework.

Our first priority is safe and efficient operations. We then allocate our farmers' milk toward either our Ingredients, Foodservice or Consumer channels according to where we believe we will see the highest returns.

Following this, we allocate the cash generated from these channels to either dividends, capital returns, paying down debt, growth capital, innovation or share buybacks – whichever will generate the best outcome for our shareholders over time.

Looking now at FY24, our current forecast Farmgate Milk Price range for the season is \$6.50 - \$8.00 per kgMS, with a midpoint of \$7.25 per kgMS.

This reflects ongoing reduced demand for whole milk powder, although we have seen a strengthening in prices recently as supply and demand dynamics improve.

New Zealand's milk collections are forecast to be slightly lower than last season, while aggregate milk growth in key export markets is also expected to be below average.

On the demand side, it is not yet clear whether the stronger demand seen in recent Global Dairy Trade events will be sustained so we are cautious in our outlook.

Looking at our forecast earnings for FY24, the favourable price relativities that we experienced across FY23, and which drove our Ingredients channel performance, have reduced from their peaks.

But we are forecasting improvement in our Consumer and Foodservice channels as our markets capture improved margins. As such, our FY24 forecast earnings range for continuing operations is 45-60 cents per share.

Last week we announced that Neil Beaumont is leaving the Co-op after a relatively short time with us as CFO.

While the terms of Neil's exit are confidential, I can confirm that his departure was mutually agreed by both Fonterra and Neil and was not in any way linked to the Co-op's financial performance.

While he was with us Neil created some real momentum in terms of how we set and achieve our goals for 2030, including the Resource Allocation Framework, two additional efficiency metrics and cost reduction targets we have added to our performance framework.

I am determined that this momentum will continue.

We will be commencing recruitment for our new CFO shortly, in the meantime I'm pleased to have Simon Till acting in the CFO role. Simon has been with the Co-op for over a decade and will be known to many of you.

I'm confident our management team, which now includes Simon, will continue to make strong progress and deliver for our shareholders.

Turning now to strategy, over the medium to long-term, the outlook for New Zealand dairy remains positive. Demand for sustainable nutrition is continuing to grow and by implementing our strategic plans we are well positioned to meet this demand.

As we know, being a leader in sustainability is a fundamental part of our strategy. We already have a competitive advantage, thanks to our pasture-based farming model that produces some of the lowest carbon dairy in the world.

But we also know we need to keep moving to retain our competitive edge. At last years' annual meeting, we signalled that we are considering introducing an on-farm emissions target. Since then, we have held meetings, webinars and engagements with farmers on why a target is needed and what one could look like. I thank those who participated in these sessions.

To re-cap, having a target will assist us to retain and grow customer partnerships and access finance and export markets. It will also bring us into line with our main global competitors, most of which have already set targets.

This is why we have decided to introduce a target of a 30% reduction in our on-farm emissions intensity by 2030, from a 2018 baseline.

Fonterra farmers have built a world leading business on the back of innovation and hard work. We know farmers will continue this tradition and continue to lead the way in producing high quality sustainable dairy, which gives us confidence to set this target.

It's important to note that our target will be measured at the Co-op level, not the farm level. But collectively achieving it will need action by all.

Also, an intensity target means we are seeking to reduce the number of emissions produced per kilogram of milk solids, which is all about finding efficiencies on-farm.

We see a credible pathway to deliver the 30% reduction, which looks like:

- A 7% reduction through farming best practices, including feed quality and herd performance.
- A 7% reduction through the application of new technologies, such as Kowbucha.
- An 8% reduction through carbon removals from existing and new vegetation
- An 8% reduction from historical land-use change.

While everyone will have opportunities for efficiency gains, the action plan will look different for each farm. The Farm Insights Reports provided to you by your Co-op identify the opportunities on your farm. Your Farm Source team can advise on the tools, services or industry resources available to realise those gains.

As our target will be measured from a 2018 baseline, any change made since 2018 will contribute to our 2030 goal. Progress has already been made in the areas of sequestration and land use change. More importantly, of the seven percent we're looking to achieve through on-farm best practices, we've already achieved two percent Co-op wide.

We know the rate of change farmers are facing is already challenging. Good progress can be made towards the target with the tools we already have available today, and your Co-op is here to assist you along the way.

During visits this year to Europe, China and the US it's been very clear to me that sustainability is top of the agenda for our customers and that our competitors are moving at pace.

It's great to see Nestlé and Mars directly supporting farmers with this. You will hear more about this next year.

The target we have introduced is credible and internationally recognised. It will help to future proof both the Co-op and your farming businesses, supporting our ambition to be a long-term sustainable Co-op for generations to come.

Thank you for your time and I will now hand over to Peter.

**FONTERRA ANNUAL MEETING  
9 NOVEMBER 2023  
CHAIR'S ADDRESS**

Thank you for those comments Miles.

Before we move into the main business of the meeting I'd like to add the Board's perspective to a couple of the topics Miles covered.

Performance is always first and foremost for us, so I will start there.

Miles and the team delivered a third consecutive year of strong performance overall, despite facing into difficult market conditions in a number of channels and regions.

Top line, the team can be proud of delivering a reported profit after tax of \$1.58 billion, equivalent to 95 cents per share and up 170% on last year.

For share aligned farmers, this strong earnings performance is helpful in the context of lower Farmgate Milk Prices.

As Miles said, our final milk price for the 2022/23 season was \$8.22 per kgMS. This is down from the high forecast midpoint of \$9.50 in June 2022, when we witnessed the impact of lower than anticipated demand for imported products, particularly from China.

The impact would have been greater, if not for the team's efforts to utilise the scale of the Co-op and shift milk into the products and places that were delivering the most value at the time.

While on the one hand, our milk price was negatively impacted by market forces. On the other, our earnings did benefit from favourable market conditions, including strong margins in our Ingredients channel, in particular the cheese and protein portfolios.

In other words, the market presented us with an opportunity, and the diversity of the Co-op's product mix meant our teams could go after it, where others may have struggled.

There's one other key performance indicator that I'd like to call out.

Improving the strength of our balance sheet and reducing debt has been a priority for us over recent years.

As you can see from the slide, we have made significant progress over a number of years through a combination of improved performance and increased financial discipline.

Our net debt is down \$2.1 billion to \$3.2 billion, reflecting our lift in earnings, reduced working capital plus divestment proceeds.

By reducing our overall debt position we have been able to increase dividends, pay the capital return and make changes to our Advance Rate Schedule.

In acknowledgement of the declining milk price environment and the impact that has on farmers, the Board made the decision to pay a final dividend of 40 cents per share, which was slightly above our dividend policy. Combined with the interim dividend of 10 cents per share, it brought the full year dividend to 50 cents per share and unit.

Sitting behind these excellent numbers were some real challenges, particularly here in New Zealand.

Extreme weather events again took a toll on many of our communities. In February, Cyclone Gabrielle hit the North Island with Northland, Coromandel, the Hawke's Bay and Gisborne among the hardest hit.

In the Hawke's Bay and Gisborne, some rural communities were cut off, suffered losses to their property, and experienced animal welfare issues.

As a Co-op, we look after each other when it comes to natural disasters like this.

The Co-op helps farmers to manage these types of risk through what is known as a 'Force Majeure' event. In accordance with the Terms of Supply, where we had to instruct a farmer to dispose of milk or dry off, appropriate compensation for these farmers was made.

The payments are one less thing to worry about in a time of crisis and one of many benefits of being part of a farmer co-operative.

Our Flexible Shareholding capital structure has been in place since March this year. It's working broadly as expected.

There is a misconception that Fonterra is active in the market to 'prop up the share price.'

Following the transition to the Flexible Shareholding structure, we implemented market maker arrangements to support liquidity in the Fonterra Shareholders' Market.

We also have the ability to buy back shares as part of our ongoing capital management programme, where we see it as value accretive to the Co-op.

Our share price has come down. This was anticipated and well-signalled before shareholders voted to support the changes to our capital structure.

There has also been a share price impact as a result of the recent capital return.

Over time we expect that the price will reflect the Co-op's financial performance, and the value farmers see in that. Ultimately, farmers will determine the value of the shares.

Flexible Shareholding is the right capital structure for our Co-op.

By making it easier for farmers to join (or stay with) the Co-op, it will help us to maintain a sustainable milk supply here in New Zealand, where milk volumes are declining.

The team of people that farmers engage with most often is Farm Source. I want to acknowledge the feedback the Co-op received from farmers in response to the structural changes that were made to some of our farmer-facing teams.

Representation of your interests is the primary role of the Co-operative Council. But, I acknowledge that farmers value the relationships they have with our field teams and the direct access they have to directors.

I want to reassure you that neither the governance changes we will discuss later in the meeting, nor the changes that have been made to Farm Source, will impact on your ability to share your views with us directly.

I know I speak for all of the directors when I say this: we will continue to make ourselves available to you to discuss governance of our Co-op, farmer-to-farmer.

The changes that were made to Farm Source were motivated by the changing nature of the role.

A lot of farmers are looking to the Co-op for guidance, technical information and help connecting with experts that can help them with changes that are required on farm. We will never tell you how to run your farming business.

However, we will support you as we all embrace the emissions challenge ahead of us. The Farm Source team is critical to helping farmers access information and experts, connect the dots for ourselves, and to create forums in which we can share insights and ideas between us.

As Miles announced earlier, the Co-op is committing to a 30% intensity reduction in total on-farm emissions by 2030. I want to reiterate his point that this is a Co-op wide target, not an individual farm target.

There is no one solution to reducing on-farm emissions. We need to approach this farm-by-farm. But we will all have work to do.

It is a confronting number. But as the saying goes, “there is only one way to eat an elephant: one bite at a time.”

As Miles explained, we can see a credible pathway to achieving the target by making incremental gains across those four areas of focus.

Achieving the target will require a combination of sharing best farming practices and technology to reduce emissions – it’s both our biggest opportunity and our biggest challenge.

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

The reduction target is also based on our 2018 baseline, so the good work farmers have already done in this area will count.

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.

Our methodology will continue to evolve alongside the science that supports the changes.

We will continue to invest with our dairy partners globally in the evolution of the scientific models that assess agricultural emissions.

I do want to be very clear with you that, respectfully, the need for an on-farm target does not change as a result of the general election.

The strongest motivating forces are offshore and, from my perspective, are both geopolitical and commercial in nature.

Being a leader in sustainability is a fundamental part of our strategy.

Miles has already talked about the competitive landscape and the partnership requirements of our key customers.

Sustainability and emissions are also the new trade barriers. We could essentially be locked out of some of our most valuable markets if we cannot demonstrate emissions reductions.

You already see that in the EU. They are introducing a Carbon Border Adjustment Mechanism that applies carbon tax to certain products imported into the EU. The EU is also looking to impose carbon charges on transport of goods to market, levied on all large ships entering their ports.

Our other main commercial driver is access to funding and capital – for both the Co-op and our individual farming businesses.

The main banks and financial institutions have set emissions reduction targets. Our on-farm emissions and the Co-op's operating emissions are a large part of their Scope 3 emissions, which they are seeking to reduce.

We know that some of our local competitors may use this as a procurement tool in the short term. But the commercial reality of doing business at scale internationally will capture all of us in time.

They will be late to the table, and presented with an even bigger elephant to eat.

Despite the upward trend across recent Global Dairy Trade Auction prices, we are still anticipating a challenging operating environment for the year ahead.

The Co-op is entirely focused on performance and reducing its costs to offset the impact of inflation over the coming years.

Farming is a long-term game and as an exporter, we need to accept that we are impacted by demand and supply dynamics, commodity prices and geopolitical events. The Co-op does its best to try and smooth the edges and optimise value, but there will always be volatility.

Ultimately, strong performance is the best way we can support our farmers through this difficult period. That remains our focus for the year ahead.

Despite the very real challenges the industry faces this season, the longer-term outlook for New Zealand dairy remains positive.

The world wants our sustainable New Zealand milk. Fonterra is in a strong position to meet this demand. Our current balance sheet gives us a lot of options to create more value – which is exciting for our future.

I'll now ask Miles to join me and we will take any questions you have in relation to our opening remarks.



# Fonterra Co-operative Group Limited Annual Meeting 2023

Mt Hutt Memorial Hall, 160 Main Street, Methven, Canterbury and online

9 November 2023

10.30 a.m.

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# Agenda

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Welcome



Chief Executive Officer's presentation



Chair's review

# Agenda

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- |            |   |   |
|------------|---|---|
| Resolution | 1 | Approval of changes to the remuneration of Elected Directors  |
| Resolution | 2 | Approval of changes to the remuneration of Co-operative Councillors                                 |
| Resolution | 3 | Approval of no change to the remuneration of members of Directors' Remuneration Committee           |
| Resolution | 4 | Appointment of KPMG as auditor and authorisation of the Directors to fix the auditor's remuneration |
| Resolution | 5 | Ratification of appointment of Mr Bruce Hassall   |

# Agenda

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Resolution

6

Ratification of appointment of Ms Holly Kramer

Resolution

7

Approval of amendments to the Constitution relating to the composition of the Milk Price Panel

Resolution

8

Approval of amendments to the Constitution relating to Board size and composition



Co-operative Council Report – John Stevenson

Resolution

9

Co-operative Council Report – John Stevenson

# Agenda

Resolution

10

First shareholder proposal by Mr Richard Dampney

Resolution

11

Second shareholder proposal by Mr Richard Dampney

Resolution

12

Third shareholder proposal by Mr Richard Dampney

Resolution

13

Fourth shareholder proposal by Mr Richard Dampney



Voting paper collection



General business



Closing

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# Fonterra Co-operative Group Limited Annual Meeting 2023

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CEO's address

**Miles Hurrell**

# We've had a good year

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Return on capital

**12.4%**

↑ from 6.8%

Profit after tax

**\$1.6<sub>b</sub>**

↑ from \$583m

Earnings per share

**95<sub>c</sub>**

↑ from 36c

Cash operating expenses per kgMS

**\$1.39**

↑ 3.7%

Gross profit from Core Operations per kgMS

**\$9.21**

↑ 4.3%



**\$8.22**

FGMP

↓ from \$9.30

**\$0.50**

Dividend

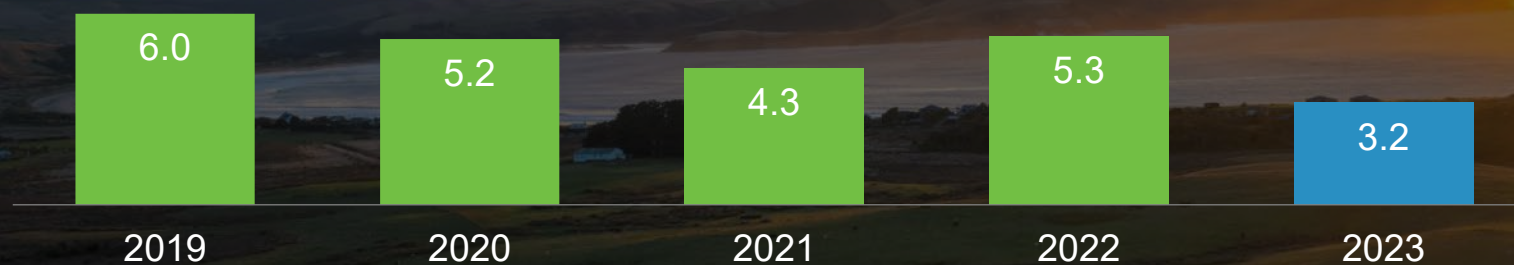
↑ from \$0.20

**\$0.50**

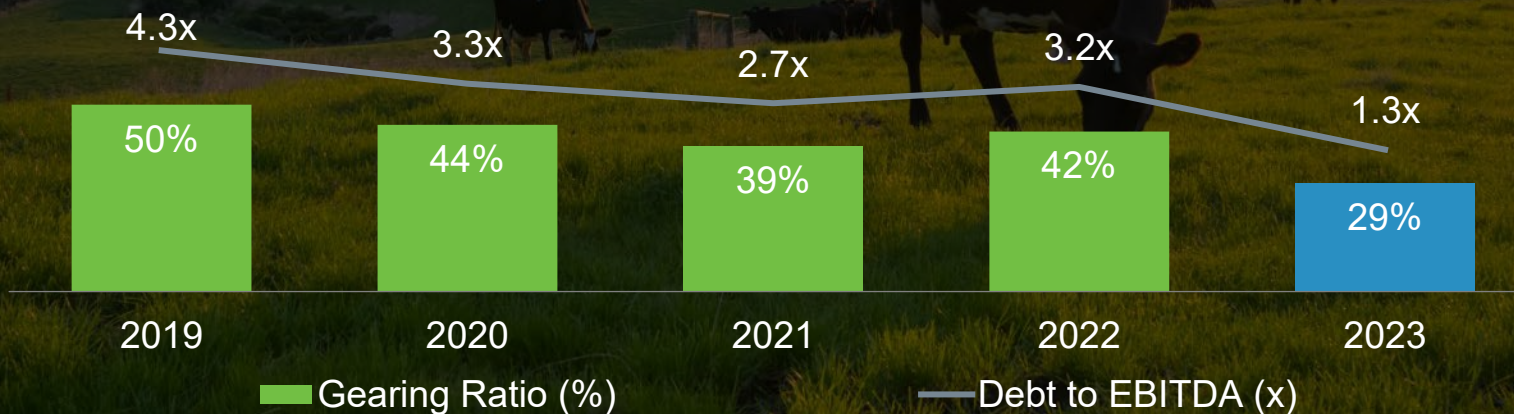
Capital Return

# Balance sheet strengthened

Net debt (\$ billion)



Leverage

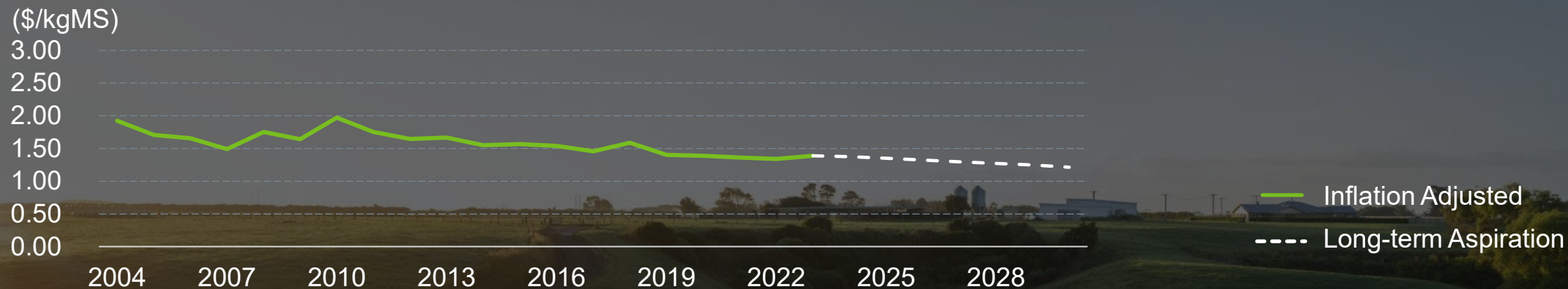


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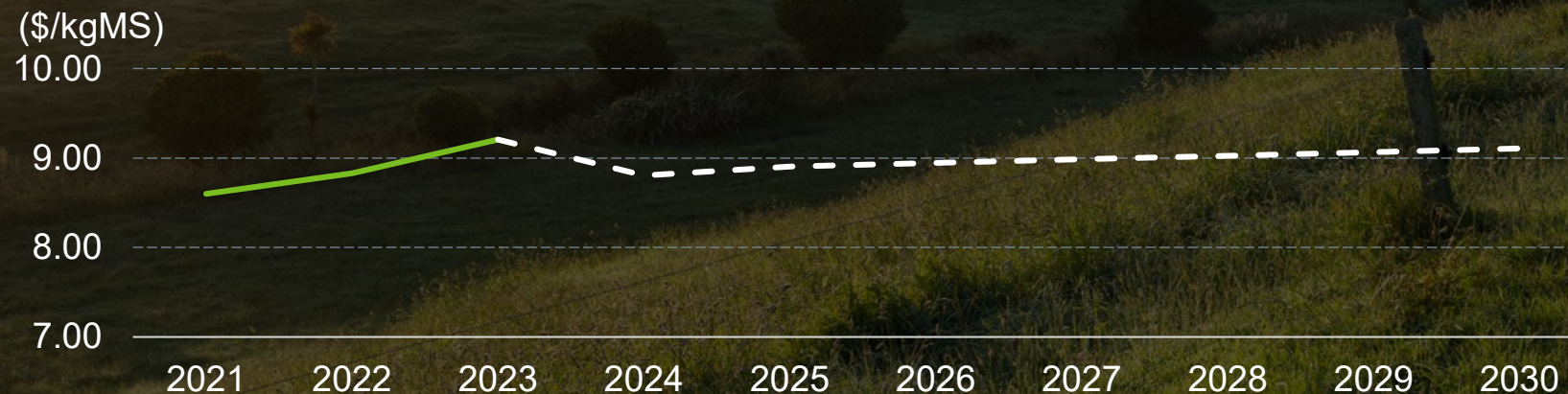
# Two new efficiency metrics to assist long-term aspirations

Fonterra aspires to safely and sustainably remove ~\$1 billion from its cost base by 2030

Cash operating expenses per kgMS – targeting a 4% cash operating cost improvement every year



Gross profit from Core Operations per kgMS – targeting a 2% New Zealand operational cash cost improvement every year



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# Resource Allocation Framework introduced driving disciplined allocation of resources

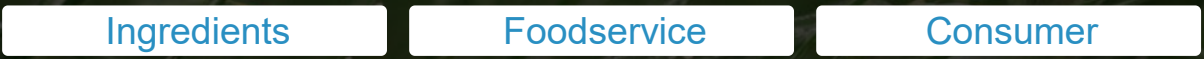
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Sustain safe, productive operations



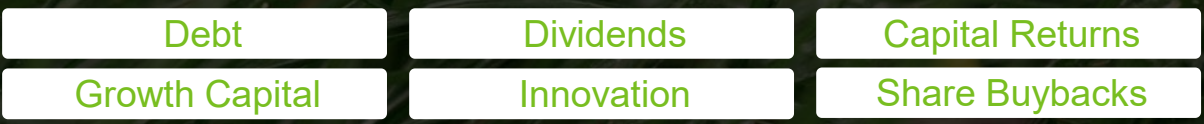
Competition for milk

Preliminary Cash Flow from Core Operations



Competition for cash

Preliminary Cash Flow



Outcomes for the Shareholder

Reported Cash Flow



# Forecast 2023/24 season Farmgate Milk Price

Forecast Farmgate Milk Price  
**\$6.50–\$8.00**  
 per kgMS

## Reference Product Prices



The range reflects:

- Ongoing reduced demand for whole milk powder, although we have seen strengthening in prices recently as supply and demand dynamics improve.

- Reference product shipment price
- ..... Average reference product shipment price for the season
- ..... Reference product contract shipment price

# FY24 earnings outlook

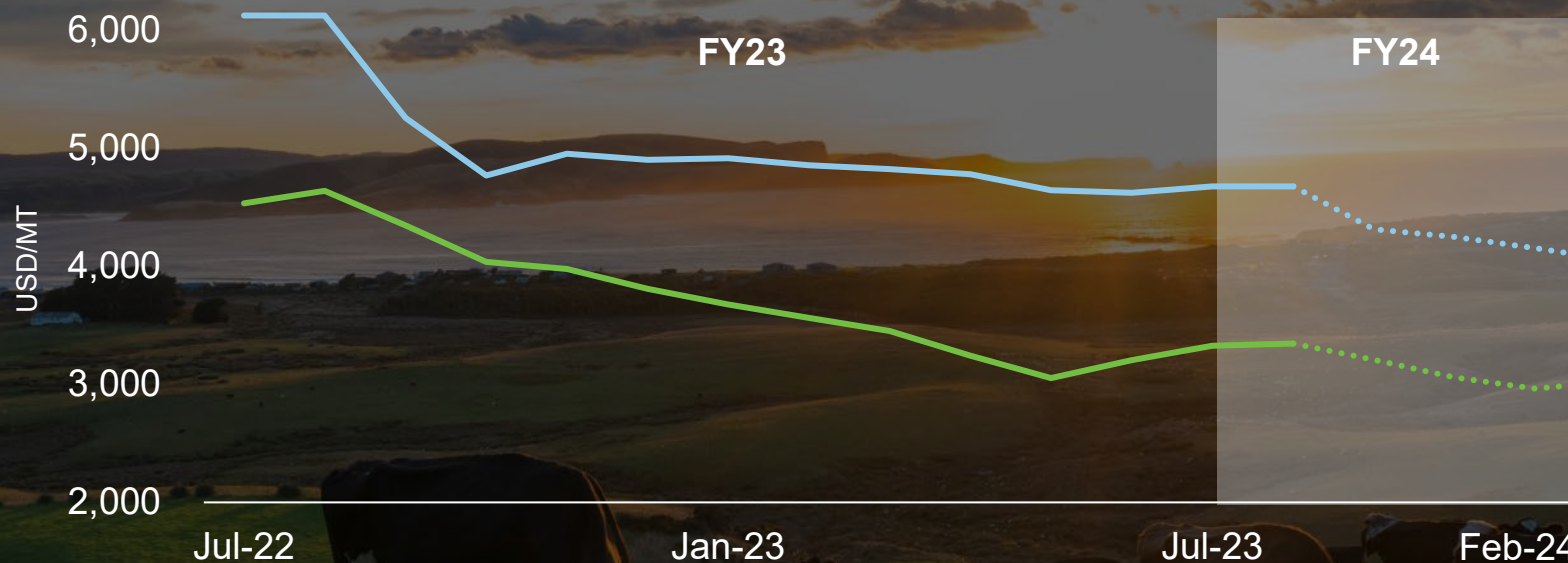
Continuing operations  
forecast earnings

**45-60c**  
per share

The range reflects:

- Favourable Ingredients margins continue but lower than FY23
- Lower milk costs assisting improved margins in Foodservice and Consumer channels

Reference and Non-Reference Product Prices



- Non-Reference Product shipment price
- Reference Product Shipment price
- ..... Non-Reference Product contract shipment price
- ..... Reference Product contract shipment price

# A recap of our strategic priorities

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Focus on New Zealand milk



Be a leader in sustainability



Be a leader in dairy innovation and science



# Key drivers of our on-farm emissions approach



Access to markets  
and customers



Access to  
future funding



Increased legal  
and reporting  
obligations



Our strategic choice  
to lead in  
sustainability

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# Our on farm emissions reduction target

We have set a new target related to on-farm emissions

30%

intensity reduction\* by 2030 from a 2018 baseline

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\*per tonne of Fat and Protein Corrected Milk

# We see a credible pathway

30%

Reduction in on-farm emissions per tonne of Fat and Protein Corrected Milk (FPCM) by 2030 from a 2018 baseline



On-farm actions

7%

Supporting farmers to continue to adopt best practice farming



Novel technology

7%

Scaled up and commercially viable novel technologies



Carbon Removals

8%

Carbon removals from existing and new vegetation



Historical land use change

8%

Historical land-use change conversions into dairy land

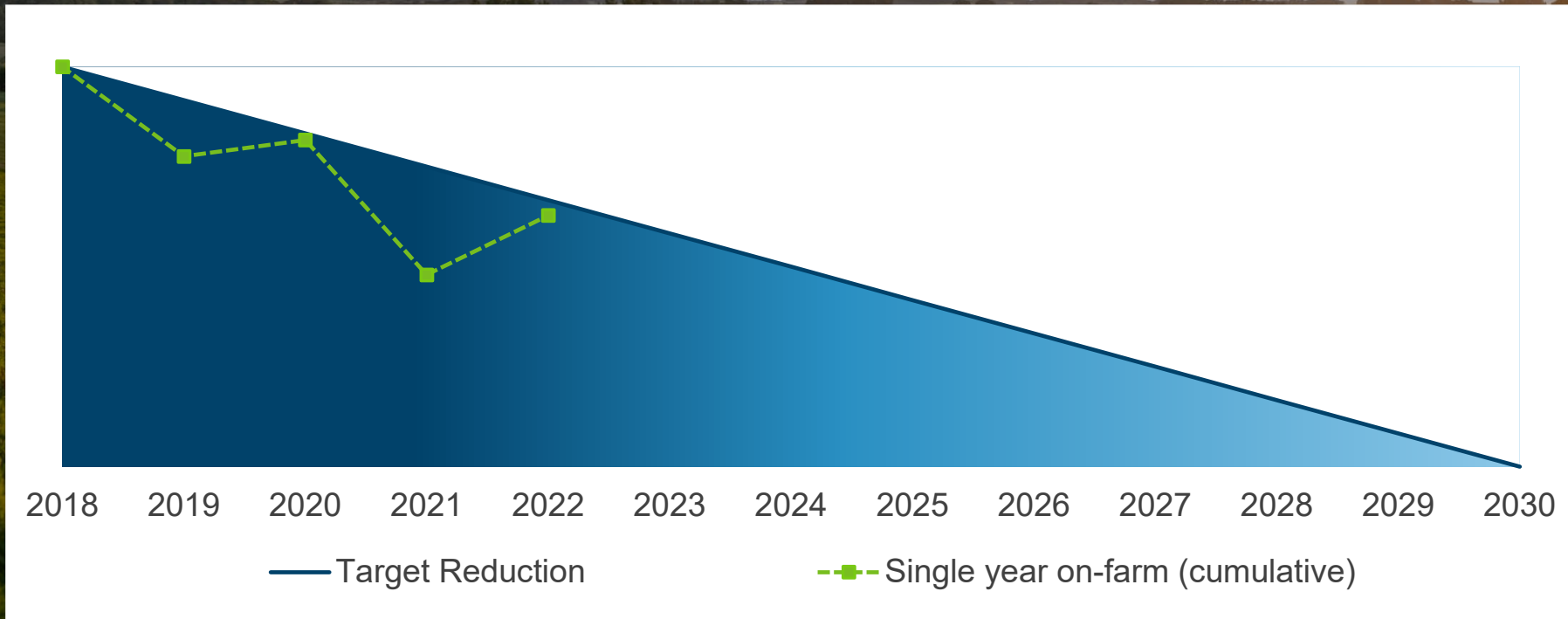
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# Your hard work is already paying off

We've already made progress against the on-farm actions portion of our target

Progress assessed against Emissions/kgMS incl. Organic soil and Land Use Change

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Chair's review

**Peter McBride**

# Key performance outcomes

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Return on capital

**12.4%**

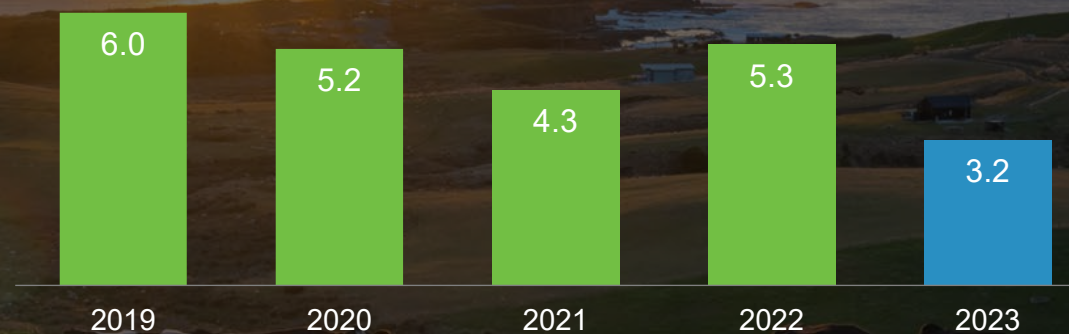
↑ from 6.8%

Profit after tax

**\$1.6<sub>b</sub>**

↑ from \$583m

Net debt (\$ billion)



Dividend

**50<sub>c</sub>**

↑ from \$0.20

Farmgate Milk Price

**\$8.22**

↓ from \$9.30



# Co-op responds to Cyclone Gabrielle



# Farm profitability and share price

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Cash return per share<sup>9</sup>

2019	2020	2021	2022	2023
\$0.00	\$0.05	\$0.20	\$0.20	\$1.00

■ Profit per hectare (\$/Ha) 
 ●— Closing share price (\$) <sup>10</sup>  
 Estimate <sup>11</sup>

# Working alongside farmers



We have introduced new support roles alongside the tools and services we provide



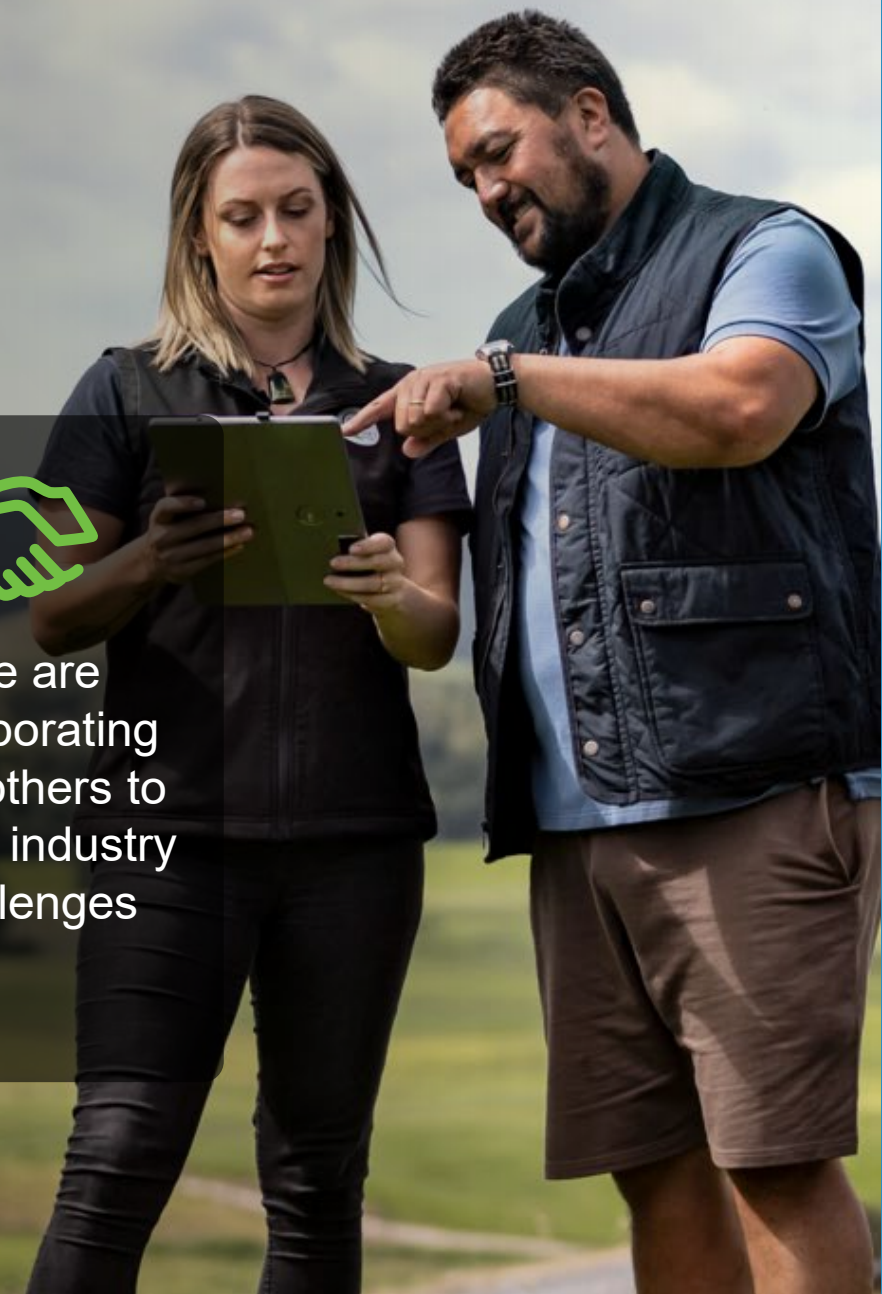
We are improving our data and verification processes for farmers



We are advocating for better outcomes for farmers and the co-op



We are collaborating with others to tackle industry challenges

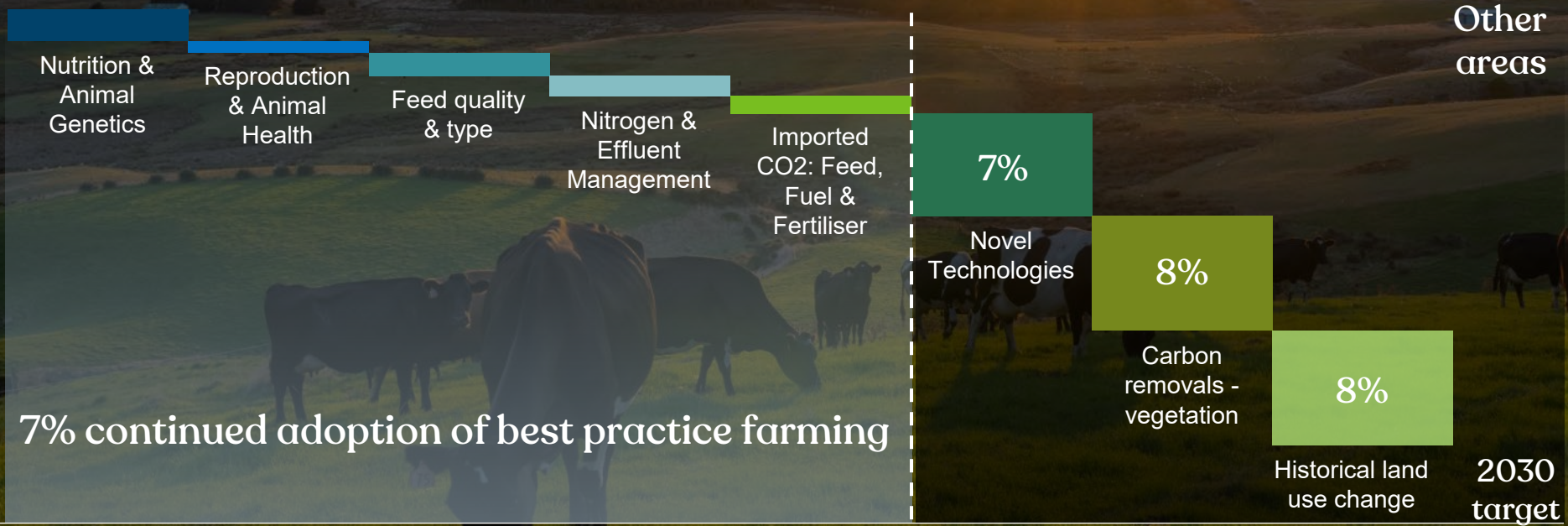


# Protecting our on-farm emissions advantage

Areas that will contribute to on-farm emissions intensity reduction

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2018  
baseline



# Outlook for 2024

Forecast 2023/24 season  
Farmgate Milk Price  
**\$6.50–\$8.00**  
per kgMS

Continuing operations  
forecast earnings  
**45–60c**  
per share



# Fonterra Co-operative Group Limited Annual Meeting 2023

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# Resolution 1

Approval of changes to the  
remuneration of Elected  
Directors

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# Resolution 2

Approval of changes to the  
remuneration of Co-operative  
Councillors

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# Resolution 3

Approval of no change to the remuneration of members of the Directors' Remuneration Committee

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## Resolution 4

Appointment of KPMG as  
auditor and authorisation of  
the Directors to fix the  
auditor's remuneration

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# Resolution 5

Ratification of appointment  
of Mr Bruce Hassall

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# Resolution 6

Ratification of appointment  
of Ms Holly Kramer

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# Resolution 7

Approval of amendments to  
the Constitution relating to  
the composition of the Milk  
Price Panel

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# Resolution 8

Approval of amendments to  
the Constitution relating to  
Board size and composition



FONTERRA  
CO-OPERATIVE  
COUNCIL



Chair - Fonterra Co-operative Council

**John Stevenson**

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FONTERRA  
CO-OPERATIVE  
COUNCIL



# Resolution 9

Approval of the  
Co-operative Council  
programme and budget

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# Resolutions 10, 11, 12 & 13

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- |                               |  |
|-------------------------------|--|
| Mr Dampney's first proposal:  | That the number of Appointed (Independent) Directors be reduced from four to two   |
| Mr Dampney's second proposal: | That the number of Farmer Elected Directors remain   |
| Mr Dampney's third proposal:  | That Fonterra shareholders or former Elected Directors can be appointed as "Independent Directors" provided they have had a five year stand down and 75% approval is attained from voting shareholders |
| Mr Dampney's fourth proposal: | That the Independent Assessment Panel for Elected Directors be scrapped  |



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# General business



# Fonterra Co-operative Group Limited Annual Meeting 2023

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