Fonterra Co-operative Group Limited

Results for Announcement to the Market

Results for announcement to the market		
Name of issuer	Fonterra Co-operative Group Limited	
Reporting Period	12 months to 31 July 2024	
Previous Reporting Period	12 months to 31 July 2023	
Currency	NZD	
	Amount (000s)	**Percentage change**
Revenue from continuing operations	$22,822,000	(7%)
Total Revenue	$22,994,000	(12%)
Net profit from continuing operations	$1,168,000	(6%)
Total net profit	$1,128,000	(28%)
Final Dividend		
Amount per Quoted Equity Security	$0.40	
Imputed amount per Quoted Equity Security	Not Applicable	
Record Date	2 October 2024	
Dividend Payment Date	11 October 2024	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	$3.97	$3.82
A brief explanation of any of the figures above necessary to enable the figures to be understood		
Authority for this announcement		
Name of person authorised to make this announcement	Anya Wicks	
Contact person for this announcement	Anya Wicks	
Contact phone number	(09) 374 9341	
Contact email address	Anya.wicks@fonterra.com	
Date of release through MAP	25 September 2024	

Audited financial statements accompany this announcement.

Market Announcement

25 September 2024

Fonterra continues momentum in FY24, announces special dividend

- Profit after tax: NZ $1,168 million
- Continuing operations EBIT*: NZ $1,560 million
- Continuing operations earnings* per share: 70 cents per share
- Return on capital: 11.3%
- Total dividend: 55 cents per share, comprising:
  - 15 cent interim and 25 cent final dividend
  - 15 cent special dividend
- Full year milk collections: 1,471 million kgMS
- Final 2023/24 season Farmgate Milk Price: NZ$7.83 per kgMS

Fonterra Co-operative Group Ltd has today reported strong FY24 full year financial results, including a final 2023/24 season Farmgate Milk Price of $7.83 per kgMS and a total dividend of 55 cents per share. CEO Miles Hurrell says the payout reflects both Fonterra's continued strong earnings performance and the long-term resilience of the Co-op.

"We've maintained the positive momentum seen in FY23 and delivered earnings at the top end of our forecast range.

"Our total dividend of 55 cents per share is the second largest since Fonterra was formed. It includes a 15 cent interim dividend and a 25 cent final dividend driven by strong FY24 earnings.

"In addition, our capital management efficiency and ongoing balance sheet strength have enabled us to return an extra 15 cents per share to farmer shareholders and unit holders through a special dividend.

"The final Farmgate Milk Price for the 2023/24 season finished at $7.83 per kgMS. This, combined with the 55 cents per share dividend, provides a total cash payout to a fully shared up farmer of $8.38 per kgMS.

"Our Co-op is in good shape, and I'm pleased to have delivered another year of solid returns to farmer shareholders and unit holders.

"Looking ahead, we're well placed to consider the next phase of our strategy to grow long-term value for the Co-op," says Mr Hurrell.

Business performance

The Co-op reported a return on capital for FY24 of 11.3%, above the target range for FY24. Earnings (EBIT) from continuing operations were $1,560 million and continue to be well above previous years, albeit down on FY23 which benefitted from elevated price relativities.

Fonterra's profit after tax from continuing operations was $1,168 million, equivalent to 70 cents per share. "Our FY24 earnings were driven by higher margins and increased sales volumes in our Foodservice and Consumer channels. Our Ingredients channel also continued to deliver strong returns, although down when compared to the record result seen in FY23," says Mr Hurrell.

Sales volumes from continuing operations were down 1% to 3,470 kMT and gross margins were maintained at 17%.

“We remain focused on making progress against our two efficiency metrics while also investing in the areas that will improve long-term performance and the resilience of the Co-op.

“Our core operations manufacturing costs per kgMS reduced year-on-year by 2% to $2.58 per kgMS, reflecting both operational improvements and improved input costs.

“Across the year we also achieved savings in our operating expenses which largely offset the impacts of inflation. However, our cash operating expenses per kgMS are up mainly due to our investment in IT and digital transformation projects.

“Our balance sheet position remains strong, providing optionality and flexibility for the future and resilience against volatility.

“We have net debt of $2.6 billion, $600 million lower than last year, due to strong underlying operating performance.

Our gearing ratio of 24% reflects our lower net debt position and higher equity from strong earnings,” says Mr Hurrell.

Co-op strategy

This year, Fonterra completed a strategic review that reinforced the role of its Foodservice and Ingredients channels and confirmed its strengths in partnering with customers to produce world-class, innovative dairy.

As a result of this work, in May the Co-op announced that it is exploring divestment options for its global Consumer business, as well as Fonterra Oceania and Sri Lanka.

“Over the last few months, we have appointed advisors to assist with assessing divestment options for our Consumer businesses and this work is ongoing,” says Mr Hurrell.

“As we can see from today’s result, the businesses in scope for potential divestment are performing well. We remain committed to a pathway that would maximise value of these businesses for our farmer shareholders and unit holders.

“Alongside this, we have revised our strategy to have a sharper focus on the Co-op’s strengths and where we can best create value.

“We will be sharing this revised strategy, as well as the outcomes shareholders and unit holders can expect from the Co-op, next week,” says Mr Hurrell.

**Excludes earnings from discontinued operations. In FY24 discontinued operations were DPA Brazil and in FY23 discontinued operations were DPA Brazil, Soprole and China Farms.*

ENDS

For further information contact:

James Kaufman
Fonterra Communications
Phone: +64 21 507 072

About Fonterra

Fonterra is a co-operative owned and supplied by thousands of farming families across Aotearoa New Zealand. Through the spirit of co-operation and a can-do attitude, Fonterra's farmers and employees share the goodness of our milk through innovative consumer, foodservice and ingredients brands. Sustainability is at the heart of everything we do, and we're committed to leaving things in a better way than we found them. We are passionate about supporting our communities by Doing Good Together.

Non-GAAP financial information

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.

Non-GAAP measures are not subject to audit unless they are included in Fonterra's audited annual financial statements.

Fonterra Co-operative Group

2024 Annual Results

25 September 2024

Content

Results at a glance

Continuing operations' operating profit (EBIT)

$1,560m

↓ from 1,755m

Net earnings (Profit after tax)

$1,128m

↓ from 1,577m

Gearing ratio

24.0%

↓ from 28.8%

Continuing operations' earnings per share

70 cents

↓ from 75c

Earnings per share

67 cents

↓ from 95c

Farmgate Milk Price

$7.83

↓ from $8.22

Dividend

55 cents

↑ from 50c

Return on capital

11.3%

↓ from 12.4%

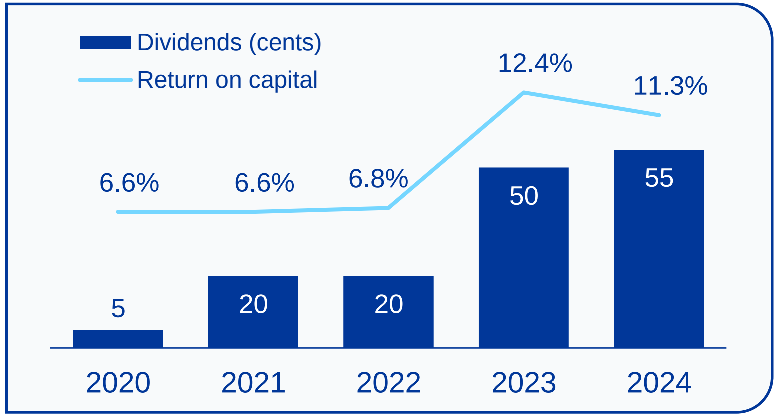
Step change in performance over the last two years

Return on capital

- **11.3% return on capital**
  - Significantly above 5-year average and above FY24 target range

Dividends

- **55 cents per share**
  - Full year dividend of 40c made up of 15c interim dividend and 25c final dividend
  - Special dividend of 15c reflecting capital management efficiency and robust balance sheet

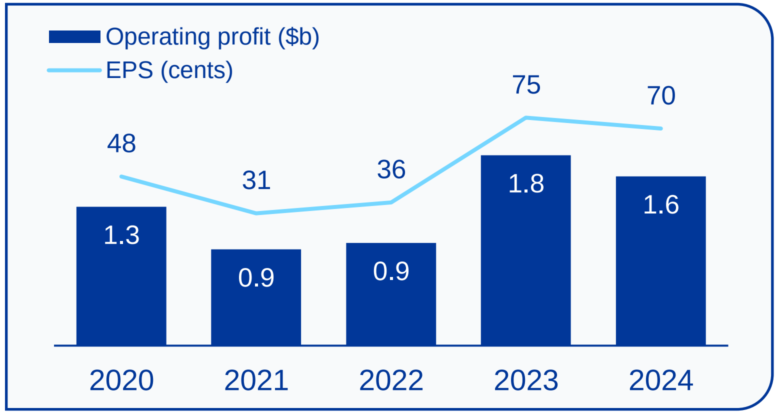


Operating profit

- **$1.6b operating profit (EBIT)** from continuing operations
  - Ingredients EBIT of $898m, down $657m; price relativities easing from prior year record high
  - Foodservice EBIT of $463m, up $138m; improved margins and higher allocation of milk solids
  - Consumer EBIT of $199m, up $324m; improved margins and lower operating expenses

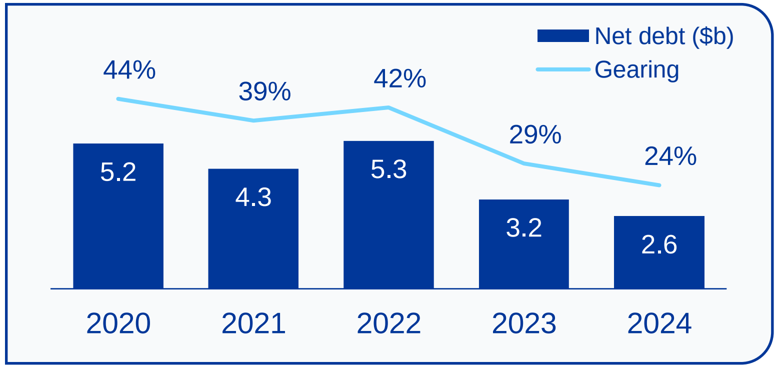
Profit after tax

- **70c earnings per share from continuing operations**
  - Equivalent to profit after tax of $1.17b
- (3) cents per share from discontinued operations



Resilient Co-op

- **Resilience** provides optionality and flexibility for future investments and mitigates volatility
- Balance sheet strength
  - $2.6b net debt, $0.6b lower due to strong underlying operating performance and lower working capital. Year-end inventory was down 25k MT (4%), equivalent to $0.2b
  - Gearing ratio of 24.0% reflecting lower net debt and higher equity due to strong earnings
- Continued investment in essential and sustainability capital projects and strategic opex, including enterprise systems, energy and wastewater projects



Good progress on strategy

Focus on innovation

- Developed and implemented an AI based fault detection system that improved butter and powder packaging efficiency, reducing plant downtime
- Manufacturing innovation using steam infusion technology to increase run time and yields for UHT cream
- Collaborated with QSR customers to develop a soft style mozzarella that improved quality of home delivered pizzas
- Inaugural Horizon Awards to celebrate the innovation of our people across the co-op with 240 entries

Strategic review complete

- Announced the potential divestment of some or all of our global Consumer business plus Fonterra Oceania and Fonterra Sri Lanka
  - Appointed advisors to assist with assessing our divestment options
- Announced three new investments for the future
  - $75m in a high-value protein hub at Studholme
  - $150m to build a new UHT cream plant at Edendale
  - $150m to build a new cool store at Whareroa site in Taranaki

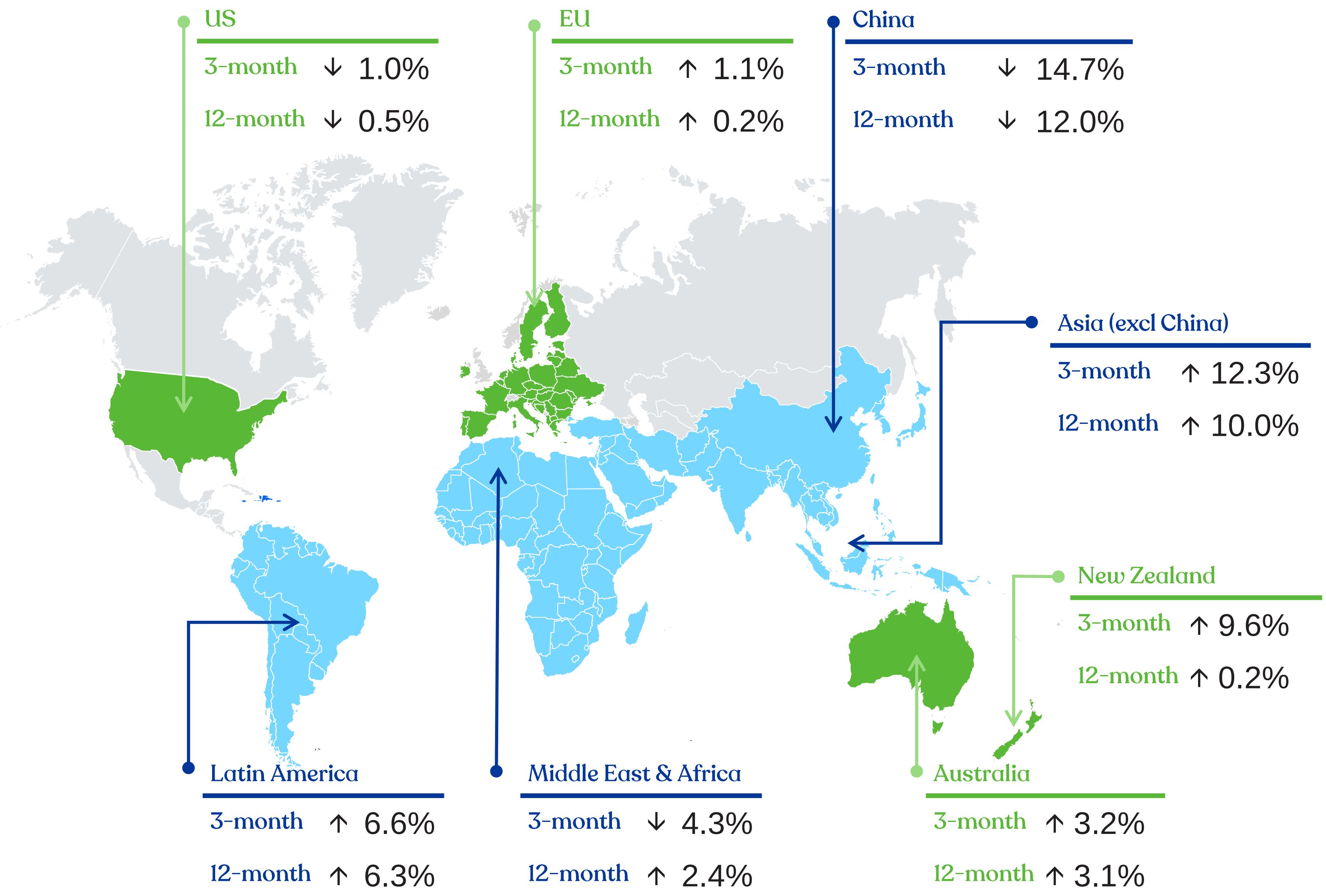
Making good progress on sustainability

- Collaboration with customers to support and accelerate best practice in sustainability
- 18.5% reduction in Scope 1 & 2 emissions across our operations
- 12.4% reduction in water use and the implementation of Water Improvement Plans at all our global sites
- Announced a target 30% intensity reduction in on-farm emissions by 2030 (from a 2018 baseline) to support the emissions reduction profile of products

Variable milk supply and strong demand from key importing regions

- Outlook for dairy trade is positive
  - Continued strong demand from key import regions, particularly Southeast Asia, and Middle East and Africa
  - China import demand impacted by prioritisation of domestic milk supply
  - EU production recovered due to stable milk price and lower on-farm costs
  - US production impacted by lower herd sizes due to favourable beef prices
  - Australia production increased due to better weather conditions, high milk prices and lower on-farm costs
  - New Zealand current season production has started strong due to favourable weather conditions and early calving
- Lower production by litres in US offset by improved milk solids yield per cow
- Slower domestic demand growth and lower milk price in China impacting its local milk supply growth

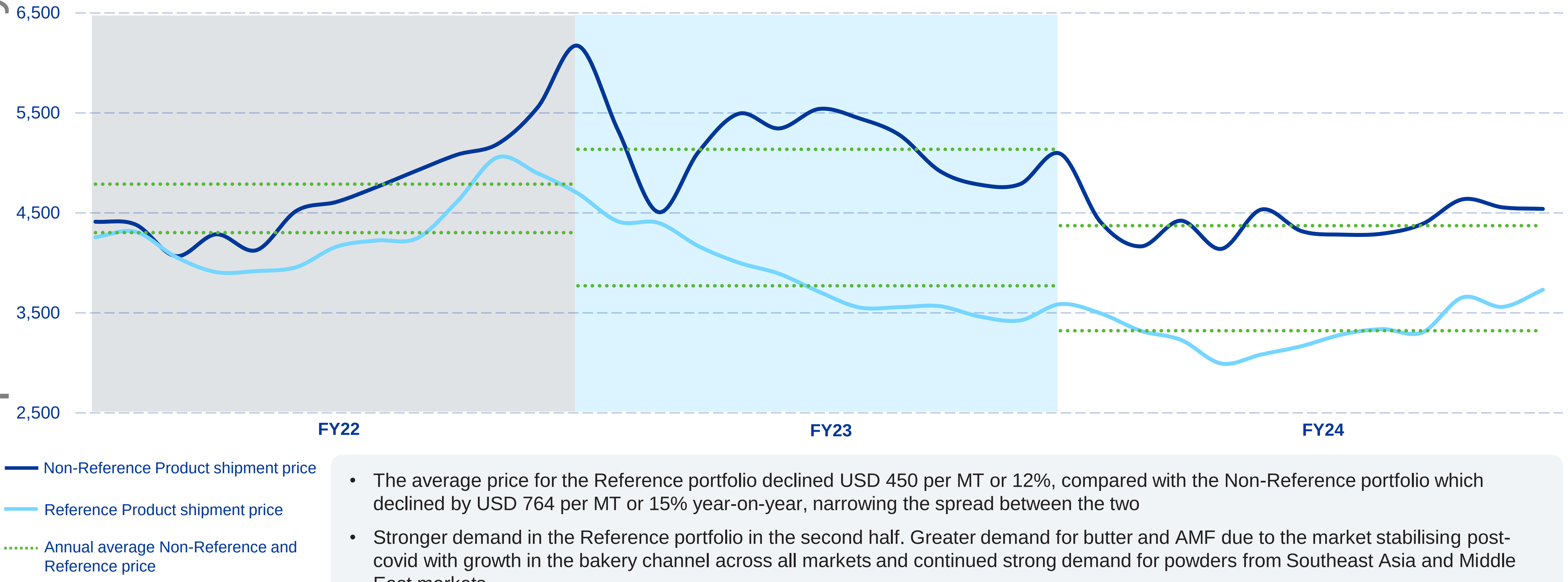
Production Imports



Note: Refer to additional information for source data and date ranges

Revenue price relativities unfavourable compared to prior year

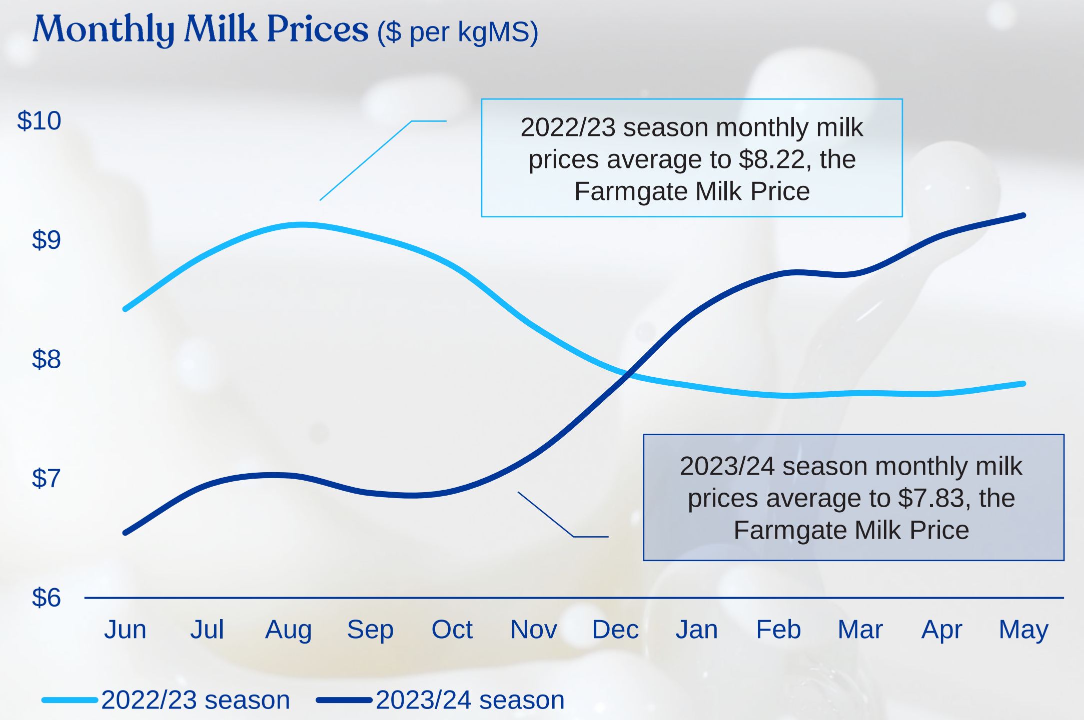
Fonterra Revenue Reference and Non-Reference Price Relativities (USD/MT)



- The average price for the Reference portfolio declined USD 450 per MT or 12%, compared with the Non-Reference portfolio which declined by USD 764 per MT or 15% year-on-year, narrowing the spread between the two
- Stronger demand in the Reference portfolio in the second half. Greater demand for butter and AMF due to the market stabilising post-covid with growth in the bakery channel across all markets and continued strong demand for powders from Southeast Asia and Middle East markets
- Non-Reference pricing has remained relatively stable through FY24 after a significant decline in Q1

Note: Refer to additional information for source data and date ranges

Lower average global commodity prices and different monthly profile



- Reference Product prices that informed the 2023/24 season were lower than prior season
- The lower product prices were partially offset by favourable currency hedge movements, as the NZD:USD trended downwards
- 14 cents, or $147 million, of inflationary increases in the cost of most inputs, with significant increases in the cost of energy, staff costs, packaging and motor vehicle

- 38% of milk was collected and manufactured in September to November, and product prices informing monthly milk prices during this period were 19% lower than prior season
- FY24 Foodservice and Consumer gross margins during Q1 – Q3 are higher relative to prior year due to lower cost of milk at start of financial year
- Monthly Milk Prices in April and May over $9 impacted Q4 gross margin

Continued focus on total cash return to farmers

- Higher FY24 dividend reflects higher earnings over the last two years and a robust balance sheet
- Strong balance sheet enabled further improvement in advance rate payments
  - In 2023/24, early season payments increased to 75% of the total forecasted milk price, up from the historical 65%
  - In 2024/25 milk payments for early in the season have increased to 85%

1. Cash returns announced in a calendar year

Drivers of operating performance

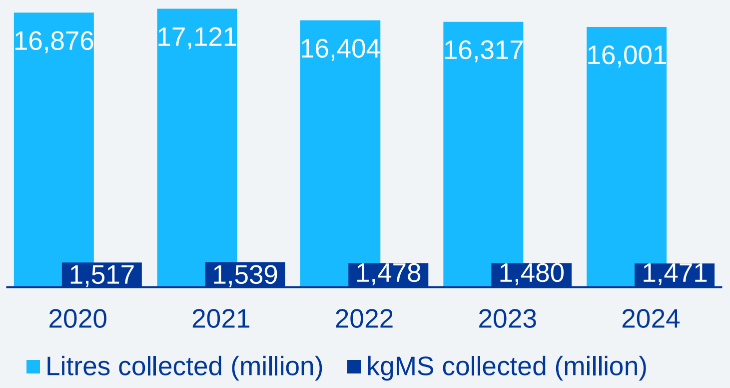
Improved productivity from our New Zealand supplier base

- Higher average production per farm mainly due to improved production per cow and an increase in average farm size
- Focus on quality over quantity resulted in greater solid availability in milk
- Milk collected from 8,141 shareholding and 110 non-shareholding farms around New Zealand. Supplying farms numbers lower due to:
  - smaller farms converting to other land uses
  - increase in competitor activity
- Non-shareholding farms largely made up of farms supplying MyMilk and expected to steadily decline as the Co-operative no longer accepts new applications for MyMilk with the introduction of flexible shareholding structure
- Majority of farmers who exited MyMilk programme before the end of 2023/24 season, joined the Co-operative as supplying shareholders

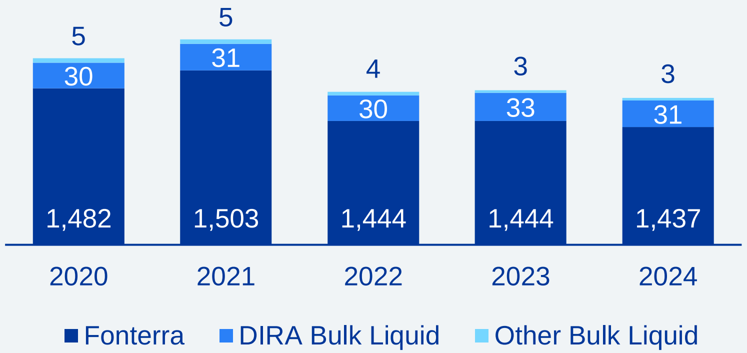
1. Includes shareholding farms that were supplying milk as at 31 July

Timeliness of milk collection maintained, marginally higher cost

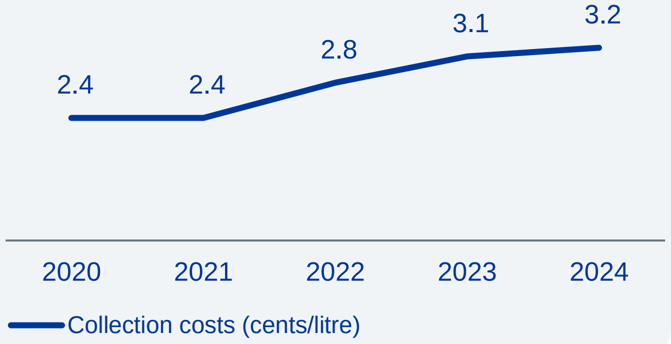
Litres and milk solids collected



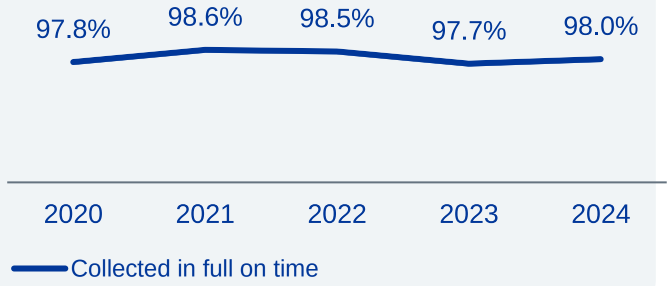
New Zealand milk solids processed and Bulk Liquid sales (million kgMS)



Cost of collecting milk



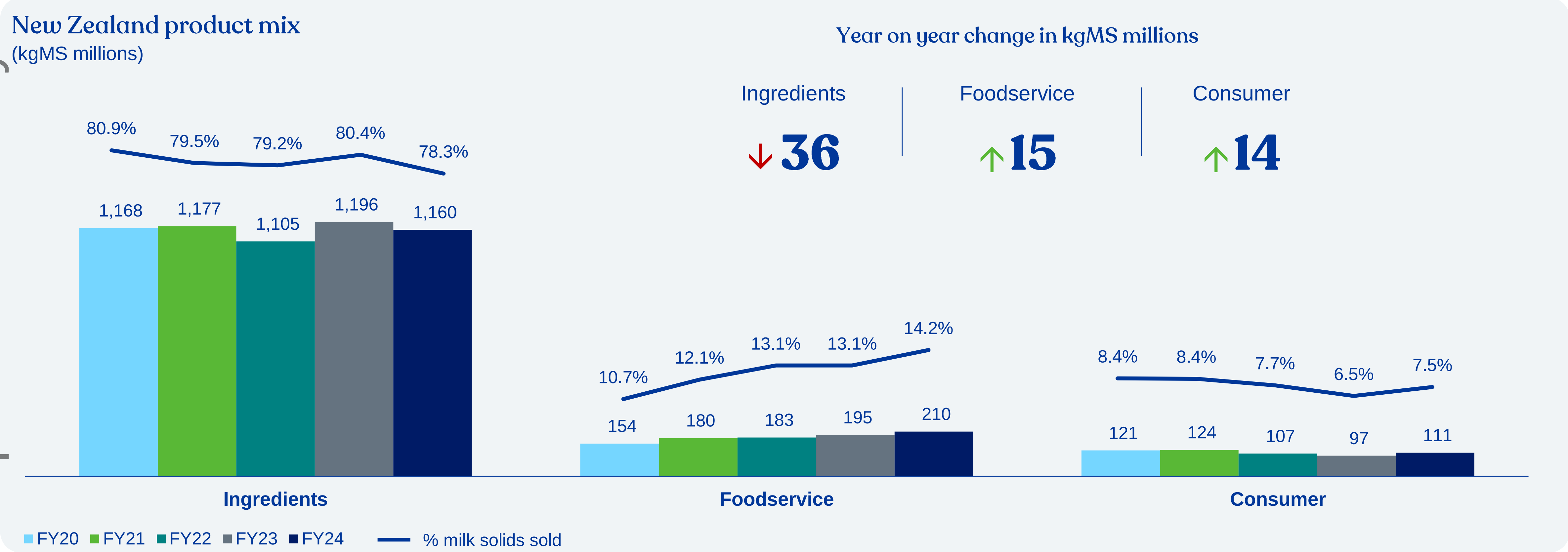
Timeliness of collecting milk



- Cost of collecting milk increased due to rising Road User Charges after the temporary reduction ended in June 2023, partially offset by favourable diesel prices
- Inflation impacted staff and vehicle maintenance costs
- Use of data and analytics to monitor fuel efficiency by tanker and driver enabled targeted training to improve efficiency

- “Collected in full on time” (CIFOT) is the measure of how well we have performed in collecting our farmer owners’ milk within our planned collection windows
- Performance has remained strong and stable
- The rollout of milk vat monitoring technology has enhanced our planning and management of milk collection

Improved product mix as more solids sold through Foodservice and Consumer

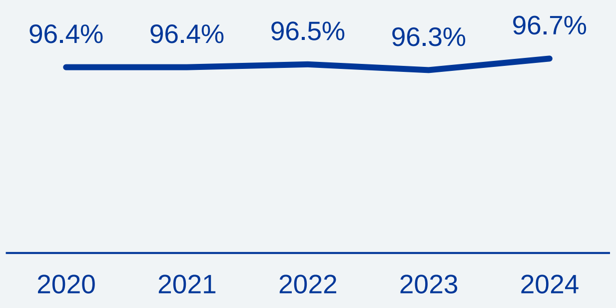


- Higher proportion of solids allocated to Foodservice and Consumer to capture higher margins in these channels
- Increased allocation of solids in Foodservice was due to higher demand in Greater China, particularly UHT cream
- A higher proportion of Ingredients was sold in FY23 due to the additional inventory carried over from FY22

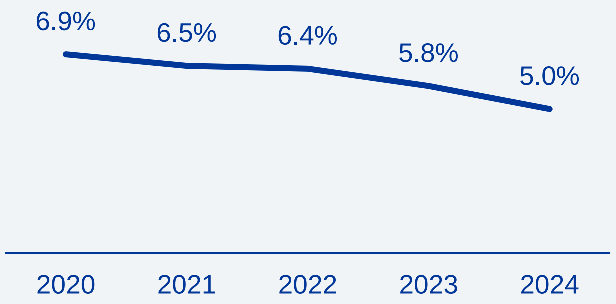
Note: Data presented as sales by channel

Continuous improvement in our milk processing performance

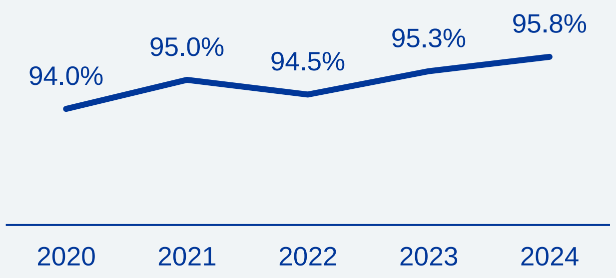
Milk utilisation



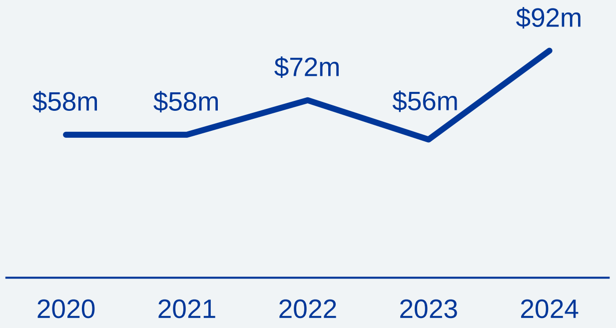
Unplanned downtime



Product made right first time



Cost of quality

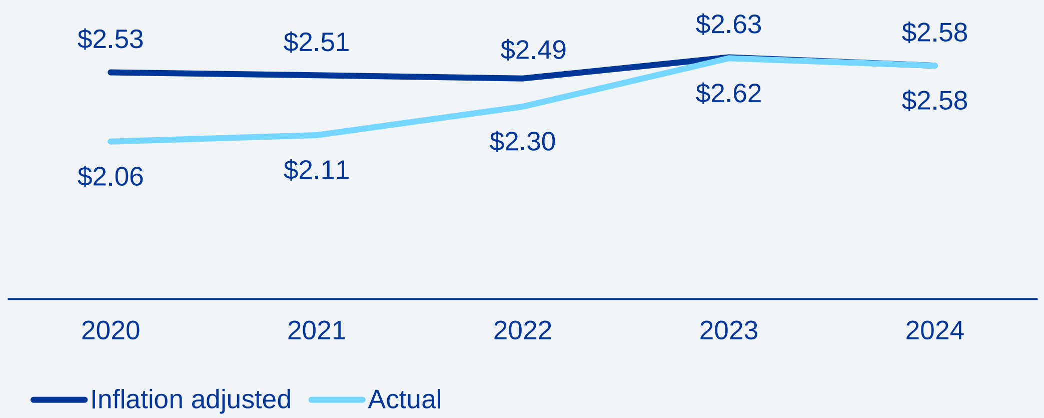


- **Milk utilisation** (the proportion of milk solids made into products) improved due to favourable product mix and improved operational performance
  - Favourable product mix due to increased production of skim and cream products that have lower processing losses
- **Unplanned downtime** has improved through implementing robust maintenance strategies
  - Strategic projects such as Run to Target have improved manufacturing efficiencies, lifting performance and operational efficiency through standardised activity across operations

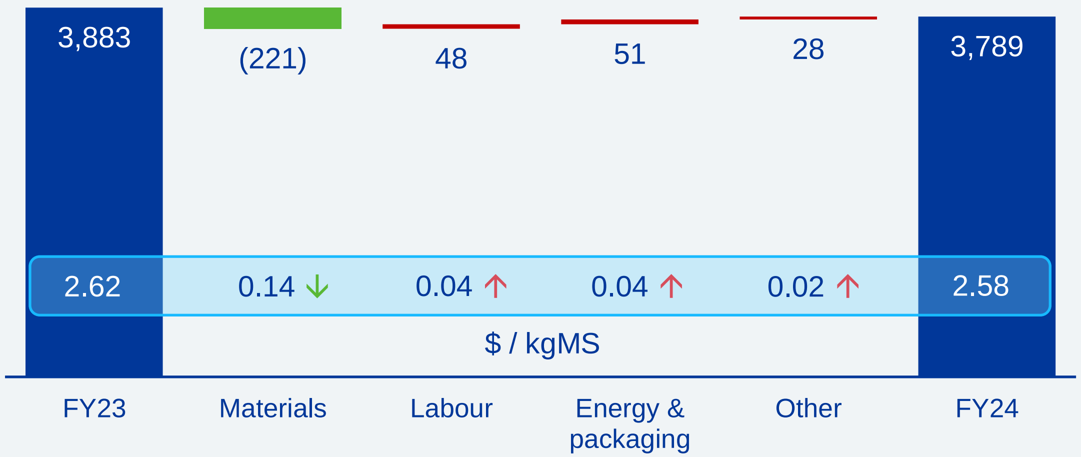
- **Product made right first time** measures the percentage of products that pass grading tests immediately after manufacturing
  - improved to 95.8% mainly due to process improvements which includes efficiencies through Run to Target programme
- **Cost of quality** is one of our key measures of the effectiveness of our manufacturing activity
  - two events relating to a sensory matter and product discounts which resulted in a $29m impact

Improvement in Core Operations manufacturing cash costs per kgMS in FY24

Core Operations manufacturing cash costs
($/kgMS)



Movements in Core Operations manufacturing cash costs
($ million)

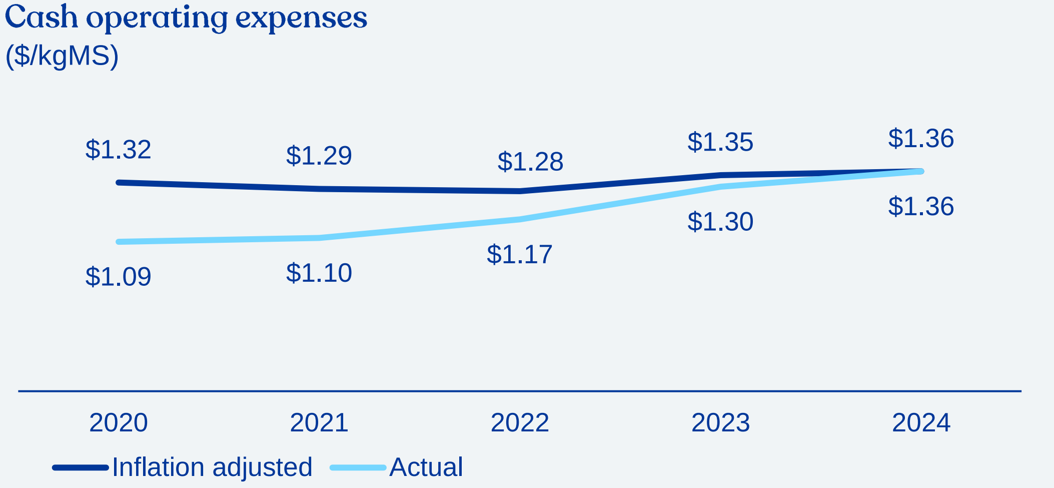


Core manufacturing costs	2020	2021	2022	2023	2024
Actual ($ million)	3,128	3,243	3,397	3,883	3,789
Cumulative inflation[1]	22.5%	19.2%	8.3%	0.3%	
Inflation adjusted ($ million)	3,834	3,864	3,678	3,893	3,789
Collections (kgMS million)					
New Zealand	1,517	1,539	1,478	1,480	1,471

- Achieved a 2% reduction in FY24 in line with target
- Key drivers of reduction in FY24 include:
  - procurement benefits for materials and inputs
  - shift in the product mix to lower cost products
  - efficiency gains through performance improvement programs partially offsetting inflation and labour cost increases
- Core Operations manufacturing costs per kgMS is the efficiency component of the Gross Profit from Core Operations metric – see slide 61

1. Real costs have been calculated using CPI and inflation in manufacturing components

Increase in cash operating expense per kgMS reflects investment in IT transformation



Channel	Allocation of collections (m kgMS)	Actual cash operating expenses	Cash operating expenses
Ingredients	1,195kgMS 35 kgMS ↓	$1,022m $7m ↓	$0.86/kgMS $0.02 /kgMS ↑
Foodservice	226kgMS 13 kgMS ↑	$460m $62m ↑	$2.04/kgMS $0.17 /kgMS ↑
Consumer	158kgMS 14 kgMS ↑	$666m $25m ↑	$4.22/kgMS $0.25 /kgMS ↓

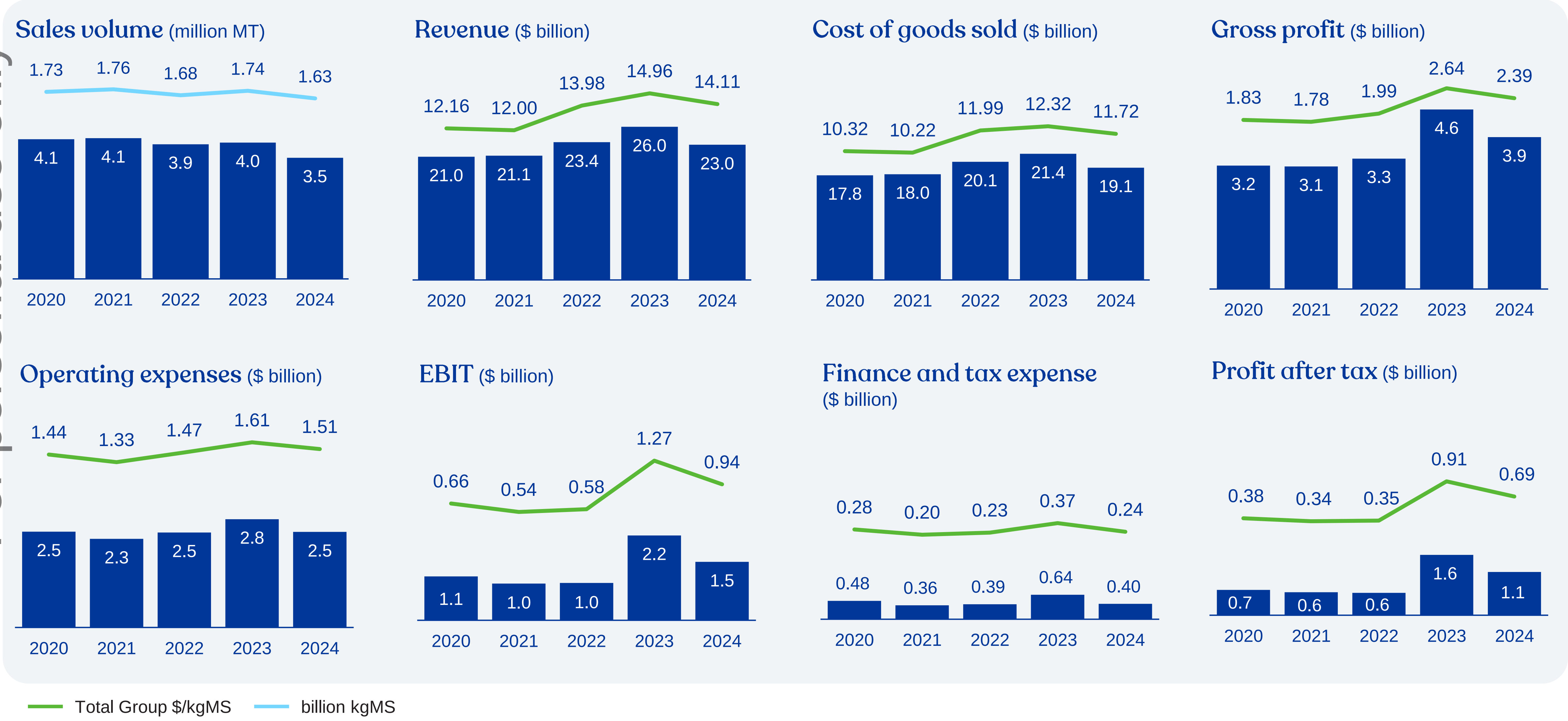
Cash operating expenses ($m)	2020	2021	2022	2023	2024
Operational expenses	1,763	1,810	1,858	2,046	2,067
IT & Digital transformation	-	-	-	22	81
Total	1,763	1,810	1,858	2,068	2,148
Compound CPI	21.3%	17.5%	9.5%	3.3%	
Inflation adjusted	2,139	2,127	2,034	2,136	2,148
Collections (kgMS million)					
New Zealand	1,517	1,539	1,478	1,480	1,471
Australia	107	106	106	106	107
Total	1,624	1,645	1,584	1,586	1,578

- Cash opex savings achieved largely offset the impact of inflation (3.3%) and product mix change to higher cost products
- Increase in total cash operating expenses reflect investment in IT and digital transformation that is expensed, rather than capitalised
- Foodservice cash opex per kgMS increased by $0.17 per kgMS due to increased selling and marketing, IT and staff costs to support business growth. Gross profit increased by $0.65 per kgMS
- Consumer cash opex has reduced by $0.25 per kgMS, as increased investment in selling and marketing resulted in a 9% lift in sales volumes and a lift in gross profit of $0.34 per kgMS

Note: Data is a 12-month rolling average for continuing operations. Comparative information has been represented for consistency with the current period

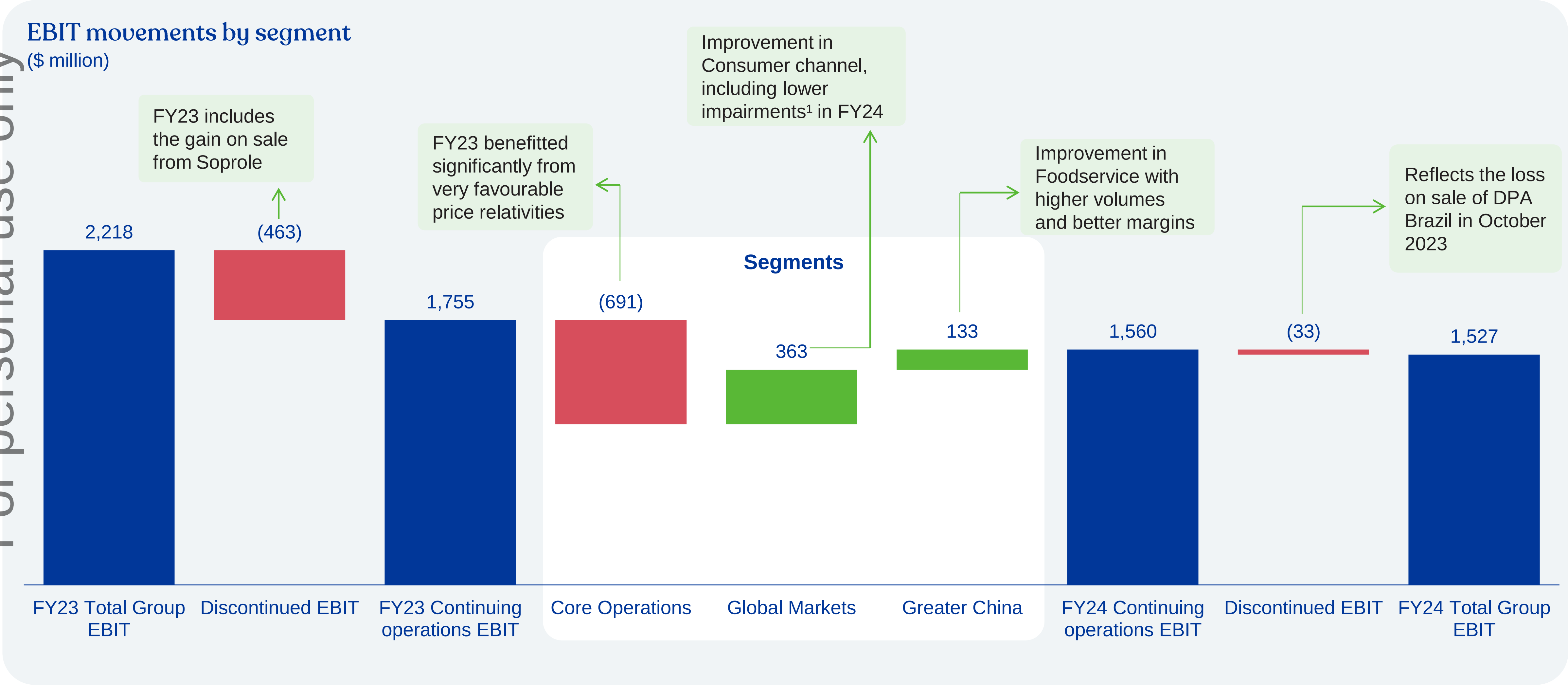
Financial Outcomes

Step change in Group performance over the last two years



1. Note: All figures are for the year ended 31 July. 'Other' not included in the charts and is the reconciliation difference in calculating EBIT from gross profit

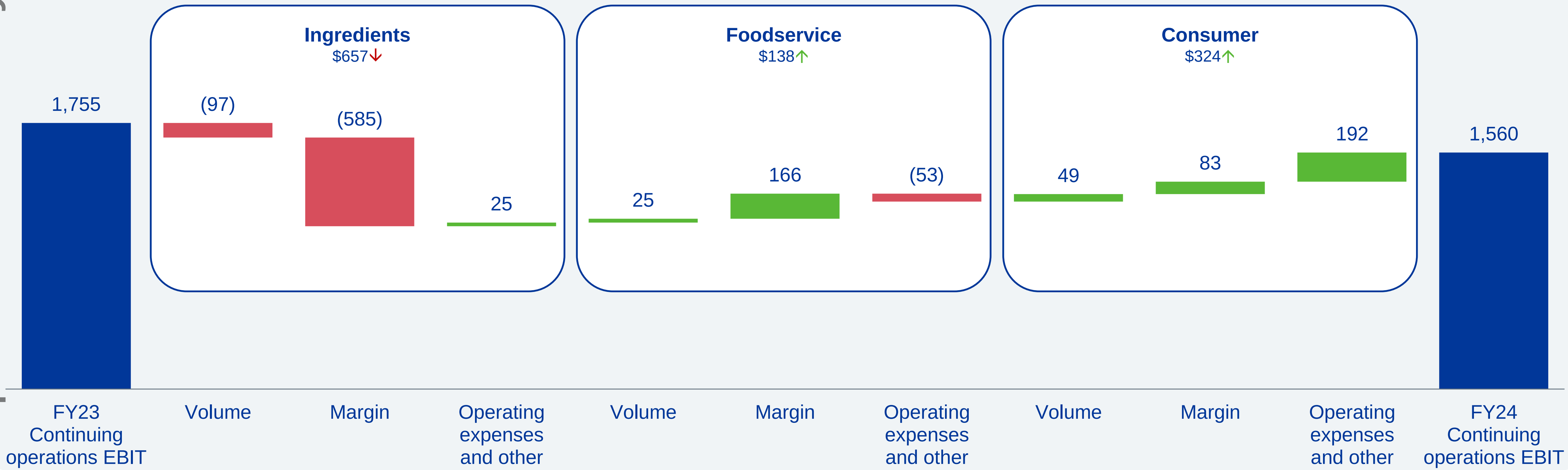
Improved operating earnings within markets offset by lower price relativities



Note: For the year ended 31 July
1. Net impact of impairments in Global Markets is $193m, with impairments of $5m in FY24 and $198m in FY23

Improvement in Foodservice and Consumer offset by lower Ingredients earnings

EBIT channel driver movements between FY23 and FY24 ($ million)



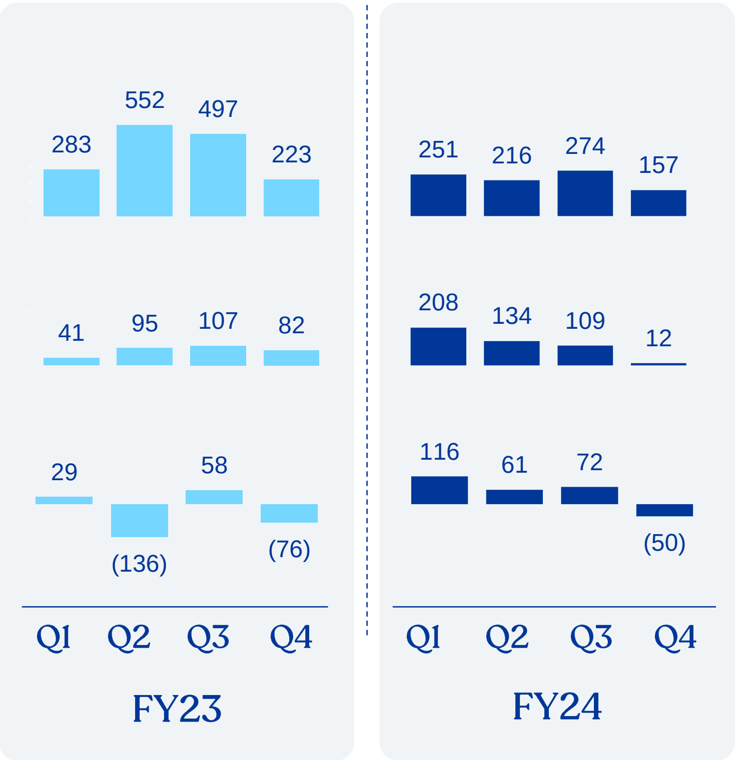
- Significant shift in composition of operating earnings between channels compared to prior year:
  - Ingredients earnings $657m lower, due to narrower price relativities impacting margins and allocation of milk to higher value channels
  - Foodservice earnings up $138m, due to increased sales volumes and higher margins as product prices maintained while input costs were lower
  - Consumer earnings up $324m, due to higher sales volumes and increased margins. Adjusting for net impairments of $213m (FY23, $244m and FY24, 31m), underlying operating earnings improved $111m in FY24

Note: For the year ended 31 July. Includes Core Operations attribution

Diversified across markets and products

	Core Operations	Global Markets	Greater China	Total
External sales volume (million kgMS)		1,164 - %	449 4% ↓	1,613 1% ↓
EBIT contribution from continuing operations				
Ingredients	$165m $658m ↓	$573m $13m ↑	$160m $12m ↓	**$898m** $657m ↓
Foodservice	$(22)m $19m ↓	$122m $57m ↑	$363m $100m ↑	**$463m** $138m ↑
Consumer	$(28)m $14m ↓	$247m $293m ↑	$(20)m $45m ↑	**$199m** $324m ↑
Total	**$115m** $691m ↓	**$942m** $363m ↑	**$503m** $133m ↑	**$1,560m** $195m ↓

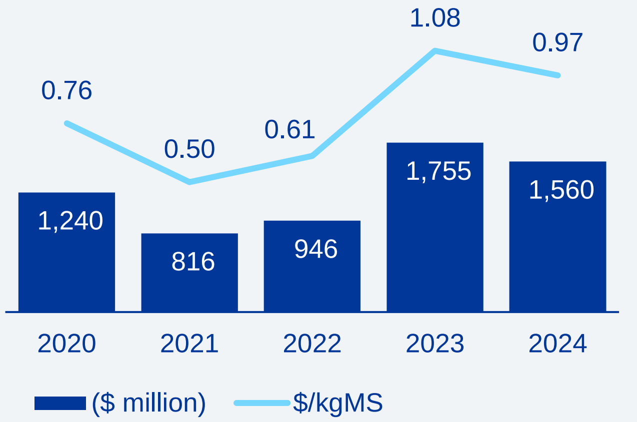
EBIT by quarter



Note: For the year ended 31 July. Prepared on a continuing operations basis. Comparative information has been re-presented for consistency with the current period

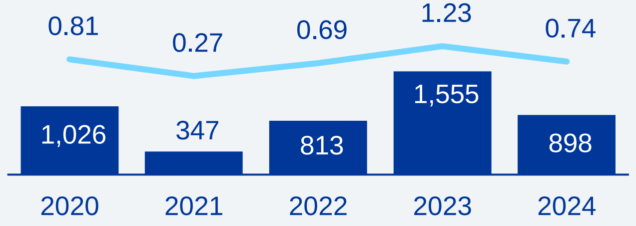
Earnings per kgMS reflect the step change in operating earnings

EBIT from continuing operations[1]



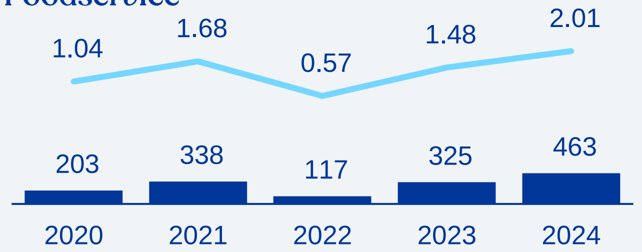
- EBIT per kgMS over the last 5 years reflects the overall lift in earnings on lower total kgMS
- In FY24 the change in EBIT per kgMS reflects the lower volumes and price relativities in Ingredients, partially offset by improved margins and volumes in Foodservice and Consumer
- The higher Consumer opex per kgMS in FY23 reflects the impairments

Ingredients[2]



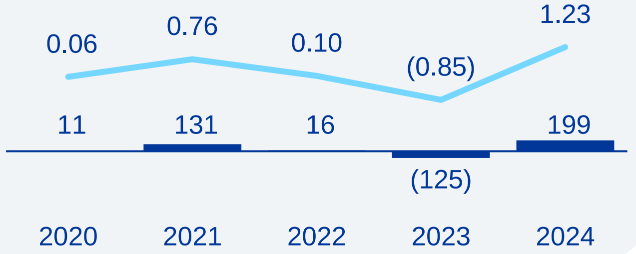
$ per kgMS sold	FY20	FY21	FY22	FY23	FY24
Revenue	10.82	10.72	13.11	13.77	12.36
Gross profit	1.18	0.90	1.42	2.10	1.61
Opex	0.74	0.70	0.85	0.90	0.93
EBIT[4]	0.81	0.27	0.69	1.23	0.74
kgMS sold	1,265	1,267	1,185	1,265	1,221

Foodservice[2]



Revenue	13.73	14.48	16.21	17.66	17.60
Gross profit	2.77	3.34	2.43	3.42	4.08
Opex	1.77	1.72	1.93	1.95	2.14
EBIT[4]	1.04	1.68	0.57	1.48	2.01
kgMS sold	195	201	204	219	230

Consumer[2]



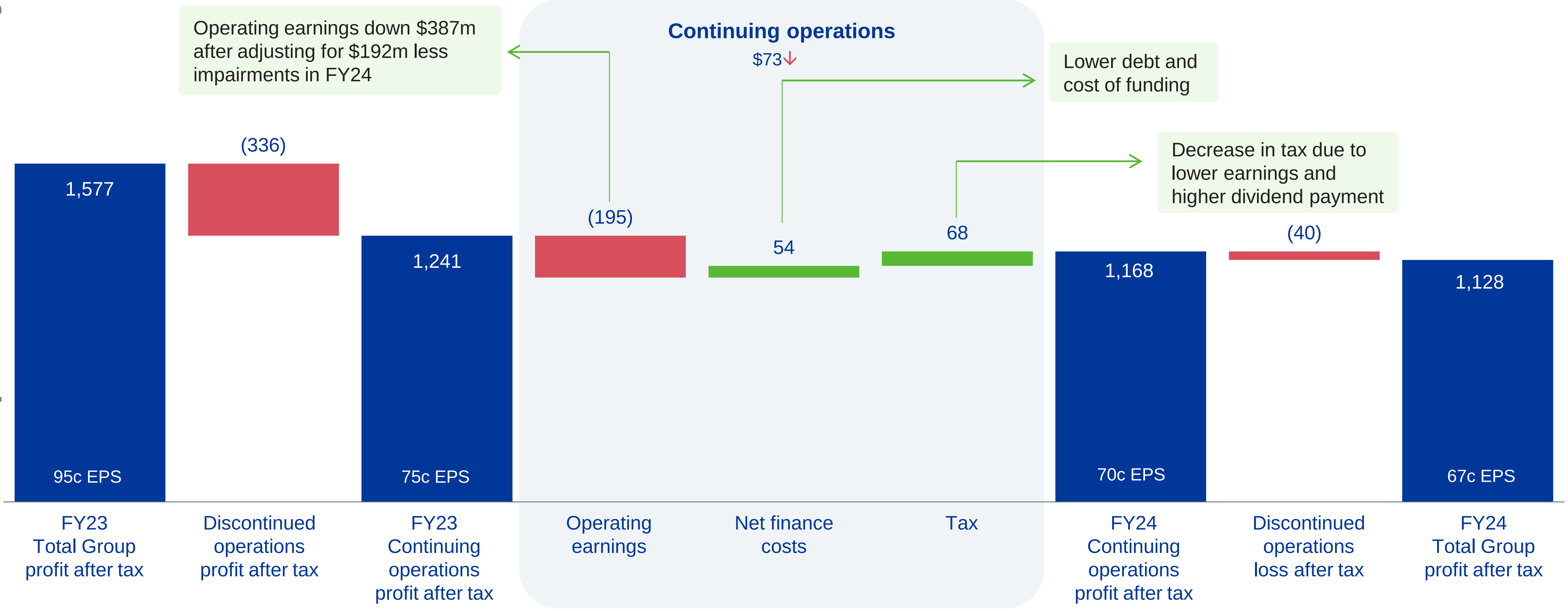
Revenue	16.65	18.27	19.66	22.36	22.80
Gross profit	4.40	5.15	4.70	5.29	5.66
Opex[3]	4.27	4.42	4.30	6.28	4.55
EBIT[4]	0.06	0.76	0.10	(0.85)	1.23
kgMS sold	180	172	156	148	161

Note: Figures are for the year ended 31 July and do not include normalisations. All tables exclude other operating income, net foreign exchange gains/(losses) and share of profit/loss on equity accounted investees
1. Soprole was classed as a discontinued operation in 2023. Consequently, 2020, 2021 and 2022 was re-presented
2. 2023 channel view has been re-presented for consistency with the current period
3. Impairment of $1.65 per kgMS and $0.19 per kgMS in FY23 and FY24, respectively
4. Other not included in the tables and is the reconciliation difference in calculating EBIT from Gross Profit

Lower operating earnings partially offset by lower finance costs and tax

FY23 to FY24 Profit after tax

($ million)

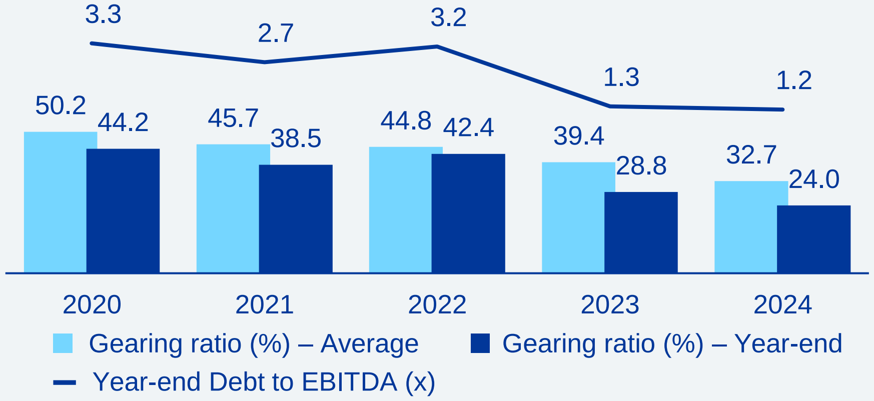


Note: For the year ended 31 July. Profit after tax presented in the graph includes profit attributable to non-controlling interests. EPS presented is for profit attributable to equity holders of the Co-operative

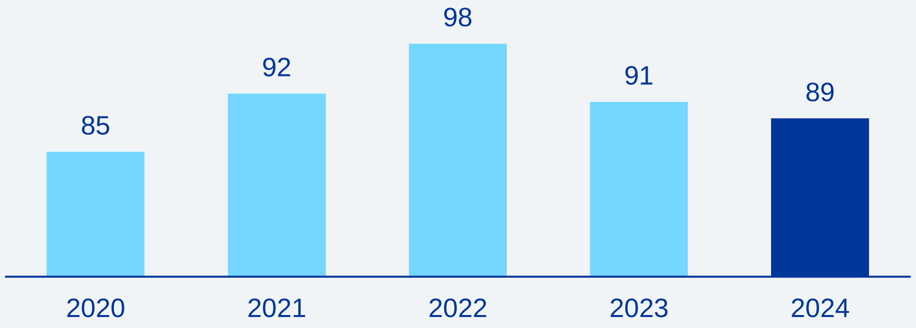
Strong balance sheet provides resilience and flexibility

Net debt ($ billion)

Leverage



Working capital days



Credit rating

S&P Global Ratings	A-	Stable outlook
Fitch Ratings	A	Stable outlook

Figures presented for the Total Group

Return on capital above FY24 target range

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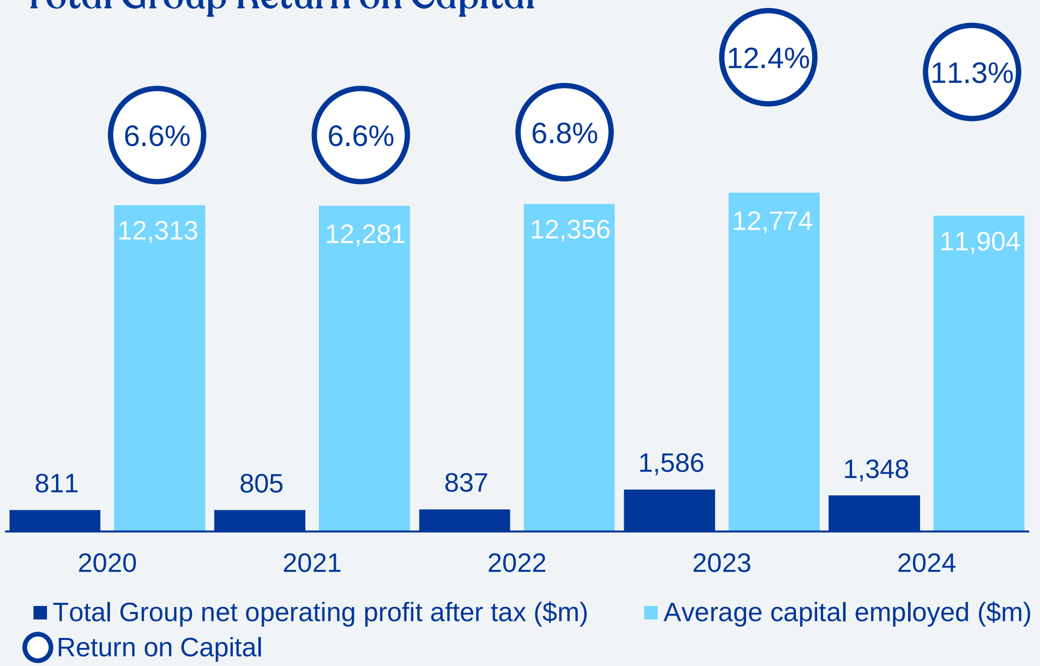
Total Group Return on Capital



- Return on capital of 11.3% significantly above the 5-year average and above the FY24 target range of 8-9%
- Average capital employed reduced due to lower working capital and divestments and associated capital return

Return on Capital by channel[1]

Ingredients[2]

10.2%

↓ from 16.3%

($ million)	2022	2023	2024
Average capital employed	7,527	7,990	7,480
Net operating profit after tax	676	1,302	765
Return on Capital (%)	9.0%	16.3%	10.2%

Foodservice

19.6%

↑ from 15.7%

Average capital employed	1,649	1,774	1,984
Net operating profit after tax	91	279	388
Return on Capital (%)	5.5%	15.7%	19.6%

Consumer[2]

6.8%

↑ from (3.9)%

Average capital employed	2,492	2,477	2,386
Net operating profit after tax	(10)	(96)	162
Return on Capital (%)	(0.4)%	(3.9)%	6.8%

Note: Figures presented for the Total Group

1. Comparative information has been re-presented for consistency with the current period
2. Ingredients and Consumer channels include impairments in FY22, FY23 and FY24

Operating earnings by In Scope and Out of Scope

We are exploring divestment options for Consumer and associated businesses

In preparing the In Scope and Out of Scope breakdowns, we have applied the same principles and assumptions used in our externally published channel and segment reporting. They reflect existing transfer pricing arrangements and Core Operations is fully attributed to the Out of Scope businesses. These breakdowns are unaudited.

	In Scope	Out of Scope	Total
External sales volume (million kgMS)	231 6% ↑	1,382 2% ↓	1,613 1% ↓

EBIT contribution from continuing operations

	In Scope	Out of Scope	Total
Ingredients	$(33)m $13m ↓	$956m $622m ↓	$923m $635m ↓
Foodservice	$57m $12m ↑	$406m $126m ↑	$463m $138m ↑
Consumer	$258m $126m ↑	$(28)m $14m ↓	$230m $112m ↑
Total	$282m $125m ↑	$1,334m $510m ↓	$1,616m $385m ↓

In Scope

Consumer

Oceania
- Fonterra Oceania

Sri Lanka

Southeast Asia
- Indonesia
- Malaysia
- Philippines
- Singapore
- Thailand
- Vietnam

Greater China
- China
- Taiwan
- Hong Kong

Rest of the World
- Americas
- Middle East
- Africa

Foodservice

Oceania
- FBNZ and Fonterra Australia Foodservice

Sri Lanka

Ingredients

Oceania
- Fonterra Australia Ingredients

Note: For the year ended 31 July, comparative is FY23. Prepared on a continuing operations basis
Comparative changes are to FY23, and excludes impairments


Anchor
Since 1886
FP
FOOD PROFESSIONALS
MADE IN NEW ZEALAND
Whipping Cream
Great versatility
UHT Cream
KEEP REFRIGERATED
DO NOT FREEZE
Net Content

Outlook

Forecast 2024/25 season Farmgate Milk Price

Forecast Farmgate Milk Price

$8.25 – $9.75

per kgMS

Reference Product Prices

The range reflects:

- recent strengthening in GDT prices and constrained milk supply in key producing regions
- maintaining wide range given early stage of the season

Note: Refer to additional information for source data and date ranges

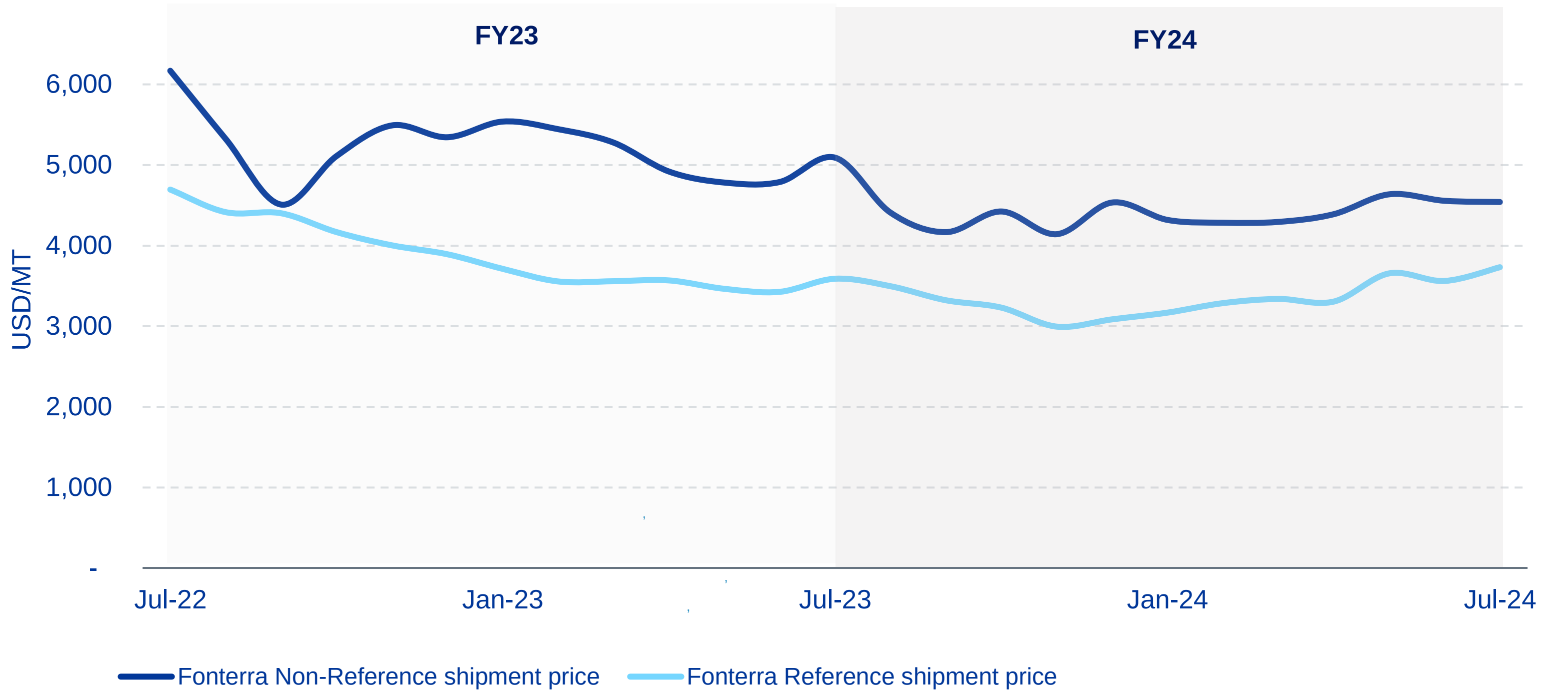
FY25 earnings outlook

FY25 forecast earnings

40 – 60c

per share

Reference and Non-Reference Product Prices



The range reflects:

- an expectation that underlying performance will be similar to last year. Consumer operating profit forecast to increase through improved margins; Ingredients and Foodservice performance expected to be stable
- higher investment in IT & digital transformation and a higher tax expense, which will generate imputation credits

Note: Refer to additional information for source data and date ranges

Change to tax status

What has changed?

- In FY24, Fonterra exhausted its New Zealand tax losses that have been used to offset its tax payable to date
- From FY25, Fonterra expects to be paying tax in New Zealand and as a result generating imputation credits
- To enable all shareholders to receive imputation credits, Fonterra is changing how it treats supply backed shares for tax purposes:
  - prior to FY25, dividends on supply backed shares were treated as a business expense paid by Fonterra to farmer suppliers. This tax deduction reduces the amount of tax payable by Fonterra but means imputation credits are not able to be attached to supply back shares
  - from FY25 onwards, dividends on supply backed shares will not be deducted for tax purposes by Fonterra. This change will increase the amount of tax payable by Fonterra but means that imputation credits will be able to be attached to dividends on all Fonterra shares and available to offset tax payable by shareholders

Impact of these changes

- These tax changes are not expected to impact the operating performance of the business, that is, no impact is expected on EBIT
- Fonterra's higher tax expense will correspondingly reduce the reported earnings per share, that is, profit after tax per share
- The imputation credits can be attached to dividends on all shares and will be available to be used to offset tax payable at the shareholder level
- The benefit of the imputation credits will also be passed through to the Fonterra Shareholders' Fund, and thereby to unit holders

An illustrative example is presented on the following slide

Illustrative example of change in tax status

	Before FY25 Tax losses No imputation credits	FY25 onwards No tax losses Imputation credits
Co-operative		
Profit before tax	**1,000**	**1,000**
Tax (28%)	-	(280)
Profit after tax	1,000	720
Earnings per share	100 cents	72 cents
Imputation credits	-	28 cents
Dividend Payout ratio	100%	100%
Shareholder		
Gross dividend	**100 cents**	**100 cents**
Imputation credits	-	28 cents
Cash dividend	100 cents	72 cents
Tax payable (28%)	(28) cents	(28) cents
Imputation credits		28 cents
Net cash for shareholder	**72 cents**	**72 cents***

No change in operating performance

Higher tax reduces profit after tax and EPS

Generated from tax paid by the Co-op

Gross dividend is assessable for tax. It is the sum of cash dividend and imputation credits

Imputation credits available to be offset against tax payable

Simplifying assumptions

- This example makes simplifying assumptions to illustrate the impact of paying more tax at the Co-op and generating imputation credits
- The example assumes:
  - there are 10,000 shares
  - 100% of profit after tax is paid as a cash dividend and can fully impute the dividend
  - Before FY25, tax losses offset all tax payable at the Co-op
  - FY25 onwards, the Co-op pays tax at 28%
  - The shareholder has an effective tax rate of 28% and can use imputation credits to offset tax payable
- An individual shareholder's tax position may result in a different outcome to this example

***Tax paying shareholder with 28% tax rate receives 72 cents in both cases**

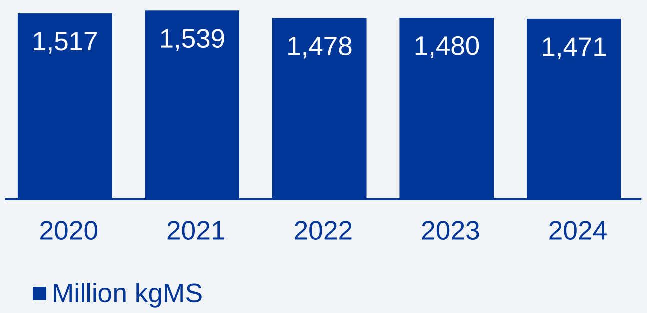
Before FY25, receives higher cash dividend but pays tax

FY25 onwards, receives lower cash dividend but can use imputation credit to offset tax payable

Appendix

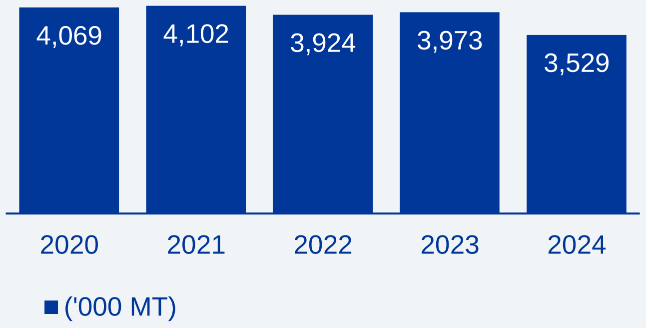
Total Group financial metrics

New Zealand milk collections

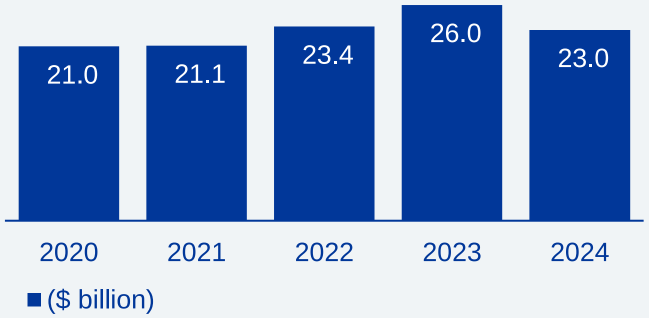


Total Payout[1]

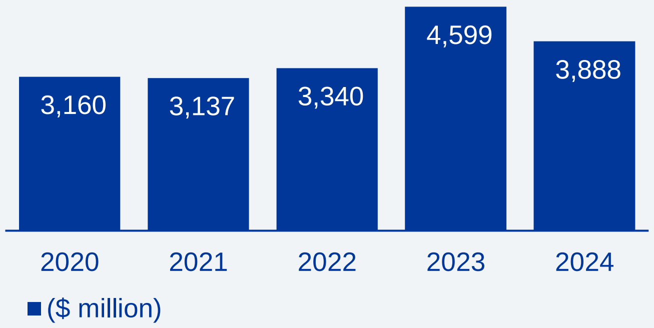
Sales volume



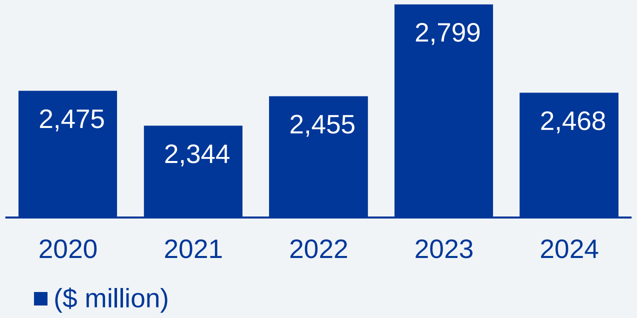
Revenue



Gross profit



Operating expenses

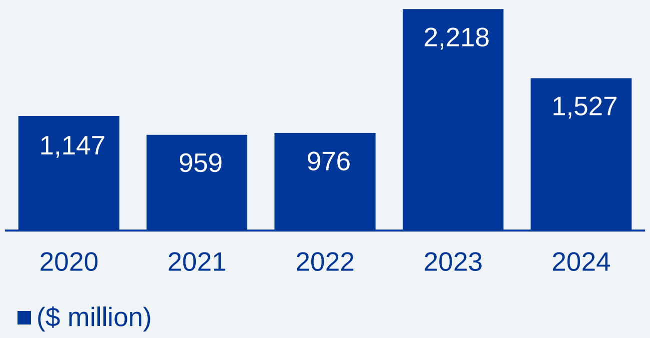


Note: Figures are for the year ended 31 July and do not include normalisations, unless otherwise stated

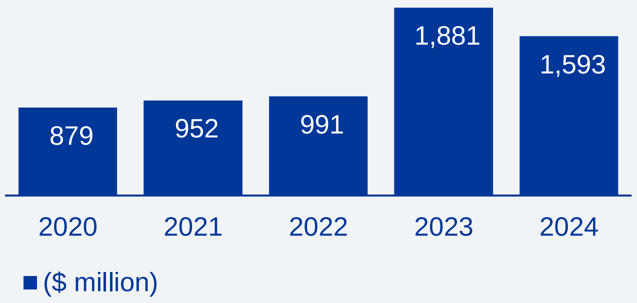
1. Total payout for 'a fully shared up supplier'

Total Group financial metrics

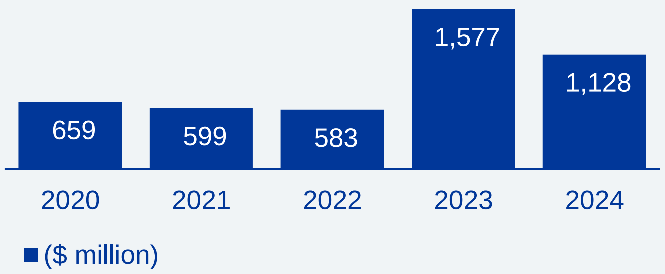
EBIT



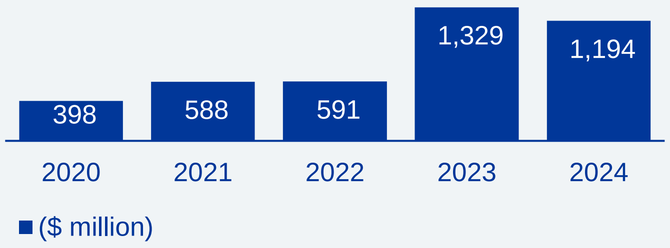
Normalised EBIT



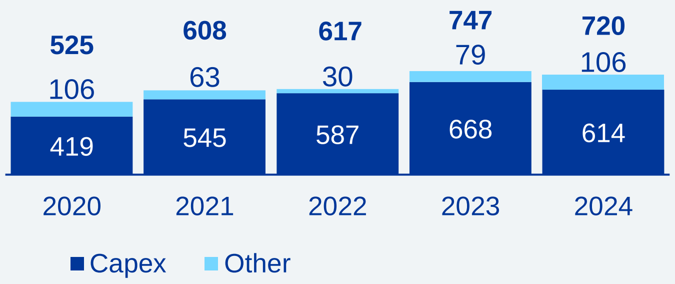
Profit after tax



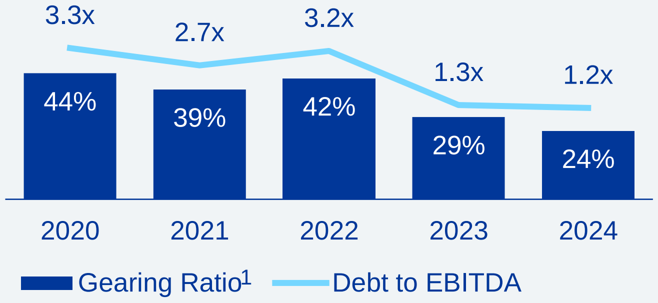
Normalised profit after tax



Capital invested ($ million)



Leverage

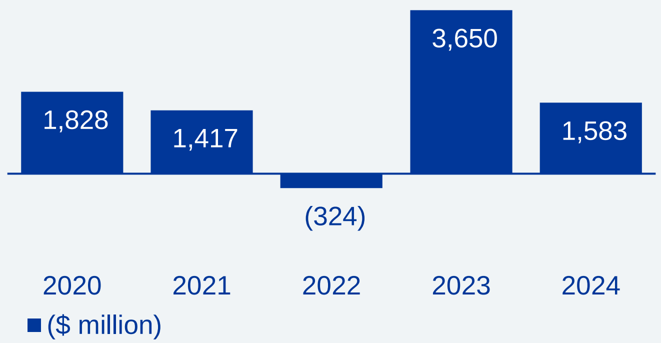


Note: Figures are for the year ended 31 July and do not include normalisations, unless otherwise stated

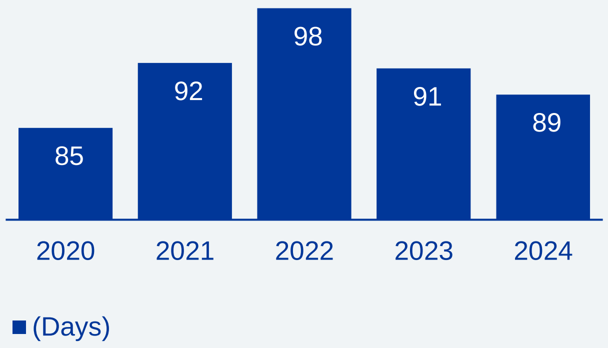
1. Gearing ratio is at 31 July

Total Group financial metrics

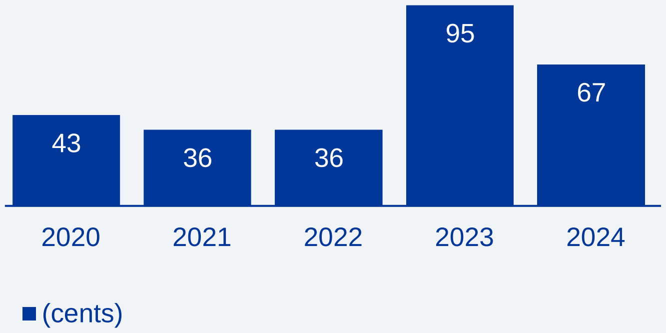
Free cash flow[1]



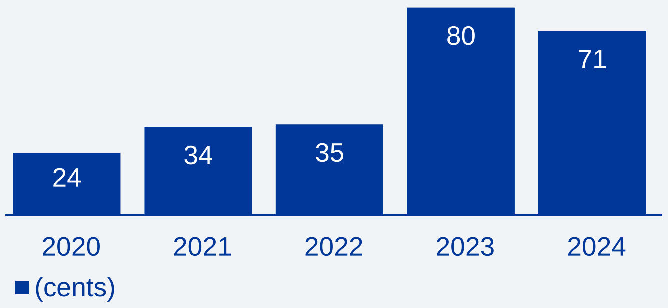
Working capital days[2]



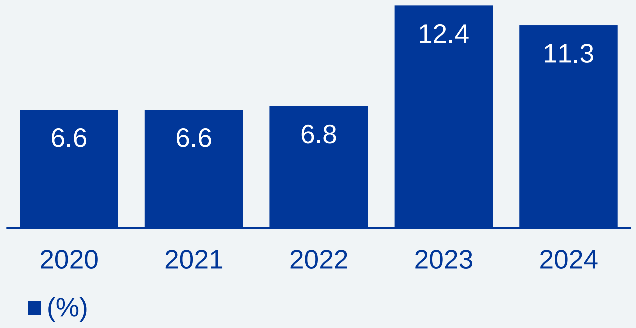
Earnings per share



Normalised earnings per share



Return on capital



Note: Figures are for the year ended 31 July and do not include normalisations
1. Comparative information has been re-presented for consistency with the current period
2. Working capital days are presented on a 13-month rolling average basis. Inventory has been restated to reflect the inclusion of emissions trading units which were previously held as intangible assets

Total Group performance

For the year ended 31 July	Total Group			Continuing operations[1]			Discontinued operations[1]		
NZD million	2023	2024	Δ%[2]	2023	2024	Δ%[2]	2023	2024	Δ%[2]
Sales volume ('000 MT)	3,973	3,529	(11)%	3,497	3,470	(1)%	476	59	(88)%
Sales volume (million kgMS)	1,631	1,613	(1)%	1,631	1,613	(1)%	-	-	-
Revenue	26,046	22,994	(12)%	24,580	22,822	(7)%	1,466	172	(88)%
Cost of goods sold	(21,447)	(19,106)	11%	(20,399)	(19,000)	7%	(1,048)	(106)	90%
Gross profit	4,599	3,888	(15)%	4,181	3,822	(9)%	418	66	(84)%
Gross margin (%)	17.7%	16.9%		17.0%	16.7%		28.5%	38.4%	
Operating expenses	(2,799)	(2,468)	12%	(2,496)	(2,369)	5%	(303)	(99)	67%
Other[3]	418	107	(74)%	70	107	53%	348	-	-
EBIT	2,218	1,527	(31)%	1,755	1,560	(11)%	463	(33)	-
Net finance costs	(261)	(164)	37%	(211)	(157)	26%	(50)	(7)	86%
Tax expense	(380)	(235)	38%	(303)	(235)	22%	(77)	-	-
Profit after tax[4]	**1,577**	**1,128**	**(28)%**	**1,241**	**1,168**	**(6)%**	**336**	**(40)**	**-**
Earnings per share (cents)	95	67	(29)%	75	70	(7)%	20	(3)	-
Normalisations[5]	(248)	66	-	-	-	-	(248)	66	-
Normalised profit after tax	**1,329**	**1,194**	**(10)%**	**1,241**	**1,168**	**(6)%**	**88**	**26**	**(70)%**
Normalised EPS (cents)	80	71	(11)%	75	70	(7)%	5	1	(80)%

1. Refer to note 1a and 2c of FY24 Financial Statements
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes amounts attributable to non-controlling interests
5. Normalisations in FY24 comprise of $(66)m in relation to the sale of DPA Brazil (FY23 comprises of $260m gain on sale of Soprole, and $(12)m in relation to exiting our Hangu China farm)

New Zealand and non-New Zealand sourced milk

For the year ended 31 July	Total[1]			New Zealand milk		Non-New Zealand milk	
NZD million	2023	2024	∆%[2]	2023	2024	2023	2024
Sales volume ('000 MT)	3,497	3,470	(1)%	3,071	3,028	426	442
Sales volume (million kgMS)	1,631	1,613	(1)%	1,488	1,481	143	132
Revenue	24,580	22,822	(7)%	21,791	20,222	2,789	2,600
Cost of goods sold	(20,399)	(19,000)	7%	(17,941)	(16,664)	(2,458)	(2,336)
Gross profit	4,181	3,822	(9)%	3,850	3,558	331	264
Operating expenses	(2,496)	(2,369)	5%	(2,252)	(2,109)	(244)	(260)
Other[3]	70	107	53%	69	93	1	14
EBIT	1,755	1,560	(11)%	1,667	1,542	88	18
Net finance costs and tax expense	(514)	(392)	24%	(464)	(356)	(50)	(36)
Profit after tax from continuing operations	**1,241**	**1,168**	**(6)%**	**1,203**	**1,186**	**38**	**(18)**
Profit after tax from discontinued operations	336	(40)	-	-	-	336	(40)
Gross margin	17.0%	16.7%		17.7%	17.6%	11.9%	10.2%
EBIT margin	7.1%	6.8%		7.6%	7.6%	3.2%	0.7%

1. Performance is prepared on a continuing operations basis. Comparative information has been re-presented for consistency with the current period
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees

Operating expenses

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NZD million	2023	2024	%∆[1]
Staff expenses[2]	962	985	2%
Storage and distribution	263	268	2%
Advertising and promotion	219	240	10%
Information technology	198	212	7%
IT & Digital transformation	22	81	268%
Technical and professional	153	198	29%
Depreciation & amortisation	180	187	4%
Impairments	248	34	(86)%
Other	251	164	(35)%
Continuing operations operating expenses	2,496	2,369	(5)%
Discontinued operations operating expenses	303	99	(67)%
Total Group operating expenses	**2,799**	**2,468**	**(12)%**

Research and development costs	2023	2024	%∆[1]
Total Group research and development costs ($m)	119	107	(10)%

- Operating expenses from continuing operations decreased $127m
- Two significant changes in FY24 relative to FY23 were the lower level of impairments and the increased investment in IT and Digital transformation:
  - impairments were $214m lower in FY24; partially offset by
  - investment in IT and Digital transformation increased $59m, supporting future efficiencies and resilience of the enterprise systems
- Removing the impact of the changes in impairments and investment in IT & Digital transformation, operating expenses from continuing operations increased $28m, or 1.3%, with cost savings partially offsetting the impact of inflation

  Changes included:
  - staff expenses increased $23m, or 2%, due to inflationary pressures and redundancies costs;
  - advertising and promotion increased $21m and supported increased sales through the higher margin Foodservice and Consumer channels;
  - technical and professional fees increased $45m mainly related to upfront costs of delivering future efficiencies and initiatives; and
  - ‘Other’ expenses were down $87m due to various savings initiatives and lower doubtful debts. FY23 was higher than previous years and reflected higher travel and in-person engagement costs following easing of COVID restrictions
- Operating expenses for discontinued operations decreased $204m mainly due to the inclusion of Soprole in FY23 but not in FY24
- Research and development costs table shows a $12m decrease, mainly due to timing of expenses in FY24. These costs are included in both operating expenses and cost of good sold

Note: For operating expenses by function, refer to note 3a of the 2024 Annual Financial Statements

1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
2. Staff expenses displayed do not align to reported staff expenses in Financial Statements due to additional breakdown of IT & Digital transformation displayed in the table

Staff expenses

NZD million	2020	2021	2022	2023	2024
Staff expenses in cost of goods sold	1,062	1,117	1,174	1,267	1,350
Staff expenses in operating expenses	901	880	860	963	995
Total	**1,963**	**1,997**	**2,034**	**2,230**	**2,345**
Global milk solids collected (million kgMS**)**	**1,624**	**1,645**	**1,584**	**1,586**	**1,578**

Continuing operations staff expenses per global milk solids collected

Continuing operations full time employees

- The number of full time equivalent (FTE) employees has reduced as the businesses continue to drive improved efficiencies and performance
- Total staff expenses have increased reflecting the impact of inflation
- Staff expenses per kgMS has increased reflecting the higher staff expenses and lower kgMS collected

Note: For operating expenses by function, refer to note 3a of the 2024 Annual Financial Statements

Total Group EBIT to normalised profit after tax reconciliation

NZD million	2023	2024
EBIT[1]	2,218	1,527
Net finance costs	(261)	(164)
Tax expense	(380)	(235)
Reported profit after tax	**1,577**	**1,128**
Normalisation adjustments[2]	(337)	66
Tax on normalisation adjustments	89	-
Normalised profit after tax	**1,329**	**1,194**
Less: Profit attributable to non-controlling interests	(40)	(54)
Normalisation adjustments attributable to non-controlling interests	-	3
Normalised profit after tax attributable to equity holder of the Co-operative	**1,289**	**1,143**
Normalised earnings per share (cents)	80	71
Final dividend per share (cents)	50	55

1. Includes continuing and discontinued operations
2. Refer to Non-GAAP Measures section in the Annual Report 2024

Normalised Items

	31 July 2023			31 July 2024	
NZD million	Hangu China farm	Soprole	**Total**	DPA Brazil	**Total**
Other operating income	-	349	**349**	-	**-**
Other operating expenses	(12)	-	**(12)**	(66)	**(66)**
Profit before net finance costs and tax	(12)	349	**337**	(66)	**(66)**
Net finance costs and tax	-	(89)	**(89)**	-	**-**
Profit after tax	(12)	260	**248**	(66)	**(66)**
Profit attributable to non-controlling interests	-	-	**-**	(3)	**(3)**
Profit after tax attributable to equity holders of the Co-operative	(12)	260	**248**	(69)	**(69)**

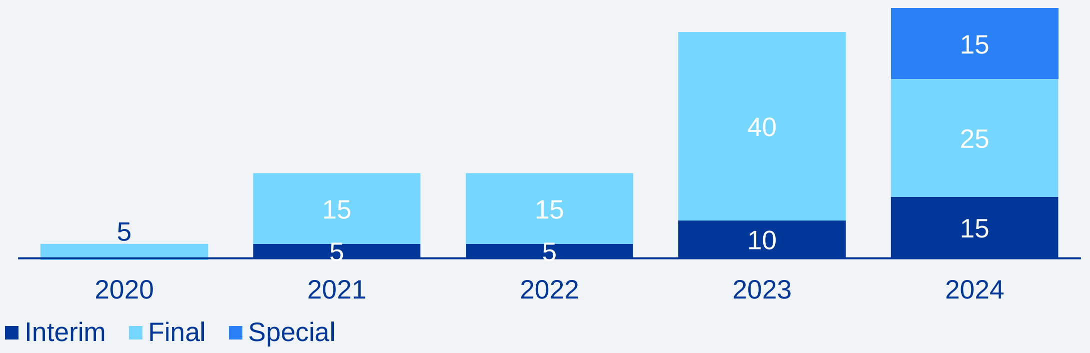
Earnings per share reconciliation

NZD million	2023	2024
Reported profit after tax	1,577	1,128
Less: Profit attributable to non-controlling interests	(40)	(54)
Reported profit after tax attributable to equity holders of the Co-operative	1,537	1,074
Reported earnings per share (cents)	95	67
Normalised profit after tax	1,329	1,194
Less: Profit attributable to non-controlling interests	(40)	(54)
Add: Normalisation adjustments attributable to non-controlling interests	-	3
Normalised profit after tax attributable to equity holder of the Co-operative	1,289	1,143
Normalised earnings per share (cents)	**80**	**71**

Dividend Calculation

NZD cents per share	2023	2024
Reported earnings[1]	95	67
Less: abnormal gains	(16)	-
Net earnings for dividend payment[2]	79	67
Dividend payment percentage (%) for Interim and Final	63%	60%
Total dividend	50	55
Interim dividend	10	15
Final dividend	40	25
Special dividend	-	15

Dividend per share (cents)



- Total dividend of 55 cents per share:
  - Interim dividend of 15 cents,
  - Final dividend of 25 cents
  - Special dividend 15 cents
- The 40 cent dividend (Interim and Final) reflects a payout ratio of 60%
- The FY24 15 cent special dividend reflects the higher earnings over the last two years, and strengthened balance sheet and our leverage metrics being well within target levels

1. Attributable to equity holders of the Co-operative, excludes non-controlling interest
2. Represents net earnings as specified in the Dividend Policy and is calculated as reported profit after tax less abnormal gains

Return on capital

For the 12 months ended 31 July NZD million	2023	2024
Total Group normalised EBIT	1,881	1,593
Finance income on long-term advances	11	14
Notional tax charge	(305)	(259)
Total Group normalised EBIT plus finance income on long-term advances less notional tax charge	1,587	1,348
Capital employed at 31 July	11,121	10,912
Impact of seasonal capital employed	1,653	992
Average capital employed	12,774	11,904
Return on capital	**12.4%**	**11.3%**

- FY24 return on capital of 11.3% significantly above the 5-year average and above FY24 target range of 8-9%
- The change relative to FY23 reflects:
  - lower after-tax earnings with the lower price relativities only partially offset by improved margins in Foodservice and Consumer and lower interest and tax; and
  - the lower earnings were partially offset by lower average capital employed as a result of lower working capital and divestments and the associated return of capital

Cash flow and change in net debt

NZD million	2023	2024
Cash generated from operations	2,744	2,201
Net change in working capital	774	112
A. Net cash flows from operating activities	3,518	2,313
Cash flows from investing activities		
Divestments and asset sales	841	11
Capital expenditure and other	(709)	(741)
B. Net cash flows from investing activities	132	(730)
Free cash flow (A+B)	**3,650**	**1,583**
Dividends paid to equity holders of the Co-operative	(403)	(884)
Capital return paid	-	(804)
Other financing cash flows	(273)	(236)
Capital return payable accrual/reversal	(804)	804
Other non-cash changes in net debt	(38)	139
Decrease/(increase) in net debt	**2,132**	**602**

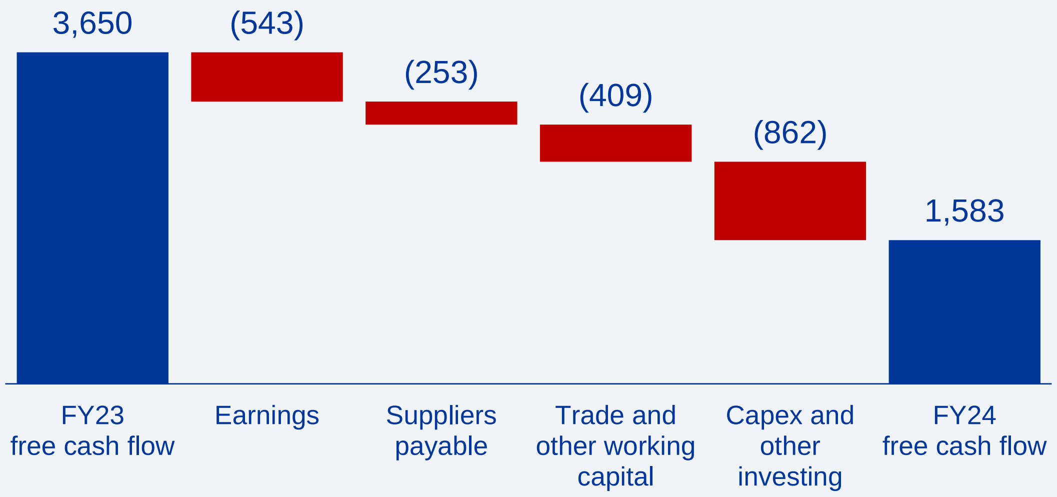
- Decrease in net debt of $0.6b reflects continued strong operating earnings, disciplined capital expenditure and lower working capital
- Free cash flow of $1.6b was $2.1b lower than last year, which largely reflects
  - underlying cash flows from earnings decreasing by $0.5b,
  - a reduction in working capital cash flows of $0.7b, and
  - a decrease in net cash from divestments of $0.8b due to sale of Soprole in 2023

Note: Comparative information has been re-presented for consistency with the current period

Free cash flow remains a key focus

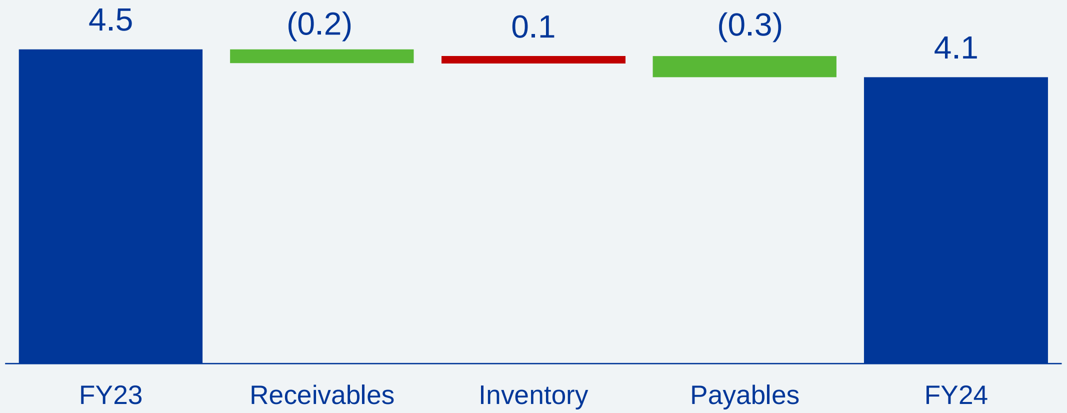
Movements in free cash flow

($ million)



Year-end trade working capital

($ billion)



- The lower free cash flow in FY24 relative to FY23 reflects the lower cash earnings, change in working capital and less cash from divestments with FY23 including the sale of Soprole. Further details are provided on the previous slide
- Year-end trade working capital (excluding suppliers' payable) was down in FY24 with the main changes being:
  - lower Receivables reflecting a reduction in days sales outstanding (DSO) with lower overdues and less sales on extended terms; and
  - higher trade payables in offshore markets
- The volume of year-end inventory was down 25k MT, or 4%. The value at year-end was higher in FY24 due to the higher closing price per MT offsetting the lower volume

Note: Comparative information has been re-presented for consistency with the current period

Diversified and prudent funding position

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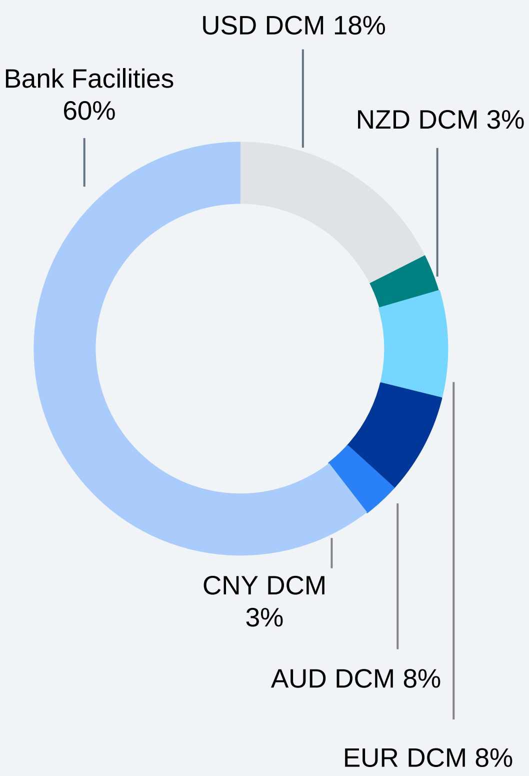
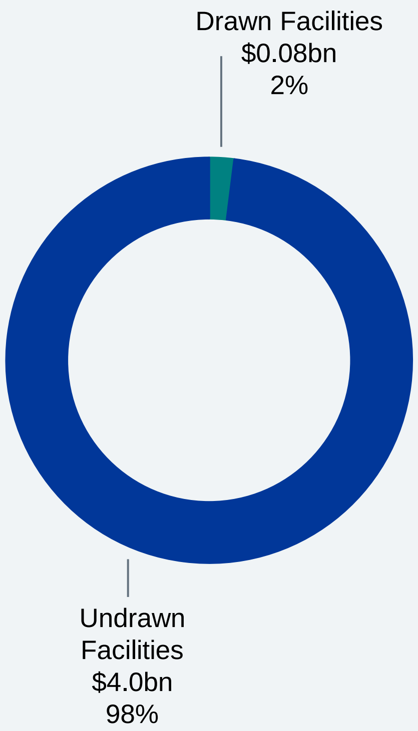
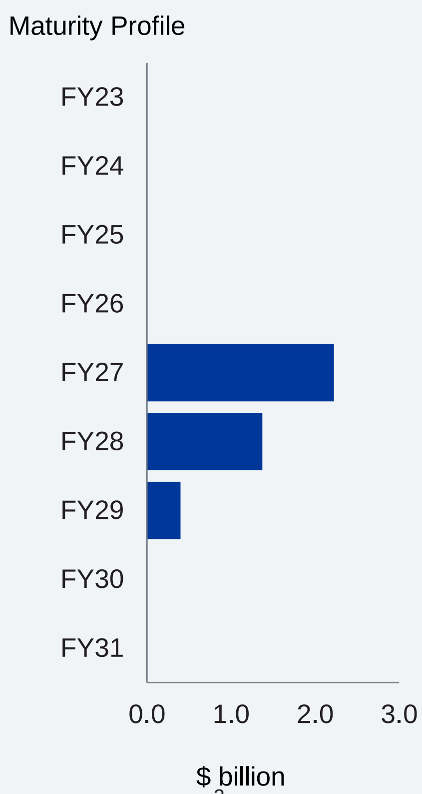
Diversified Profile[1]



Prudent Liquidity

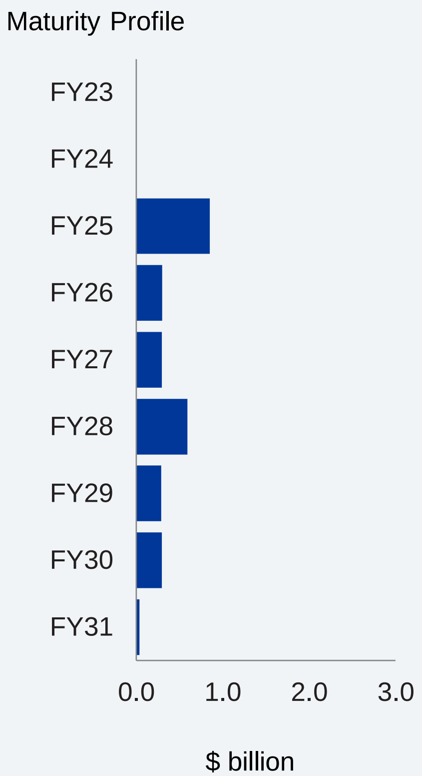


Bank Facilities



WATM[3]: 3.0 years

Debt Capital Markets[2]

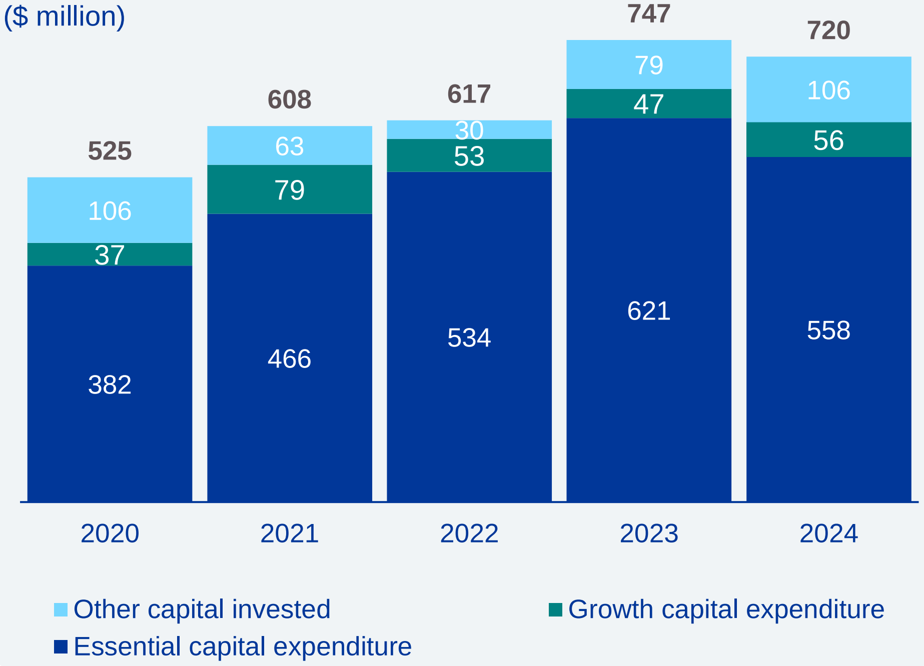


WATM[3]: 2.7 years

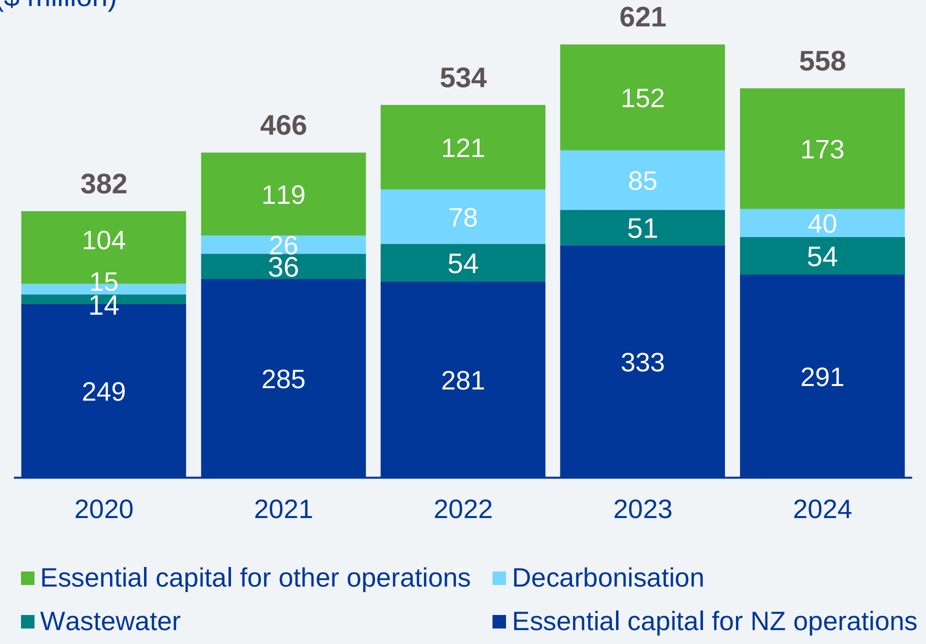
Note: Figures are for as at 31 July 2024
1. Includes undrawn facilities and commercial paper. DCM is debt capital markets
2. Excludes commercial paper
3. Weighted average term to maturity (WATM)

Capital invested

Capital invested
($ million)



Breakdown of essential capital expenditure[1]
($ million)



- Total Capital Invested was $720 million for the 2024 financial year, made up of capital expenditure of $614 million and other capital invested of $106 million
- Capital expenditure comprised $558 million of essential capital expenditure. This includes $40 million on decarbonisation projects to meet commitments to sustainability, $54 million on wastewater assets to improve environmental footprint and $464 million on maintaining and improving our asset network in New Zealand and globally
- $56 million was invested to support business growth for the Foodservice & Ingredients businesses, including capacity expansion for high value products such as lactoferrin, probiotics and hydrolysates
- Our "Other capital invested" included our Ki Tua Equity Investment Fund, right-of-use assets and other equity investments

1. Comparative information has been re-presented for consistency with the current period

Key capital expenditure projects across New Zealand

National

- Milk tanker replacements annual program
- Farm vats replacements annual program
- National distribution centers equipment replacements annual program

Lower North Island

Whareroa

- Improved milk powder manufacturing and process to reduce losses and manage product quality risk

Central North Island

Waitoa

- Investment in biomass boiler to replace coal

Tirau

- Upgraded infrastructure to better manage wastewater

Te Rapa

- Milk powder product transfer improvements

Hautapu

- Upgraded infrastructure to better manage wastewater
- Change from R22 based refrigeration to a sustainable alternative

Lichfield

- Upgrade refrigeration plant to improve performance

South Island

Stirling

- Invested in biomass boiler to replace coal

Edendale

- Investment in electrode boiler to replace coal

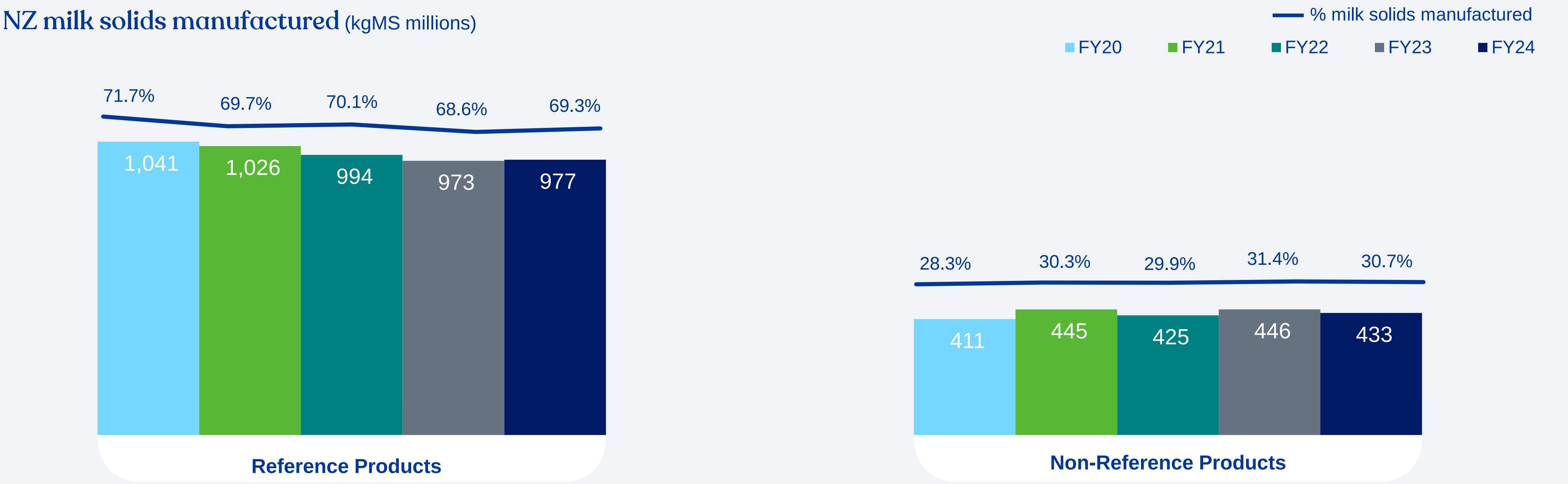
Asset health[1]

- Ongoing review and assessment of asset condition and risk profile, with targeted investment to improve condition and manage risk
- Implementing robust maintenance strategies with an emphasis on quality of execution to ensure regulatory compliance, and improve asset stability and performance

1. Asset health indicates the assessed condition of our manufacturing assets on a scale of 1 – 5, with 1 indicating the asset is in the best condition possible

Sites displayed are not a full representation of all Fonterra factories

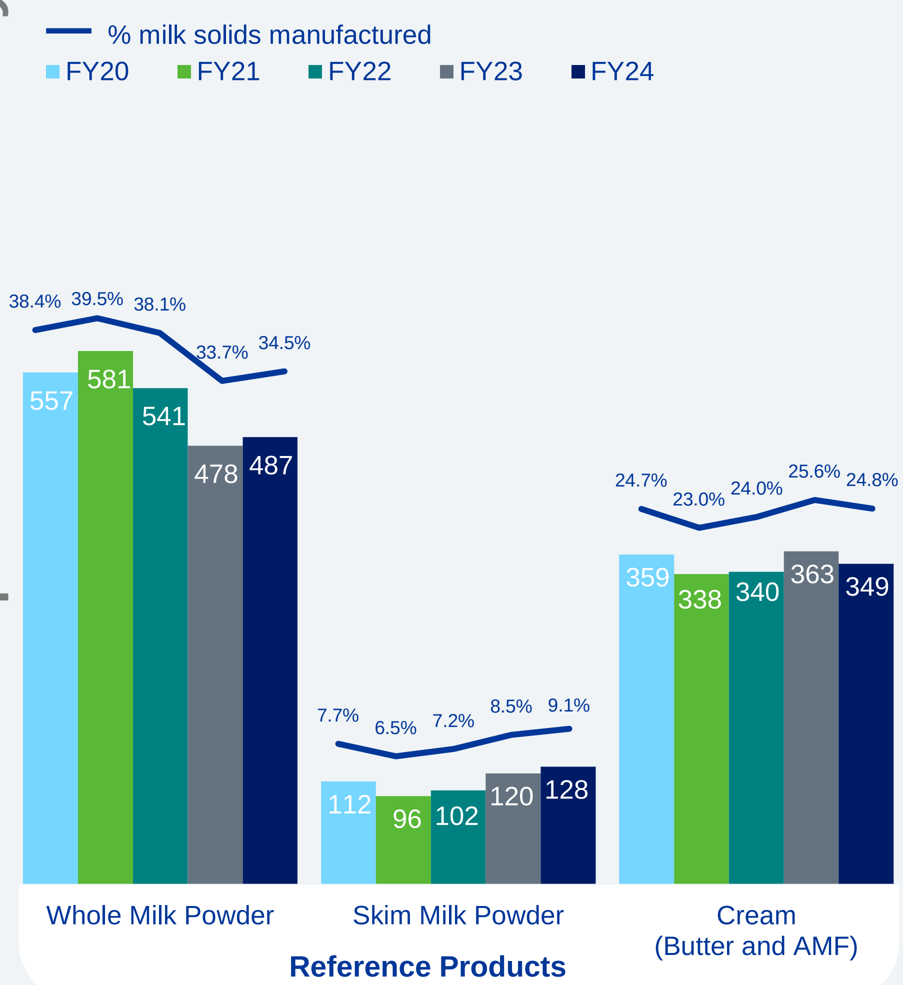
Long-term trend of increasing allocation of milk solids to higher value products



- Materially less milk was allocated to Reference portfolio in 2023 due to high whole milk powder inventory levels and strong domestic milk production in China. 2024 allocation is a return to a more gradual reduction in Reference portfolio allocation
- Long-term trend remains positive, allocating a greater proportion of milk solids to higher value products in the Non-Reference portfolio
- Lower milk collections over the past 5 years has meant total milk solids processed within the Non-Reference portfolio is relatively flat, despite the increased proportion of solids allocated

Breakdown of milk solids allocated to product groups

NZ milk solids manufactured (kgMS millions)



Whole Milk Powder:

- FY23 and FY24 production significantly lower than prior years due to a conscious product mix decision to allocate away from WMP into product streams with higher value and more stable demand
- Overall, WMP demand growth has remained relatively stable over the last 3 years and the outlook remains similar

Cream:

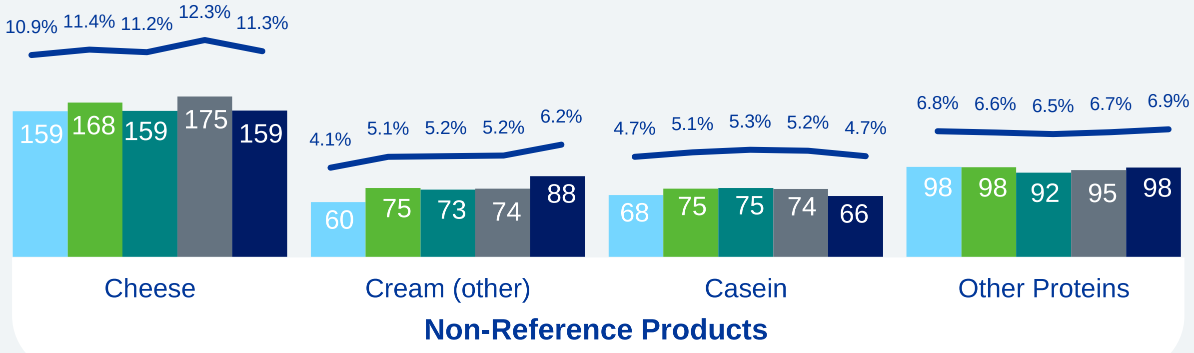
- Strong demand for cream in the Greater China Foodservice business, particularly UHT cream, has driven an increase in solids allocated to Non-Reference cream

Cheese:

- Reduced allocation of cheese due to the value of these portfolios reduces relative to the WMP and cream portfolios, and that have experienced better pricing during the year
- Strong demand relative to supply inside the US & EU have pushed prices higher in the regions with expectations for export demand to shift the way of Oceania, presenting a positive outlook for Oceania prices as we move past peak supply months

Casein:

- Held inventory going into the financial year. Production of casein is expected to remain at similar levels and near-term demand sentiment remains positive



Note: Excludes Butter Milk Powder, and other smaller Non-Reference commodity groups

Segment and Channel Performance

Ingredients performance

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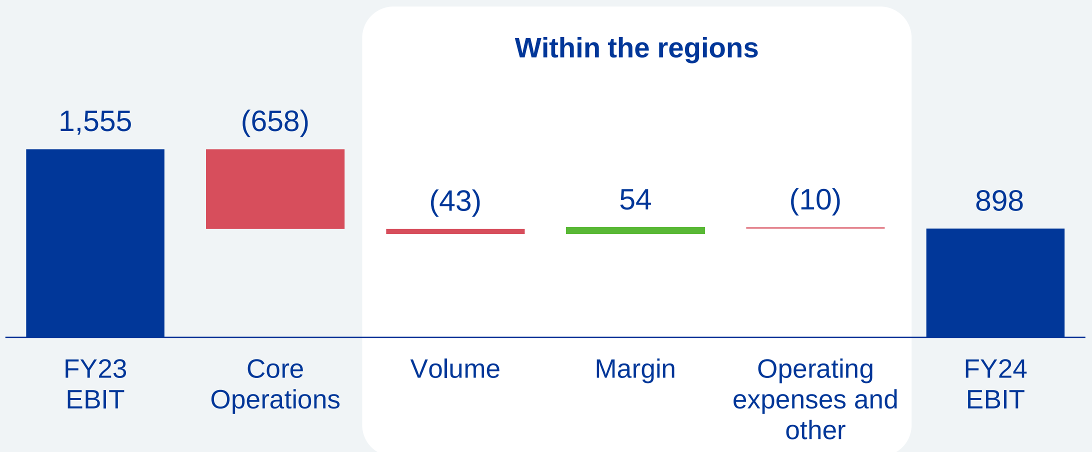
For the year ended 31 July	**Total Ingredients[1]**			Core operations		Global Markets		Greater China		Eliminations	
NZD million	2023	2024	△%[2]	2023	2024	2023	2024	2023	2024	2023	2024
Sales volume ('000 MT)	2,319	2,234	(4)%	2,191	2,119	1,732	1,690	632	579	(2,236)	(2,154)
Sales volume (million kgMS)	1,265	1,221	(3)%	1,260	1,217	943	927	332	298	(1,270)	(1,221)
Revenue	17,416	15,087	(13)%	15,692	13,355	13,516	11,648	4,460	3,598	(16,252)	(13,514)
Cost of goods sold	(14,765)	(13,118)	11%	(14,207)	(12,563)	(12,584)	(10,708)	(4,226)	(3,361)	16,252	13,514
Gross profit	2,651	1,969	(26)%	1,485	792	932	940	234	237	-	-
Operating expenses	(1,143)	(1,141)	-	(678)	(655)	(403)	(408)	(62)	(78)	-	-
Other[3]	47	70	49%	16	28	31	41	-	1	-	-
EBIT[4]	1,555	898	(42)%	823	165	560	573	172	160	-	-
Net finance costs and tax expense	(409)	(230)	44%	(221)	(87)	(149)	(111)	(39)	(32)	-	-
Profit after tax	**1,146**	**668**	**(42)%**	**602**	**78**	**411**	**462**	**133**	**128**	**-**	**-**
Gross margin	15.2%	13.1%		9.5%	5.9%	6.9%	8.1%	5.2%	6.6%	-	-
EBIT margin	8.9%	6.0%		5.2%	1.2%	4.1%	4.9%	3.9%	4.4%	-	-

1. Ingredients performance is prepared on a continuing operations basis and includes sales to other segments. Comparative information has been re-presented for consistency with the current period
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes corporate costs for Total, Core Operations, Global Markets and Greater China of $229m, $133m, $69m and $27m ($138m, $79m, $43m and $16m for the comparative period), respectively.

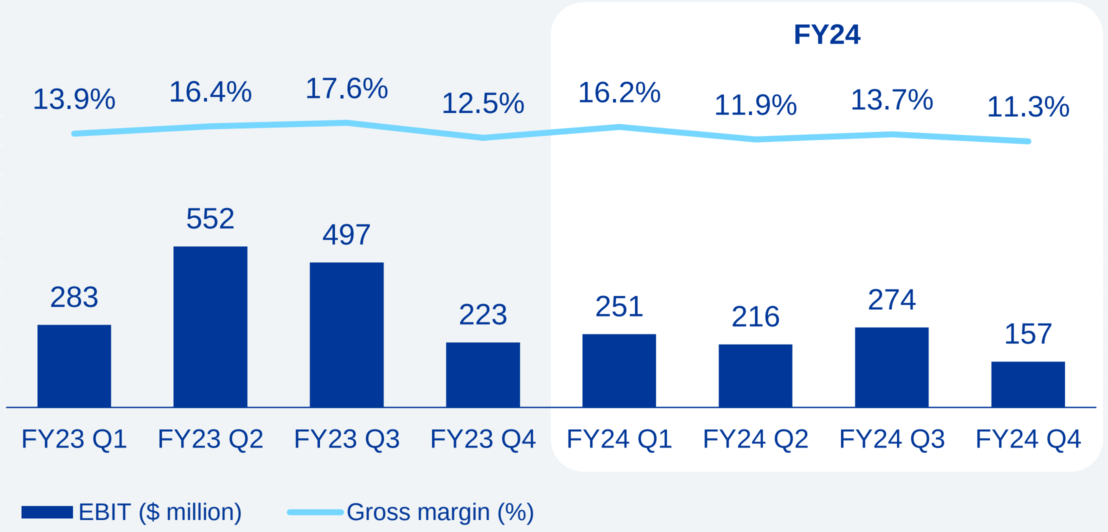
Ingredients operating performance

Key performance drivers

EBIT ($ million)



Quarterly performance



- Ingredients EBIT is down $657m, mainly due to:
  - lower margins achieved in Core Operations reflecting product prices declining at a higher rate for the Non-Reference portfolio relative to the Reference portfolio
  - the FY24 lactose price declining. As a result, the benefit to Core Operations of relatively higher lactose costs in the Milk Price calculation (due to requiring more lactose for standardisation of WMP, SMP and BMP) has significantly reduced
  - lower volumes within the regions due to providing less volume to the ONIL tender in Middle East and Africa and cream and Whole Milk Powder to China. This was partially offset by higher volumes of Skim Milk Powder to Atlantic and proteins to North Asia
- Gross margins tightened in the second half of FY24 reflecting the increase in the price of Reference Products relative to Non-Reference prices
- Higher margins within the regions, mainly due to improved demand for MPC in the US and cheese and proteins in Latin America partially offset by higher Australia milk price

Note: Prepared on a continuing operations basis. Comparative information has been re-presented for consistency with the current period

New Zealand-sourced Ingredients' product mix

	2023	2024	Change
Sales Volume ('000 MT)			
Reference Products	1,782	1,744	(2)%
Non-Reference Products	883	891	1%
Revenue (NZD)			
Reference Products ($ billion)	11.1	10.1	(9)%
Non-Reference products ($ billion)	7.1	6.4	(10)%
Reference Products ($ per MT)	6,257	5,764	(8)%
Non-Reference products ($ per MT)	8,089	7,145	(12)%
Cost of Milk (NZD)			
Reference Products ($ billion)	8.4	7.5	(11)%
Non-Reference Products ($ billion)	3.5	3.3	(6)%
Reference Products ($ per MT)	4,696	4,313	(8)%
Non-Reference Products ($ per MT)	3,974	3,693	(7)%

- Sales volume 30,000 MT lower due to:
  - 38,000 MT less of Reference products due to lower milk collections and less inventory sell down relative to prior year
  - 8,000 MT increase in higher value Non-Reference due to increased allocation of milk solids
- Product prices in the Non-Reference portfolio have declined from the highs of FY23 across most product groups, and by more, relative to the Reference portfolio, due to cream prices increasing in the reference portfolio
- Non-Reference portfolio cost of milk did not decline as much as the Reference Portfolio
  - The cream products in the Non-Reference portfolio are manufactured and sold on a shorter timeframe due to their shorter shelf life, therefore, they get expensed at a more current milk cost
  - The cost of fat, which is the primary component of the milk cost in cream products, has increased significantly over the past 12 months

Note: Table includes Ingredients' products that are on-sold to the Foodservice and Consumer channels and excludes bulk liquid milk. Bulk liquid milk for 2024 was 71,000 MT of kgMS equivalent (for the comparative period it was 73,000 MT of kgMS equivalent). Milk solids used in the Reference Products sold were 962 million kgMS and 458 million kgMS in the Non-Reference Products (for the comparative period 1,004 million kgMS in Reference Products and 442 million kgMS in Non-Reference Products)

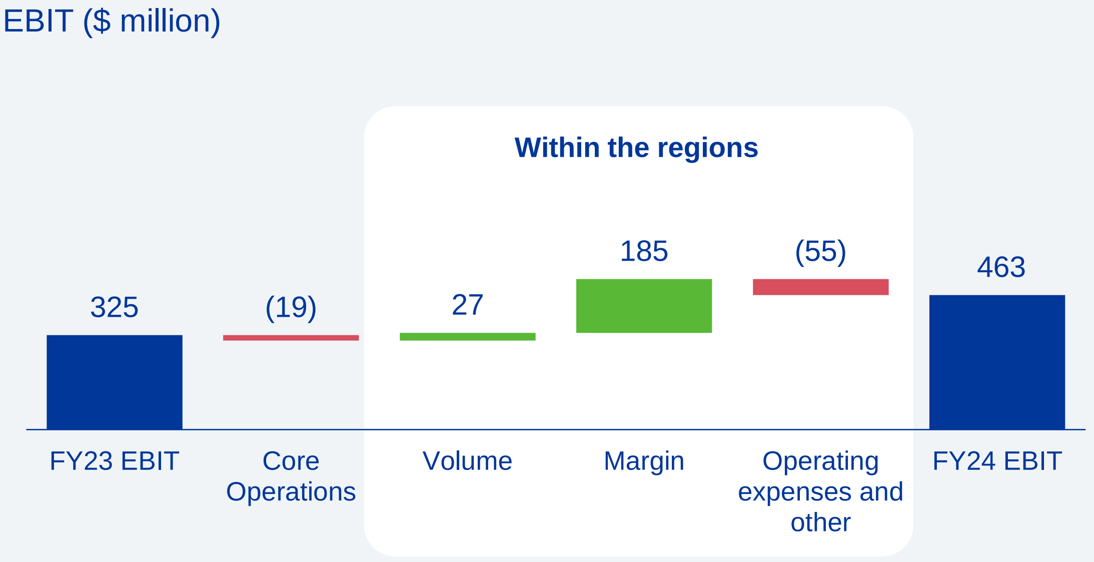
Foodservice performance

For the year ended 31 July	Total Foodservice[1]			Core operations		Global Markets		Greater China		Eliminations	
NZD million	2023	2024	△%[2]	2023	2024	2023	2024	2023	2024	2023	2024
Sales volume ('000 MT)	546	564	3%	334	354	280	281	274	292	(342)	(363)
Sales volume (million kgMS)	219	230	5%	156	174	98	96	124	137	(159)	(177)
Revenue	3,865	4,057	5%	1,994	2,213	1,845	1,805	2,236	2,377	(2,210)	(2,338)
Cost of goods sold	(3,116)	(3,117)	-	(1,908)	(2,148)	(1,582)	(1,463)	(1,836)	(1,844)	2,210	2,338
Gross profit	749	940	26%	86	65	263	342	400	533	-	-
Operating expenses	(427)	(494)	(16)%	(89)	(93)	(201)	(231)	(137)	(170)	-	-
Other[3]	3	17	467%	-	6	3	11	-	-	-	-
EBIT[4]	325	463	42%	(3)	(22)	65	122	263	363	-	-
Net finance costs and tax expense	(92)	(98)	(7)%	(9)	(8)	(23)	(26)	(60)	(64)	-	-
Profit after tax	**233**	**365**	**57%**	**(12)**	**(30)**	**42**	**96**	**203**	**299**	**-**	**-**
Gross margin	19.4%	23.2%		4.3%	2.9%	14.3%	18.9%	17.9%	22.4%	-	-
EBIT margin	8.4%	11.4%		(0.2)%	(1.0)%	3.5%	6.8%	11.8%	15.3%	-	-

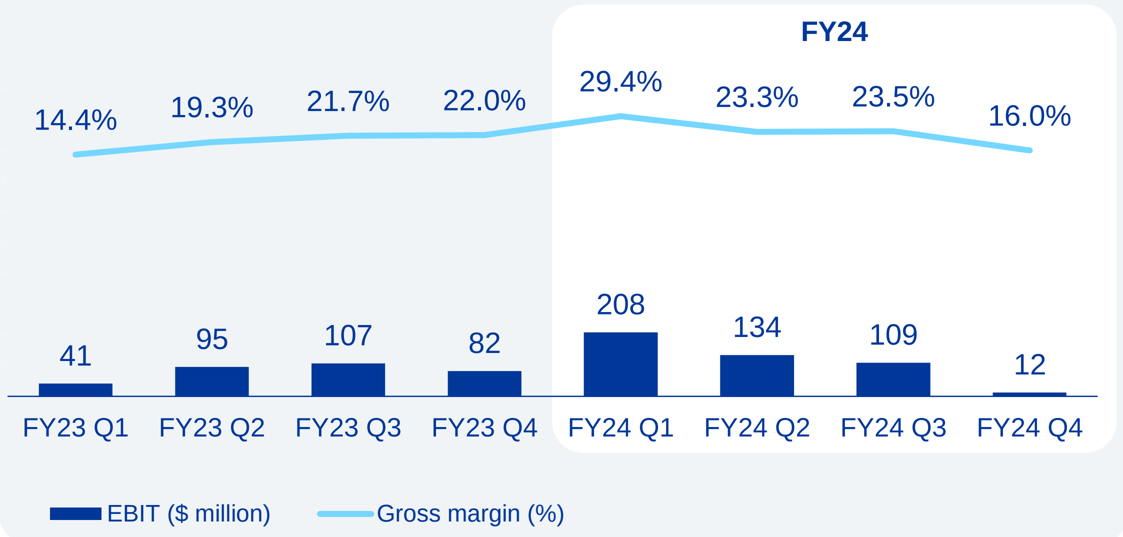
1. Foodservice performance is prepared on a continuing operations basis and includes sales to other segments. Comparative information has been re-presented for consistency with the current period
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes corporate costs for Total, Core Operations, Global Markets and Greater China of $57m, $8m, $23m and $26m ($58m, $36m, $5m and $17m for the comparative period), respectively.

Foodservice operating performance

Key performance drivers



Quarterly performance



- Foodservice EBIT is up $138m, due to:
  - reduced margins within Core Operations as the rise in milk component costs during the second half outpaced the transfer price to in-market business units
  - sales volume growth of 3%, mainly driven by UHT cream sales in Greater China
  - favourable in-market margins predominately driven by the lower cost of milk, as well as the benefit from higher in-market pricing particularly in our Southeast Asia markets
- Lower cost of milk during the first half of FY24, coupled with favourable pricing resulted in a strong FY24 gross margin and EBIT relative to FY23
- Gross margins tightened in the second half of FY24 due to a combination of lower prices achieved in-market and higher cost of goods sold as cost of milk increased
- As expected, gross margins tightened further in the final quarter of FY24 reflecting the increasing price of Reference Products
- Following strong sales volumes in H1, H2 volumes reflect historical averages

Note: Prepared on a continuing operations basis. Comparative information has been re-presented for consistency with the current period

Consumer performance

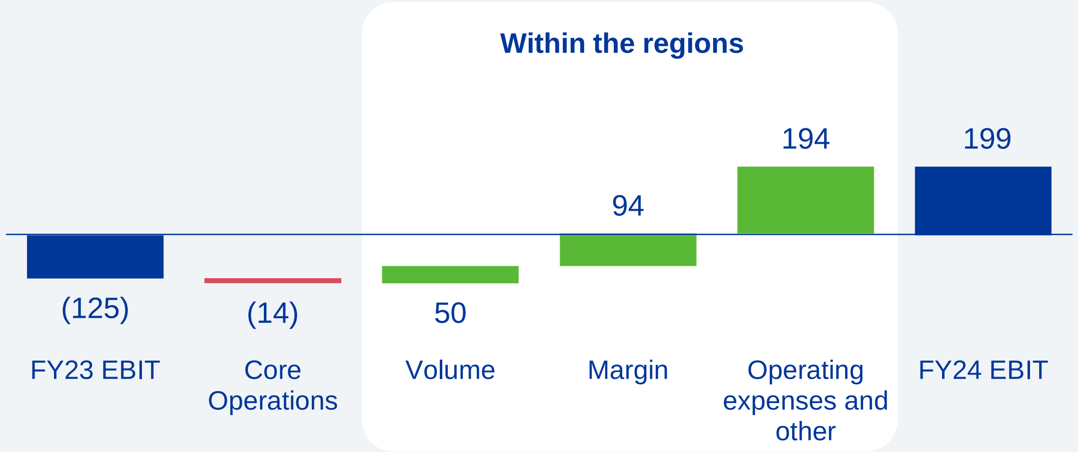
For the year ended 31 July	Total Consumer[1]			Core operations		Global Markets		Greater China		Eliminations	
NZD million	2023	2024	△%[2]	2023	2024	2023	2024	2023	2024	2023	2024
Sales volume ('000 MT)	632	672	6%	259	268	563	606	72	73	(262)	(275)
Sales volume (million kgMS)	148	161	9%	108	113	135	149	13	14	(108)	(115)
Revenue	3,299	3,678	11%	1,456	1,409	3,040	3,365	376	394	(1,573)	(1,490)
Cost of goods sold	(2,518)	(2,765)	(10)%	(1,398)	(1,363)	(2,399)	(2,604)	(294)	(288)	1,573	1,490
Gross profit	781	913	17%	58	46	641	761	82	106	-	-
Operating expenses	(926)	(734)	21%	(73)	(78)	(706)	(529)	(147)	(127)	-	-
Other[3]	20	20	-	1	4	19	15	-	1	-	-
EBIT[4]	(125)	199	-	(14)	(28)	(46)	247	(65)	(20)	-	-
Net finance costs and tax expense	(13)	(64)	(392)%	(4)	(2)	(22)	(67)	13	5	-	-
Profit after tax	**(138)**	**135**	**-**	**(18)**	**(30)**	**(68)**	**180**	**(52)**	**(15)**	**-**	**-**
Gross margin	23.7%	24.8%		4.0%	3.3%	21.1%	22.6%	21.8%	26.9%	-	-
EBIT margin	(3.8)%	5.4%		(1.0)%	(2.0)%	(1.5)%	7.3%	(17.3)%	(5.1)%	-	-

1. Consumer performance is prepared on a continuing operations basis and includes sales to other segments. Comparative information has been re-presented for consistency with the current period
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes corporate costs for Total, Core Operations, Global Markets and Greater China of $67m, $17m, $42m and $8m ($64m, $33m, $24m and $7m for the comparative period), respectively.

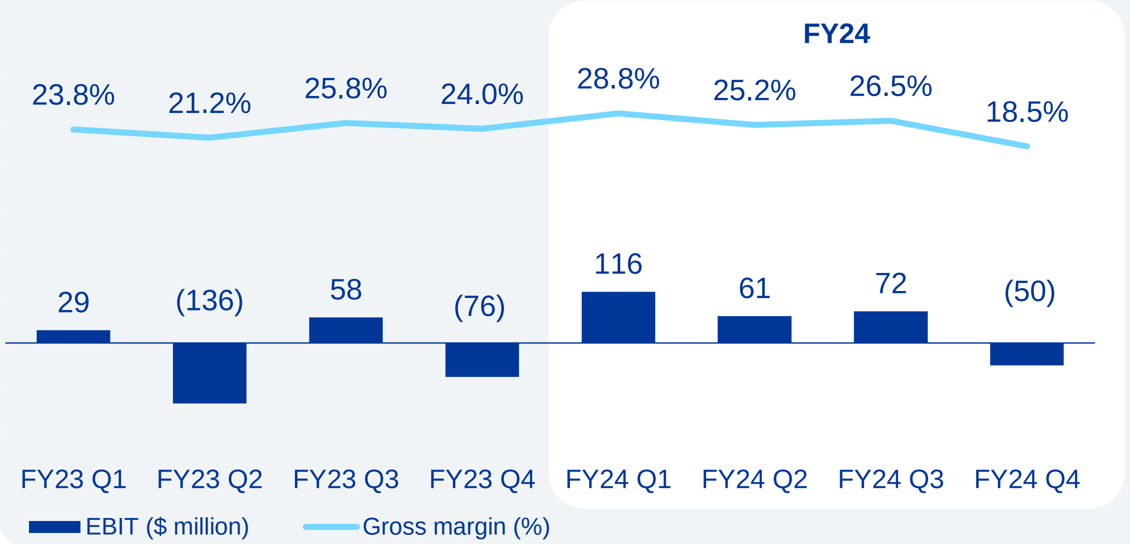
Consumer operating performance

Key performance drivers

EBIT ($ million)



Quarterly performance



- Consumer EBIT increased $324m, due to:
  - sales volume growth of 6%, with continued demand in Sri Lanka for consumer powders, and FBNZ demand increasing as competitors exit the mainstream yoghurt category and tourism returned in the Pacific
  - improved product mix and favourable pricing across most regions
  - lower operating expenses due to $213m less impairments in FY24
- Adjusting for impairments, Consumer EBIT increased by $111m

- Lower cost of milk during FY24 Q1, coupled with favourable pricing meant a strong FY24 Q1 gross margin and EBIT relative to FY23
- FY24 Q2 gross margins tightened relative to Q1 due to a combination of lower in-market prices and higher cost of milk
- FY24 Q3 gross margins increased due to an improved product mix with more premium products sold compared to Q2
- As expected, gross margins tightened in the final quarter of FY24 reflecting increasing price of Reference Products

Note: Prepared on a continuing operations basis. Comparative information has been re-presented for consistency with the current period

Core operations performance

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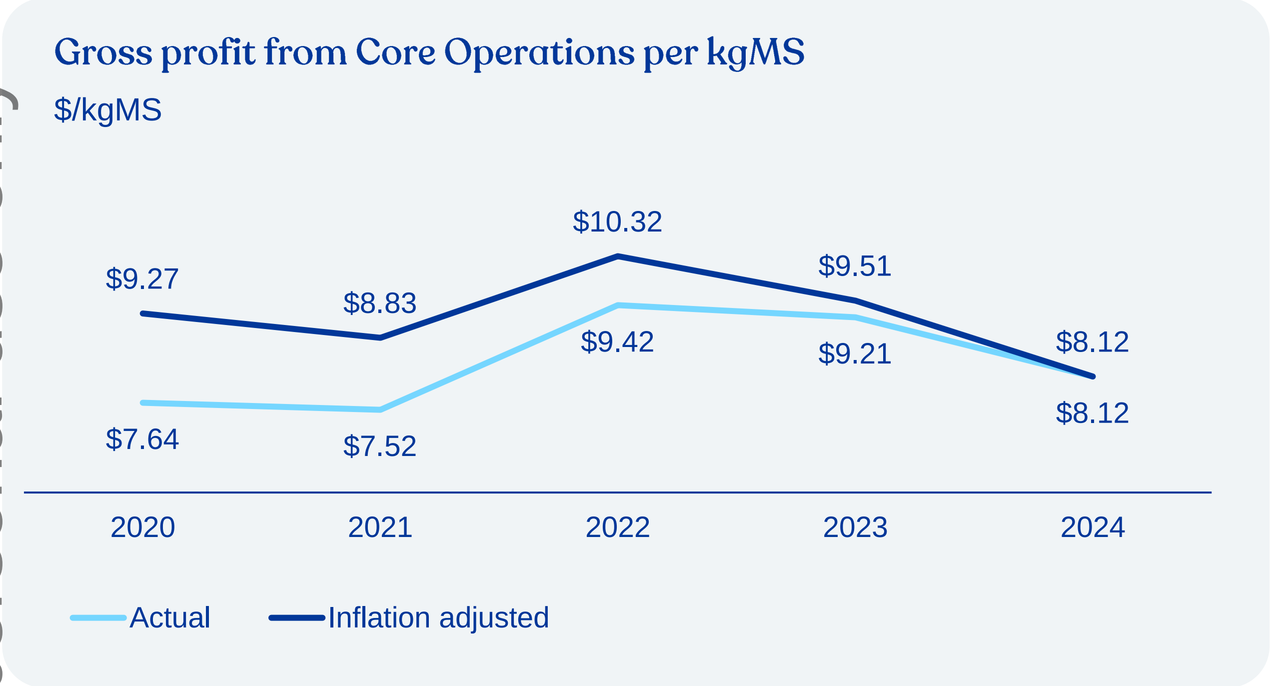
For the year ended 31 July	Total Core Operations[1]			Ingredients		Foodservice		Consumer	
NZD million	2023	2024	∆%[2]	2023	2024	2023	2024	2023	2024
Sales volume ('000 MT)	2,784	2,741	(2)%	2,191	2,119	334	354	259	268
Sales volume (million kgMS)	1,524	1,504	(1)%	1,260	1,217	156	174	108	113
Revenue	19,142	16,977	(11)%	15,692	13,355	1,994	2,213	1,456	1,409
Cost of goods sold	(17,513)	(16,074)	8%	(14,207)	(12,563)	(1,908)	(2,148)	(1,398)	(1,363)
Gross profit	1,629	903	(45)%	1,485	792	86	65	58	46
Operating expenses	(840)	(826)	2%	(678)	(655)	(89)	(93)	(73)	(78)
Other[3]	17	38	124%	16	28	-	6	1	4
EBIT[4]	806	115	(86)%	823	165	(3)	(22)	(14)	(28)
Net finance costs and tax expense	(234)	(97)	59%	(221)	(87)	(9)	(8)	(4)	(2)
Profit after tax	**572**	**18**	**(97)%**	**602**	**78**	**(12)**	**(30)**	**(18)**	**(30)**
Gross margin	8.5%	5.3%		9.5%	5.9%	4.3%	2.9%	4.0%	3.3%
EBIT margin	4.2%	0.7%		5.2%	1.2%	(0.2)%	(1.0)%	(1.0)%	(2.0)%

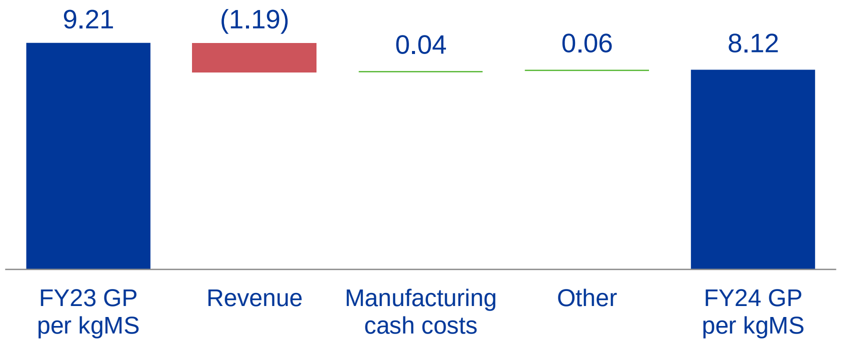
1. Core Operations performance is prepared on a continuing operations basis and includes sales to other segments. Comparative information has been re-presented for consistency with the current period
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes corporate costs for Total, Ingredients, Foodservice and Consumer of $158m, $133m, $8m and $17m ($148m, $79m, $36m and $33m for the comparative period), respectively.

Gross profit from Core Operations per kgMS



Gross profit from Core Operations	2020	2021	2022	2023	2024
Actual ($ million)	11,168	11,548	13,266	14,019	12,189
Compound CPI %	21.3%	17.5%	9.5%	3.3%	
Inflation adjusted ($ million)	13,551	13,568	14,526	14,482	12,189
Core Operations sales (kgMS)	1,461	1,536	1,408	1,523	1,501

- The gross profit from Core Operations per kgMS is calculated by dividing the gross profit from Core Operations (excluding Farm Source and cost of milk) by kgMS of Core Operations' sales
- This measure of 'gross profit' is effectively equivalent to revenue less the manufacturing and other costs included in COGS (as milk cost is excluded). Therefore, the change year-on-year reflects the change in the combination of:
  - commodity prices (reflected in Revenue per kgMS); and
  - manufacturing performance (reflected in Manufacturing costs per kgMS)
  - 'Other' including net recoveries, non-cash costs and COO farm returns.
- The chart below illustrates that almost all of the change from FY23 to FY24 is due to the change in commodity prices and a small improvement in Manufacturing costs per kgMS
- When evaluating the efficiency metrics, the change in Manufacturing cost per kgMS is shown separately – see slide 15



Australia performance

NZD million	2023	2024	%Δ [1]
Sales volume (‘000 MT)	379	384	1%
Sales volume (million kgMS)	139	135	(3)%
Revenue	2,531	2,457	(3)%
Cost of goods sold	(2,237)	(2,188)	2%
Gross profit ($)	294	269	(9)%
Gross margin (%)	11.6%	10.9%	-
Operating expenses ($)	(219)	(198)	10%
Other[2] ($)	-	8	-
EBIT ($)	75	79	5%
Net finance costs and tax expense	(52)	(49)	6%
Profit after tax ($)	**23**	**30**	**30%**

Note: Figures are prepared on a continuing operations basis.

1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
2. Consists of other operating income and net foreign exchange gains/(losses)

- Gross profit was down reflecting the higher milk price and particularly its impact on Ingredients, partially offset by the continued strong performance in Consumer and Foodservice
- Revenue was down 3% due to channel mix and lower commodity prices
- Breaking down by channel:
  - Consumer revenue increased by 10% year-on-year, with sales volume increasing by 5.4% (MT) and 7.6% (kgMS), respectively
  - Foodservice maintained gross profit levels, up 0.4%, in a challenging market due to increases in inflation and less people eating out of home
  - Ingredients margins were adversely impacted due to the disconnect between global commodity prices and domestic Australian milk price through the year
- EBIT increased by 5% to $79 million due to sales volume increases and a reduction in one-off costs in operating expenses
- In FY23, operating expenses included the $27m impact of the class action settlement agreement with Fonterra Australia milk suppliers in relation to milk price in the 2015/16 season
- Focused on production efficiency at manufacturing sites throughout the year. For example, Overall Equipment Effectiveness (OEE) increased by 9% in FY24 at the Cobden site (South West Victoria), which produces our Western Star range of products
- Investment in automation at manufacturing sites across Victoria and Tasmania reduced manual handling and improved efficiency
- Energy-saving initiatives delivered a 9% reduction in gas consumption in FY24

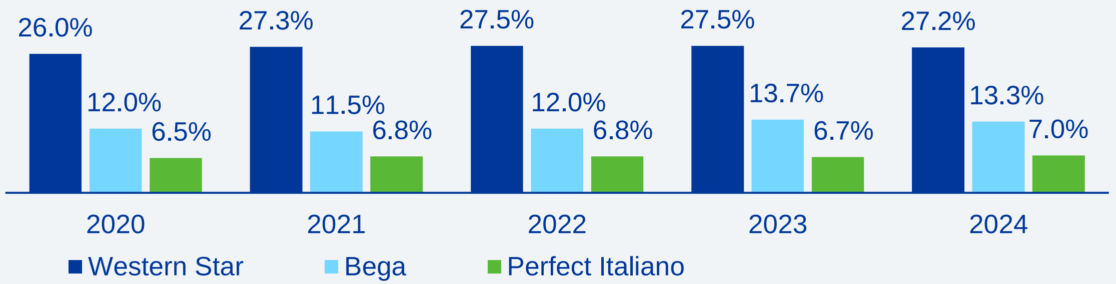
Australia milk collection, and milk and product market share

Australia milk collections

- Stable Australian milk collection market share and milk collection volume throughout the year
- Optimised volumes of milk collected to meet the accurate level of demand, while managing the volatility in the global commodity prices
- Continued to provide additional value to dairy farmers in Australia through Fonterra's Farm Source model
- Focused attention on supporting farmers to understand the benefits of operating sustainably, with more than 50% now completing Farm Environment Plans

Fonterra Australia key consumer brands

(by value market share[1])



- Fonterra held the #1 position for volume and value in key branded consumer products throughout FY24
- 43% of Australian households buy Western Star, with a pack sold every second across the country
- Bega cheese is the #1 branded cheese in Australia, followed by Perfect Italiano at #2

1. Nielsen RMS, Total AU grocery scan MAT Aug-20 to MAT Aug-23. Comparative information has been re-presented for consistency with the current period

Global Markets performance

For the year ended 31 July	Total Global Markets[1]			Ingredients		Foodservice		Consumer	
NZD million	2023	2024	△%[2]	2023	2024	2023	2024	2023	2024
Sales volume ('000 MT)	2,575	2,577	-	1,732	1,690	280	281	563	606
Sales volume (million kgMS)	1,176	1,172	-	943	927	98	96	135	149
Revenue	18,401	16,818	(9)%	13,516	11,648	1,845	1,805	3,040	3,365
Cost of goods sold	(16,565)	(14,775)	11%	(12,584)	(10,708)	(1,582)	(1,463)	(2,399)	(2,604)
Gross profit	1,836	2,043	11%	932	940	263	342	641	761
Operating expenses	(1,310)	(1,168)	11%	(403)	(408)	(201)	(231)	(706)	(529)
Other[3]	53	67	26%	31	41	3	11	19	15
EBIT[4]	579	942	63%	560	573	65	122	(46)	247
Net finance costs and tax expense	(194)	(204)	(5)%	(149)	(111)	(23)	(26)	(22)	(67)
Profit after tax	**385**	**738**	**92%**	**411**	**462**	**42**	**96**	**(68)**	**180**
Gross margin	10.0%	12.1%		6.9%	8.1%	14.3%	18.9%	21.1%	22.6%
EBIT margin	3.1%	5.6%		4.1%	4.9%	3.5%	6.8%	(1.5)%	7.3%

1. Global Markets performance is prepared on a continuing operations basis and includes sales to other segments. Comparative information has been re-presented for consistency with the current period
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes corporate costs for Total, Ingredients, Foodservice and Consumer of $134m, $69m, $23m and $42m ($72m, $43m, $5m and $24m for the comparative period), respectively.

Greater China performance

For the year ended 31 July	Total Greater China[1]			Ingredients		Foodservice		Consumer	
NZD million	2023	2024	∆%[2]	2023	2024	2023	2024	2023	2024
Sales volume ('000 MT)	978	944	(3)%	632	579	274	292	72	73
Sales volume (million kgMS)	469	449	(4)%	332	298	124	137	13	14
Revenue	7,072	6,369	(10)%	4,460	3,598	2,236	2,377	376	394
Cost of goods sold	(6,356)	(5,493)	14%	(4,226)	(3,361)	(1,836)	(1,844)	(294)	(288)
Gross profit	716	876	22%	234	237	400	533	82	106
Operating expenses	(346)	(375)	(8)%	(62)	(78)	(137)	(170)	(147)	(127)
Other[3]	-	2	-	-	1	-	-	-	1
EBIT[4]	370	503	36%	172	160	263	363	(65)	(20)
Net finance costs and tax expense	(86)	(91)	(6)%	(39)	(32)	(60)	(64)	13	5
Profit after tax	**284**	**412**	**45%**	**133**	**128**	**203**	**299**	**(52)**	**(15)**
Gross margin	10.1%	13.8%		5.2%	6.6%	17.9%	22.4%	21.8%	26.9%
EBIT margin	5.2%	7.9%		3.9%	4.4%	11.8%	15.3%	(17.3)%	(5.1)%

1. Greater China performance is prepared on a continuing operations basis and includes sales to other segments. Comparative information has been re-presented for consistency with the current period
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes corporate costs for Total, Ingredients, Foodservice and Consumer of $61m, $27m, $26m and $8m ($40m, $16m, $17m and $7m for the comparative period), respectively.

Global Markets end-to-end performance

For the year ended 31 July	Total Global Markets[1]			Ingredients		Foodservice		Consumer	
NZD million	2023	2024	Δ%[2]	2023	2024	2023	2024	2023	2024
Sales volume ('000 MT)	2,517	2,526	-	1,686	1,655	272	272	559	599
Sales volume (million kgMS)	1,162	1,164	-	933	923	95	93	134	148
Revenue	17,926	16,665	(7)%	13,218	11,628	1,758	1,737	2,950	3,300
Cost of goods sold	(14,911)	(13,978)	6%	(11,176)	(10,142)	(1,486)	(1,353)	(2,249)	(2,483)
Gross profit	3,015	2,687	(11)%	2,042	1,486	272	384	701	817
Operating expenses	(1,882)	(1,741)	7%	(904)	(898)	(221)	(254)	(757)	(589)
Other[3]	63	89	41%	40	59	3	12	20	18
EBIT[4]	1,196	1,035	(13)%	1,178	647	54	142	(36)	246
Net finance costs and tax expense	(366)	(276)	25%	(312)	(171)	(24)	(33)	(30)	(72)
Profit after tax	**830**	**759**	**(9)%**	**866**	**476**	**30**	**109**	**(66)**	**174**
Gross margin	16.8%	16.1%		15.4%	12.8%	15.5%	22.1%	23.8%	24.8%
EBIT margin	6.7%	6.2%		8.9%	5.6%	3.1%	8.2%	(1.2)%	7.5%

1. Global Markets performance is prepared on a continuing operations basis. Comparative information has been re-presented for consistency with the current period
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes corporate costs for Total, Ingredients, Foodservice and Consumer of $238m, $146m, $29m and $63m ($163m, $95m, $17m and $51m for the comparative period), respectively.

Greater China end-to-end performance

For the year ended 31 July	Total Greater China[1]			Ingredients		Foodservice		Consumer	
NZD million	2023	2024	△%[2]	2023	2024	2023	2024	2023	2024
Sales volume ('000 MT)	980	944	(4)%	633	579	274	292	73	73
Sales volume (million kgMS)	469	449	(4)%	332	298	124	137	13	14
Revenue	6,654	6,157	(7)%	4,198	3,459	2,107	2,320	349	378
Cost of goods sold	(5,488)	(5,022)	8%	(3,589)	(2,976)	(1,630)	(1,764)	(269)	(282)
Gross profit	1,166	1,135	(3)%	609	483	477	556	80	96
Operating expenses	(614)	(628)	(2)%	(239)	(243)	(206)	(240)	(169)	(145)
Other[3]	7	18	157%	7	11	-	5	-	2
EBIT[4]	559	525	(6)%	377	251	271	321	(89)	(47)
Net finance costs and tax expense	(148)	(116)	22%	(97)	(59)	(68)	(65)	17	8
Profit after tax	**411**	**409**	**-**	**280**	**192**	**203**	**256**	**(72)**	**(39)**
Gross margin	17.5%	18.4%		14.5%	14.0%	22.6%	24.0%	22.9%	25.4%
EBIT margin	8.4%	8.5%		9.0%	7.3%	12.9%	13.8%	(25.5)%	(12.4)%

1. Greater China performance is prepared on a continuing operations basis. Comparative information has been re-presented for consistency with the current period
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes corporate costs for Total, Ingredients, Foodservice and Consumer of $114m, $68m, $39m and $7m ($95m, $41m, $43m and $11m for the comparative period), respectively.

Discontinued operations performance

For the year ended 31 July	Total Discontinued Operations			China Farms		DPA Brazil		Soprole	
NZD million	2023	2024	Δ%[1]	2023	2024	2023	2024	2023	2024
Sales volume ('000 MT)	476	59	(88)%	1	-	224	59	251	-
Sales volume (million kgMS)	-	-	-	-	-	-	-	-	-
Revenue	1466	172	(88)%	15	-	599	172	852	-
Cost of goods sold	(1,048)	(106)	90%	(27)	-	(405)	(106)	(616)	-
Gross profit	418	66	(84)%	(12)	-	194	66	236	-
Operating expenses	(303)	(99)	67%	(12)	-	(137)	(99)	(154)	-
Other[3]	348	-	-	(1)	-	-	-	349	-
EBIT	463	(33)	-	(25)	-	57	(33)	431	-
Net finance costs and tax expense	(127)	(7)	94%	-	-	-	-	-	-
Profit after tax	**336**	**(40)**	**-**	**(25)**	**-**	**16**	**(40)**	**345**	**-**
Gross margin	28.5%	38.4%		(80.0)%	-	32.4%	38.4%	27.7%	-
EBIT margin	31.6%	(19.2)%		(166.7)%	-	9.5%	(19.2)%	50.6%	-

1. Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
2. Consists of other operating income and net foreign exchange gains/(losses)
3. Depreciation is not recognised in discontinued operations from the date at which the operations are classified as held for sale

Flexible Shareholding Metrics

Flexible shareholding metrics

As at 31 July 2024, the Co-operative was within the specified thresholds for all three Flexible Shareholding metrics

Total shares on issue above the Share Standard

13.13%

↑ from 12.22%

- The percentage of Co-operative Shares on issue above or below the combined Share Standard of all Shareholders
- The threshold range is set at total Co-operative Shares on issue being within +/- 15% of the Share Standard

Shares held by Ceased Shareholders and Permitted Transferees

10.19%

↑ from 9.23%

- The percentage of shares held by shareholders who have ceased supplying milk to the Co-operative, and/or transferred their shares to a non-supplying person or entity in accordance with the permitted transferee rules
- The threshold is set at no greater than 25%

Shares held for the Fonterra Shareholders' Fund

6.67%

No change

- The size of the Fonterra Shareholders' Fund has been capped at 10% of shares on issue to protect farmer ownership and control of the Co-operative

Note: Movements are compared to figures as at 31 July 2023, the first publication of Flexible Shareholding metrics in the 2023 Business Performance Report

Shareholder distribution & share compliance requirements

Shareholder Distribution

Shareholder	# of shares held as at 31 July 2024	% of total shares on issue
Supplying Shareholders	1,329,997,797	82.65%
Secondary Shareholders	3,196,485	0.20%
Associated Shareholders	1,514,150	0.09%
Ceased Shareholders	144,441,902	8.98%
Permitted Transferees	19,609,511	1.22%
Custodian shares, on behalf of the Fund	107,410,984	6.67%
Custodian shares, on behalf of the Market Makers	3,019,726	0.19%
Total shares on Issue	1,609,190,555	100.00%

Share compliance requirements

	Season						
# of shares:	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
To be bought	4,673,907	4,846,891	5,091,789	4,647,601	3,632,126	1,819,316	-
To be sold	4,092,502	-	22,818	45,381	755,875	-	-

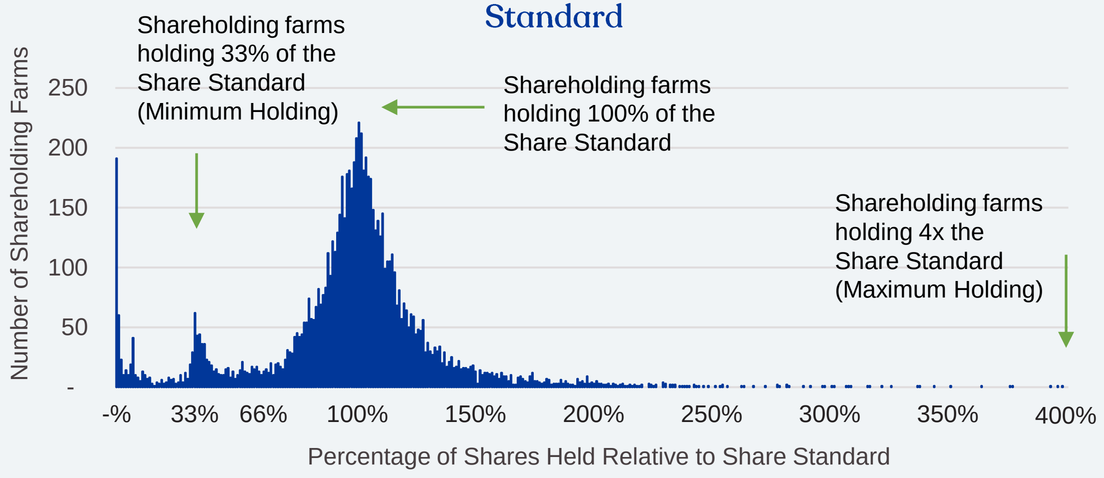
	Season (continued)						
# of shares:	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	**Total**
To be bought	-	-	-	-	-	-	**24,711,629**
To be sold	-	-	-	-	-	158,881,103	**163,797,679**

Shareholdings relative to Share Standard

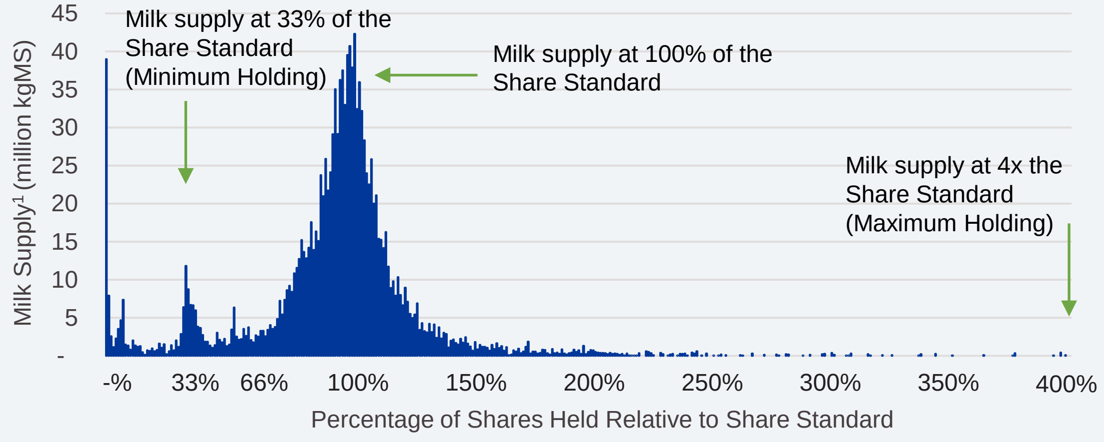
Shareholding relative to Share Standard

	< 33%	33% - 79%	80% - 120%	> 120%	Total
# of shareholding farms	562	1,033	5,137	1,426	**8,158**
Milk Supply[1] (kgMS)	101,180,361	201,632,511	949,852,792	171,735,512	**1,424,401,176**

Shareholdings by shareholding farms relative to 1:1 Share Standard



Shareholdings by milk supply relative to 1:1 Share Standard



Note:
- Shareholding farms presented exclude Ceased Shareholders, Permitted Transferees, Associated Shareholders, shareholding farms over 4x the Share Standard and includes entering supply shareholders
- Shareholdings can be less than 33% of Share Standard, under Flexible Shareholding new supplying entities have six years to reach 33% of Share Standard

1. Milk Supply is derived from each shareholding farm's Share Standard

Additional Information

FY24 Integrated Scorecard

		FY22 Actual	FY23 Actual	FY24 Actual	FY24 Scorecard
People	Serious harm	8	5	3	4
	Gender diversity (Band 12+)	37.6%	39.5%	40.1%	40.0%
	Culture Measure	–	79	79	–[1]
Nature	GHG emissions (Scope 1,2)[2]	(11.2)%	(14.1)%	(18.5)%	(15.6)%
	FEP adoption (New Zealand)	71%	85%	93%	92%
	Water Improvement Plans in place	–	44.0%	100%	100.0%
Relationships	Share of New Zealand milk collected for the season to 31 May	79.1%	79.0%	78.1%	79.0%
	Delivered in full, on time (DIFOT, ex-New Zealand)	51.6%	53.2%	70.8%	80.0%
Financial / Assets & Infrastructure	Cash operating expenses per kgMS (real)[3]	1.39	1.44	1.46	1.37
	Core Operations gross profit per kgMS (real)[4]	10.32	9.51	8.12	8.52
	Return on capital (FY)	6.8%	12.4%	11.3%	8.0%-9.0%
	Farmgate Milk Price ($)	$9.30	$8.22	$7.83	$7.25-$8.75[5]
Alignment Rights	Total shareholder return (closing share price plus dividend)	$2.73 $0.20	$3.20 $1.00[6]	$2.97[7] $0.55	Not Available
	On-farm profitability ($ per hectare)[8]	4,150	3,017	Not Available	Not Available

1. No target set for FY24.
2. Relative to FY18 Baseline. Scope 1&2 including farms under our operational control.
3. Based on New Zealand milk solids.
4. Excludes the cost of milk. Based on New Zealand milk solids.
5. FY24 Scorecard reflects opening forecast price for F24 season.
6. Includes 50-cent per share capital return.
7. FCG closing share price on 31 July 2024.
8. DairyNZ Economic Survey 2022-2023 (Owner-Operator).

FY25 Integrated Scorecard

	Key Metrics	FY23 Actual	FY24 Actual	FY25 Scorecard
People	Serious harm[1]	18	16	**12**
	Percentage of Health, Safety and Wellbeing priority actions fully completed by due date	76%	77%	**95%**
	Culture Measure	79	79	**81**
Nature	GHG emissions (Scope 1,2)[2]	(14.1)%	(18.5)%	**(21.1)%**
	Absolute water reduction across manufacturing sites (15% by FY30)[2]	(6.7)%	(12.4)%	**(13.1)%**
Relationships	Share of New Zealand milk collected for the season to 31 May	79.0%	78.1%	**78%**
	Delivered in full, on time (DIFOT, ex-New Zealand)	53.2%	70.8%	**80%**
Financial / Assets & Infrastructure	Cash operating expenses per kgMS (real)[3]	1.35	1.36	**1.43**
	Core Operations manufacturing cash costs per kgMS (real)[4]	2.63	2.58	**2.57**
	Return on capital (FY)	12.4%	11.3%	**8%-10%**
	Farmgate Milk Price ($)	$8.22	$7.83	**$7.75-$9.25**
Alignment Rights	Total shareholder return (12-month Value Weighted Average Price of Fonterra Co-operative Unit plus dividend)[5]	$2.82 $1.00	$2.58 $0.55	**Not Available**
	On-farm profitability ($ per hectare)[6]	3,017	Not Available	**Not Available**

1. A broader definition, which also includes Contractors, has been adopted for FY25 resulting in an increased number of injuries captured under the revised definition.
2. Relative to FY18 Baseline. Scope 1&2 including farms under our operational control.
3. Based on New Zealand and Australia milk solids. FY25 includes IT and digital transformation costs.
4. Based on New Zealand milk solids collected. Excludes the cost of milk.
5. Value Weighted Average Price (VWAP) for the period 1 October to 30 September. As an indicator for FY25, VWAP for the 12 months to 31 August 2024 was $2.58. FY23 dividend includes 50-cent per share capital return.
6. DairyNZ Economic Survey 2022-2023 (Owner-Operator).

Data sources

- **Dairy Production and Imports**
  - 12-month production
    - NZ, US (Aug 2023 to Aug 2024) DCANZ, USDA
    - EU, Aus (Jun 2023 to Jun 2024) Eurostat, Dairy Australia
  - 3-month production
    - NZ, US (Jun 2023 – Aug 2023 to Jun 2024 – Aug 2024) DCANZ, USDA
    - EU, Aus (Apr 2023 – Jun 2023 to Apr 2024 – Jun 2024) Eurostat
  - 12-month imports
    - LATAM, Asia (excl. China), Middle East & Africa, China (Jul 2023 to Jul 2024) S&P Global
  - 3-month imports
    - LATAM, Asia (excl. China), Middle East & Africa, China (May 2023 – July 2023 to May 2024 – Jul 2024) S&P Global

- **Price Relativities, Forecast 2023/24 season Farmgate Milk Price and FY24 continuing operations' earnings outlook**
  - Reference and Non-Reference actuals: Fonterra Free Alongside Ship (FAS) prices of the New Zealand Ingredients portfolio

Glossary

Associated Shareholder
Is a Shareholder that is a Farm Lessor, Sharemilker or Contract Milker

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

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 invested
is capital expenditure plus right of use asset (e.g. leases) additions and business acquisitions, including equity contributions, long-term advances, and other investments

Cash operating expenses per kgMS
is continuing operations operating expenses, less non-cash costs (depreciation, amortization and impairments). Shown by kilogram of New Zealand and Australia milk solids collected

Consumer
represents 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

Core Operations
represents core operating functions including New Zealand milk collection and processing operations and assets, supply chain and sustainability, Fonterra Farm Source™ retail stores, and the Strategy and Optimisation function

Core Operations manufacturing cash costs per kgMS
is the cost of sales, variable and fixed costs of the COO business unit less non-cash costs (depreciation, amortisation and impairment) shown by kilogram of New Zealand milk solids collected. Excludes, milk, ocean freight and farm costs

Custodian
means the Fonterra Farmer Custodian, which is the legal holder of the shares in respect of which economic rights are held for the Fonterra Shareholders' Fund and any Market Makers

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, net foreign exchange gains/losses and any normalised EBITDA relating to entities divested during the year

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 coordinated 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

Eliminations
represents eliminations of inter-business unit sales

Farmgate Milk Price
means the average price paid by Fonterra in New Zealand for each kgMS supplied by Fonterra's farmer shareholders under Fonterra's standard terms of supply. 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

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.

Gearing ratio (%)
is adjusted net debt divided by total capital. Total capital is equity excluding hedge reserves, plus adjusted net debt

Global Markets
represents the Ingredients, Foodservice and Consumer channels outside of Greater China

Greater China
represents the Ingredients, Foodservice and Consumer channels in Greater China

Growth capital expenditure
is investments to drive business expansion or improvement toward our strategy and generate incremental revenue. This includes organic growth (existing business projects) and inorganic growth (mergers and acquisitions)

Gross profit from Core Operations per kgMS
is Core Operations business unit gross profit excluding Farm Source and the cost of New Zealand milk sold. Shown per kilogram of New Zealand milk solids sold by Core Operations (continuing business)

Ingredients
represents the channel comprising bulk and specialty dairy products such as milk powders, dairy fats, cheese and proteins manufactured in New Zealand, Australia and Europe, 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

Glossary

Market Maker
is a third party appointed by the Co-op who is active in making bids and offers on a minimum number of Fonterra Co-operative Group Shares

Maximum holding
is the maximum number of shares a Supplying Shareholder can hold, which is equal to 4 times the Share Standard

Minimum holding
is the minimum number of shares a Supplying Shareholder is required to hold, which is equal to 33% of the Share Standard. New entrants have up to six seasons to meet this

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

Net operating profit after tax
is calculated as total Group normalised EBIT plus finance income on long-term advances less a notional tax charge

Non-Reference Products
means all NZ milk solids processed by Core Operations, except for Reference Commodity Products

Non-shareholding farm
means a farm where the owning entity is not entitled to hold shares in the Cooperative. As an example, farms supplying MyMilk

Non-supplying shareholder
means all shareholdings that are not Supplying Shareholders

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 set out in the Non-GAAP Measures section of the financial statements.

Permitted Transferee
is a person who has been approved by the Co-op and who is (and remains) related to or associated with a Ceased Shareholder

Price relativities
refers to the difference in the weighted average price (in USD) between the Reference Product portfolio and Non-Reference Product portfolio. The difference between these two weighted average prices is a key driver of the Ingredients' gross margin

Reference Products
are the five commodity groups used to calculate the Farmgate Milk Price, being Whole Milk Powder (WMP) and Skim Milk Powder (SMP), and their by-products Butter, Anhydrous Milk Fat (AMF) and Buttermilk Powder (BMP)

Return on capital (ROC)
is calculated as 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

Secondary shareholder
is a sharemilker as defined in section 34 of the Co-operative Companies Act that holds shares as if they were a Supplying Shareholder, pursuant to section 44 of the Co-operative Companies Act and clause 30.5 of the Constitution

Share standard
means one share per one kgMS of milk supplied, used to calculate a Supplying Shareholder's Minimum Holding and Maximum Holding

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

Supplying shareholder
is a shareholder supplying milk to the Co-op

Sustaining capital expenditure
represents 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's sustainability targets

Total Group
is used to indicate that a measure or sub-total comprises continuing operations, discontinued operations and non-controlling interests. E.g. 'Total Group EBIT'

Total Payout
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

Trade working capital
is total trade and associate receivables plus inventories, less trade and associate payables and accruals. It excludes amounts owing to suppliers and employee entitlements and includes trade working capital classified as held for sale

Working capital days
is calculated as 13-month rolling average trade 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

Important information and disclaimer

This presentation may contain forward-looking statements, financial targets and ambitions ("Forward Statements"), each of which is based on a range of assumptions, including (in the case of our 2030 strategy) the assumptions noted in the Appendix of the booklet titled Our Path to 2030 which is available on our website. None of the Forward Statements is intended as a forecast, estimate or projection of the outcome that will, or is likely to, eventuate. They should not be taken as forecasts or a guarantee of returns to shareholders.

There can be no certainty of outcome in relation to the matters to which the Forward Statements relate. Our ability to achieve the outcomes described in the Forward Statements is subject to a number of assumptions, each of which could cause the actual outcomes to be materially different from the events or results expressed or implied by such Forward Statements.

The Forward Statements also involve known and unknown risks, uncertainties and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such Forward Statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of Fonterra Co-operative Group Limited ("Fonterra") and its subsidiaries (the "Fonterra Group") and cannot be predicted by the Fonterra Group. The Forward Statements in this presentation reflect views held only at the date of this presentation.

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Statements about past performance are not necessarily indicative of future performance.

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This presentation does not constitute investment advice or opinions, or an inducement, recommendation or offer to buy or sell any securities in Fonterra or the Fonterra Shareholders' Fund.

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. Non-GAAP measures are not subject to audit unless they are included in Fonterra's audited annual financial statements.

Please refer to the non-GAAP measures section in Fonterra's 2024 Annual Report for reconciliation of NZ IFRS to non-GAAP measures, and the Glossary for definitions of non-GAAP measures referred to by Fonterra.

Dairy for life

fonterra.com

Annual Report 2024
Pūrongo-ā-tau Te Mātāpuna

Dairy for life

About this report

Welcome to our Annual Report, 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 year our Annual Report follows a new approach by taking an end-to-end view of our business and how we create value for farmer shareholders and unit holders at every step of the value chain.

This starts with our farmers' world class milk, which our operations collect and process for sale through our Ingredients, Foodservice and Consumer channels. Through our focus on sustainability and innovation we aim to add value to farmers' milk, solve challenges, and build a more resilient Co-op.

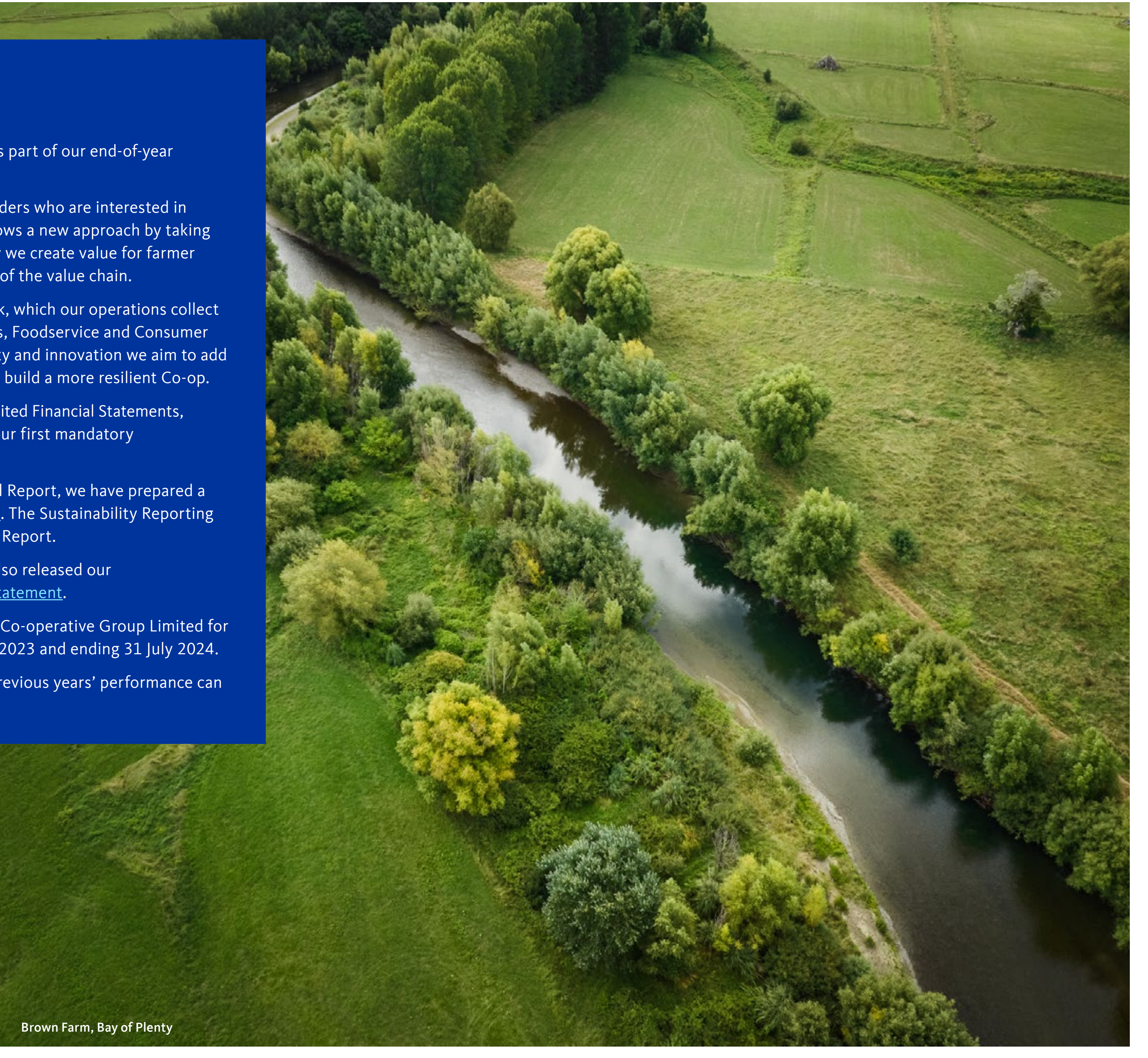
This year our Annual Report includes the audited Financial Statements, the Corporate Governance Statement and our first mandatory Climate-related Disclosures.

To supplement the disclosures in the Annual Report, we have prepared a separate Sustainability Reporting Data Pack. The Sustainability Reporting Data Pack does not form part of the Annual Report.

In addition to the Annual Report, we have also released our Milk Price Statement and Modern Slavery Statement.

This report covers the activities of Fonterra Co-operative Group Limited for Financial Year 2024, commencing 1 August 2023 and ending 31 July 2024.

More information about Fonterra and our previous years' performance can be found here: www.fonterra.com



Brown Farm, Bay of Plenty

Andrew, Canterbury

Contents


Irwin Family, Waikato

About us

We're a dairy Co-operative, owned and supplied by thousands of farming families in Aotearoa, New Zealand.

Through the spirit of co-operation and a can-do attitude, we share the goodness of milk with customers around the world through our Ingredients, Foodservice and Consumer channels.

We believe that food and nutrition are essential to sustain us today and for future generations to thrive. Which is why we take great care with every drop of milk, from farm through to customer.

Chair Letter

Consistent performance builds confidence in our Co-op

Peter McBride
Chair

Kia ora,

Our Co-op is proud to share this set of financial results. They are the culmination of a huge amount of hard work put in by everyone across the Co-op, led by Miles and the management team who continue to deliver consistently strong financial results, in an increasingly volatile world.

Fonterra is an extension of our owners' farming businesses. It exists to provide certainty and manage risk on their behalf, while maximising returns via a competitive and sustainable milk price, and a respectable return on the capital they invest in Fonterra.

This informs the way we govern the Co-op. Our financial settings and risk appetite are closely aligned to that of our farmer owners, which has served us well in FY24 and has set a strong platform for the year ahead.

Continuing operations earnings before interest and tax (EBIT):

$1,560m

Stable earnings across the Co-op

Our earnings before interest and tax (EBIT) from continuing operations of $1,560 million was driven by stable earnings across our Ingredients, Foodservice and Consumer channels.

Our Foodservice channel was the standout performer with a return on capital of 19.6%. Foodservice earnings before interest and tax were up $138 million on the previous year, at $463 million.

Overall, the team delivered a reported profit after tax of $1,168 million, equivalent to 70 cents per share. This represents a solid return on capital of 11.3%, which is significantly above our five-year average.

Our balance sheet remains strong due to our lower debt position and consistent underlying performance. We finish the year with a gearing ratio of 24% which is within our target range.

A strong balance sheet delivers benefits

Our consistent underlying financial performance gives the Board the confidence to announce a final dividend of 25 cents, which combined with the interim dividend of 15 cents paid earlier in the year, which is at the top end of our payout ratio of 40-60% of net earnings.

In recognition of the Co-op's capital management and continued balance sheet strength, for the 2024 financial year we are also pleased to pay an additional dividend of 15 cents per share.

Combined with the Farmgate Milk Price and interim dividend, this brings the total cash return for the year to $8.38 per kgMS for a fully share-aligned farmer.

The strength of our balance sheet also enabled us to make improvements to the Advance Rate in FY24, and, as Miles announced in August, we have made further improvements to the FY25 schedule.

The FY25 Advance Rate has been increased, with the December paid January payment now 85%, up from 75%, and stepping up across the rest of the season.

The objective of the uplift in Advance Rate schedule is to deliver cash back to farmers as quickly as possible. Any dividend decisions are still at the discretion of the Board and will be made in-line with our desire to maintain Fonterra's "A" band credit rating.

Divergence in the share price and unit price

A lower share price was a well-signalled potential outcome of moving to a Flexible Shareholding capital structure and is a common consequence of a restricted market. As only farmers can buy and sell shares to each other, it is ultimately farmers that determine the value of the shares.

Over the course of the financial year, the share price improved from $2.70[1] in July 2023, to $2.97 in July 2024.

Over the same period, unit prices in the Fonterra Shareholders' Fund increased from $3.03[1] to $3.95.

Farmers' cost of capital, which is typically higher than that of other investors, is a key part of their assessment of value and is one of the potential reasons for the divergence between the share price and unit price. There is also potentially a liquidity discount in the restricted share market, which we have looked to address in part through our market maker arrangements.

The other key driver is likely cashflow on farm, which is tight as farmers deal with high inflation on most input costs.

1 Adjusted for the 50 cent capital return.

Having a Co-op that is aligned to our comparative advantage is fundamental.

Strategic review

In May 2024 we announced that the Co-op was exploring options to divest our global Consumer business, as well as Fonterra Oceania and Sri Lanka. Divesting our Consumer business has been an ongoing conversation for more than two decades. During FY24 we received unsolicited interest in parts of these businesses that formed one of the catalysts for a wider strategic review.

The world has changed. We have entered a new era of global competition, not cooperation. It's a more expensive, competitive and volatile world where customer expectations are evolving, and New Zealand milk and capital are becoming scarcer.

Having a Co-op that is aligned to our comparative advantage is fundamental. The strategic review has clarified the parts of the business that generate the greatest returns for farmers today, and highlighted where we see further headroom for growth.

The full outcomes of the review will be shared with the Co-op's members shortly.

Governance changes

I'd like to briefly acknowledge the governance changes that will come into effect at this year's Annual Meeting.

Last year just over 88% of voting farmers supported the recommendation for our Board size to reduce from 11 down to 9. These changes will come into effect in November this year when at the Annual Meeting we move to a Board comprising six Farmer Elected Directors and three Appointed Independent Directors.

At the same time, two of our long-serving Directors, Leonie Guiney and Clinton Dines will retire from the Board, having served the maximum nine-year term specified by our Board Charter.

On behalf of our Co-op, I'd like to thank Leonie and Clinton for their contribution over many years. They both have a strong focus on risk and balance sheet management that has been invaluable to our Co-op as we reset our risk appetite and overall strategy.

> The Co-op's strong foundations give us great confidence in the future.

A competitive outlook

The Co-op's strong foundations give us great confidence in the future. But that future looks increasingly competitive – both here in New Zealand and internationally.

Our full year NZ milk collections in FY24 were 1,471 million kgMS, down from 1,480 million kgMS in FY23. That is consistent with the trend in New Zealand milk volumes that we expect to continue for the foreseeable future.

Our Co-op's scale is one of its greatest strengths. There would be a significant impact on milk prices if we lost our scale and the cost-efficiencies that come with it.

At the moment, our milk retention teams are competing with one arm tied behind their backs. The Co-op needs to think about milk retention differently and be open to giving the team more tools to support win backs and retention.

It's in all of our interests to maintain a strong Co-op of scale and we look forward to continuing these conversations within the Co-op as we close out the calendar year.

Thank you to everyone in Fonterra for your loyalty and support this year.

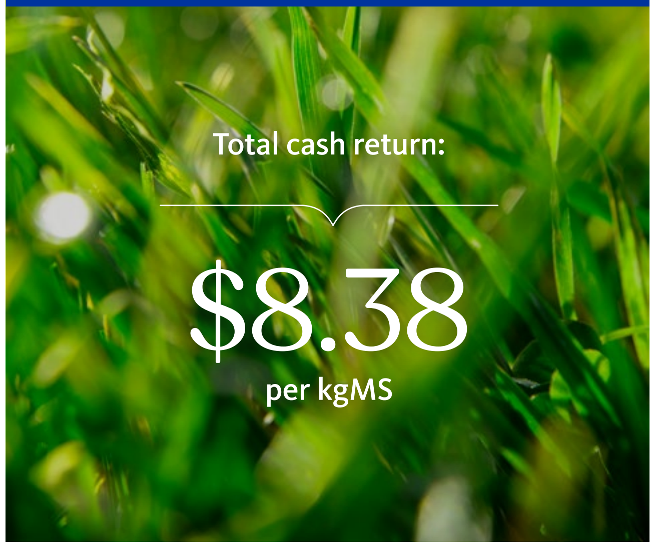
Our Co-op is in good heart and we are confident in our ability to execute on strategy in FY25 and beyond.

Peter

Full year dividend

55c

per share and unit



CEO Letter

Our total dividend of 55 cents per share includes a 15 cent interim, 25 cent final and 15 cent per share special dividend

Miles Hurrell
Chief Executive Officer

Kia ora,

I'm proud to be sharing Fonterra's FY24 annual results which show we have maintained momentum in our financial performance and made meaningful progress towards our strategic ambitions.

This result is the culmination of effort right across the Co-op since we reset the business in 2018. We're in a strong position, making now the right time to be thinking about the future of the Co-op.

Global dairy price volatility

Looking first at our Farmgate Milk Price, the 2023/24 season was impacted by volatility in demand from key importing regions.

We started the season with an opening forecast range of $7.25–$8.75 per kgMS, with a midpoint of $8.00. However, reduced demand from China for whole milk powder saw the forecast price drop sharply early in the season, before recovering somewhat to finish the season at $7.83 per kgMS.

We utilised our balance sheet strength to make several adjustments to the Advance Rate Schedule to get more of the milk price payment to farmers earlier in the season.

Alongside this, we announced a further uplift to our Advance Rate payment schedule, with farmers to be paid 10% more of the 2024/25 forecast Farmgate Milk Price from December paid January.

I'm pleased our balance sheet strength has enabled us to assist with on-farm cash flow during this period of volatility.

Stable, resilient Co-op

Our FY24 EBIT from continuing operations of $1,560 million and profit after tax of $1,168 million were driven by strong performance across our Ingredients, Foodservice and Consumer channels.

We improved margins in our Foodservice channel and allocated more of the Co-op's milk solids to this high-performing channel. Our Consumer channel also improved margins while lowering its operating expenses.

Our Ingredients channel earnings were down when compared to last year's historic highs, but overall, the channel's earnings performance is good.

This is a fantastic result driven by teams right across the Co-op, delivering a return on capital of 11.3%. This result has allowed us to pay a 15 cent interim dividend and 25 cent final dividend.

In addition, we're pleased to be in the position to pay a special dividend of 15 cents per share, thanks to our capital management efficiency and ongoing balance sheet strength. This makes our total dividend for the year 55 cents per share.

When combined with our final Farmgate Milk Price for the 2023/24 season of $7.83 per kgMS, our total payout to fully shared up farmers is $8.38 per kgMS.

While these results are pleasing, as it shows we're constantly delivering on our promises, it is by no means a job completed. We need to continually look at all areas of the business to drive for efficiencies.

Strong foundations

We made good progress in FY24 towards our ambition to maximise value from our farmers' milk through our strengths in sustainability and innovation.

A key milestone for the Co-op was the launch of our Climate Roadmap, which sets out our sustainability targets to 2030. This includes how we intend to meet our on-farm emissions target, which we announced in November following extensive discussion with farmers.

Our Climate Roadmap is an important tool for engaging customers, regulatory bodies and other stakeholders on our Co-op's sustainability credentials and plans. Our evidence-based approach to our sustainability claims is supporting our work with customers to grow value for farmers from their sustainability efforts.

This year we created a new payment programme funded by Nestlé, which will see farms that achieve any of the three levels of The Co-operative Difference framework for the FY24 and FY25 seasons receive an additional payment of 1-2 cents per kgMS.

Mars has also supported the launch of the Greener Choices programme, which offers discounts for Fonterra suppliers on sustainability-linked products through our Farm Source network.

We are continuing to look for ways to strengthen our strategic partnerships with customers who value our sustainability position, in turn providing value back to farmers.

As we look ahead, I'm also pleased we're commencing work to expand manufacturing capacity for two high-value products, supporting growing demand through our Ingredients and Foodservice channels.

The Co-op is investing around $75 million in our Studholme site to create a hub for functional proteins, which are designed to perform well in medical and sports nutrition.

We're also investing around $150 million to build a new UHT cream plant at our Edendale site to meet growing demand from China and Asia.

These two products are the result of years of innovation by the Co-op. They are a testament to our product innovation expertise, as well as our ability to work closely with customers to develop products that meet their needs.

Both capital investments support our strategy to grow further value by focusing on our high-performing Ingredients and Foodservice channels.

We have also announced a $150 million capital investment in our Whareroa cool store to support long-term resilience of this critical part of our supply chain network.

Another significant programme of work underway is the transformation of our IT and digital systems. This is a once in a generation project that will future proof the Co-op's critical processes and systems, leading to reduced cash costs. Work began during FY24 with further investment forecast over the next four years.

Strategic review

During FY24, we conducted a strategic review that confirmed our strengths in producing world-class, innovative products sold to customers through our Ingredients and Foodservice channels.

As an outcome of this work, we announced our decision to explore potential divestment options for our global Consumer business, as well as Fonterra Oceania and Sri Lanka.

While these are great businesses that are performing well, we believe releasing capital in our Consumer businesses would generate more value for the Co-op.

When announcing the potential divestment, it was appropriate for us to withdraw our financial targets out to 2030.

We will be releasing a revised strategy later in September, outlining the Co-op's strategic plans and the new set of financial outcomes we are targeting.

The revised strategy is true to our Co-operative model and our strengths, and we believe it will create even greater value for farmers.

Outlook

Looking out to FY25, we have a forecast Farmgate Milk Price of $8.25-$9.75 per kgMS and a forecast earnings range of 40-60 cents per share.

The forecast earnings range reflects an expectation we will maintain strong margins in all three of our sales channels, helping to offset some of the impact of our investment in IT & digital transformation and higher tax expenses.

Embedding and implementing our revised strategy, including progressing work to assess potential divestment options for our Consumer business, will be top priority for me and the wider Co-op for FY25.

I look forward to sharing more detail on our plans and accelerating work to grow even greater value for our Co-op.

Nga mihi,

Miles

Our purpose, values & strategic choices

Our Purpose

Our Co-operative,
Empowering people,
To create goodness,
for generations.

You, me, us together,
Tātou, tātou

Our Values

Good Together

Better Every Day

Every Drop Counts

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 New Zealand milk

Be a leader in dairy innovation and science

Be a leader in sustainability

Our Progress

On farm

Every year we focus on making Fonterra the first choice for New Zealand's dairy farmers. We do this by managing our business well to earn the maximum sustainable return and offering farmers the best possible support, tools, and services.

This helps to manage risk for our farmer shareholders, allowing them to focus on their own business and producing world-class milk.

Farmgate Milk Price

The Farmgate Milk Price is the primary way farmers earn a return from the Co-op, followed by dividends and capital distributions.

We started the 2023/24 season with a strong opening forecast of $7.25–$8.75 per kgMS.

However, reduced demand from key importing regions saw the forecast price drop sharply early in the season, before recovering somewhat to end the season at $7.83 per kgMs.

We took a cautious approach when setting the opening season forecast for the 2024/25 season at $7.25–$8.75 per kgMS.

In September 2024, we lifted the 2024/25 season forecast range by another 50 cents to $8.25–$9.75 per kgMs off the back of improved Global Dairy Trade prices and constrained supply from key producing regions.

Helping to reduce risk for farmer shareholders

Being a Co-op of scale helps manage risk for farmer shareholders. This has many benefits, including our ability to purchase at scale and to hedge within a given market. For example, in the current economy, this helps reduce the prices we pay for energy and resources, allowing us to return more money to farmer shareholders.

We remain committed to maximising the Farmgate Milk Price and finding ways to improve on-farm cash flow to help reduce risk for farmer shareholders.

For example, through the implementation of a revised Advance Rate guideline for 2023/24, we were able to get more of the Farmgate Milk Price payment to farmers earlier in the season. Changes like this are possible thanks to our Co-op's strong balance sheet.

We know how important the financials are for farmer shareholders, and we are playing our part to support with tools and looking at how we can do things better to help maximise returns.

In FY24, we made improvements to our Fixed Milk Price programme, which is a simple price risk management tool that farmers can use to gain greater income certainty.

The programme enables farmers to fix the price of up to 50% of their season's milk supply. Run once a month for 10 months of the year, all farmers can choose to participate when it suits them and their business.

The Fixed Milk Price benefits all suppliers as it enables the Co-op to secure longer term contracts and provide price risk management solutions for our customers. These solutions are key reason they prefer Fonterra as a supplier.

In March, we announced that we were doubling the volume of milk on offer for the year as well as introducing greater flexibility around over-subscribed events to put us in a better position to meet farmer demand and further strengthen relationships with key customers.

Simplifying compliance

In FY24, Farm Source launched an initiative with the goal of reducing the time our farmers spend on compliance reporting.

The Co-op will continue to need information from farmers about on-farm practices. This data unlocks value as it gives our products credibility with customers to support market access.

However, there are several improvements we've been working on to save farmers time, such as:

- Establishing integration with other companies such as LIC, Ballance, and Ravensdown to enable automated sharing of data (with farmer permission).
- Working closely with MPI has resulted in a significant reduction to proposed additional requirements for all dairy farmers in New Zealand.
- Making multiple changes to the assessment process to reduce pressure on farmers and to make these assessments faster.
- Removing charges if farmers have completed required work by the time of their assessment revisit.

Our Farm Source team continues to work on removing duplication and streamlining the assessment process, with further improvements due to be piloted during the 2024/25 season.

Scott, Canterbury

Sharesies – a new farmer trading experience

In June, Kiwi wealth app Sharesies became the new share trading platform for Fonterra farmers who prefer to manage their own share trading rather than using a stockbroker.

The previous trading platform technology had been in place since 2012 and was more limited.

Through working with Sharesies, we developed a tailored solution that enables farmers to do things they previously couldn't – for example trade shares via their mobile phone, place orders without funds in their account and receive price alerts.

Moving to Sharesies followed testing with a pilot group of farmers to ensure key activities such as buying and selling Co-op shares or switching between any personal and business accounts or different farms would be as straight forward as possible.

Within the first month, 2,500 farms signed up for a new Sharesies account.

Overall, the partnership has enabled us to offer farmers an improved trading experience while also helping to support liquidity under our Flexible Shareholding capital structure that was introduced in 2023.

Co-operative Difference: Honour roll for on-farm excellence

The Co-operative Difference is our framework for enabling our on-farm practices to support the delivery of our strategy.

It is broken down into five performance areas – environment, animals, people & community, Co-op & prosperity, and milk.

Up to 10 cents of a farmers' milk payment is influenced through fulfilling the key practices within each of these areas.

In the 23/24 season 87% of Fonterra farms achieved a Co-operative Difference Level, a 4% increase on the 22/23 season.


Drysdale Farm, Manawatū-Whanganui

We congratulate all farmers who have achieved one of the three levels within the framework during the 2024/25 season:

Te Tihi (Summit of the mountain)

858 farmers

up from 718

Te Puku (The mid-point)

5,050 farmers

up from 5,038

Te Putake (The start of the journey)

1,429 farmers

up from 1,383

This year we have made a change to how we present our Co-operative Difference Honour roll for on-farm excellence, shifting this update to a digital portal.

Fonterra suppliers can explore the list at: nzfarmsource.co.nz/honourroll

Neil & Adriana, Te Rapa

Operations

At the heart of the Co-op is our manufacturing and supply chain network which collects and processes milk into world-class products to deliver to our global customers.

Our focus during FY24 has been on safety, sustainability, efficiency and nurturing strategic partnerships.

Health, Safety & Wellbeing

The Co-op introduced a new Global Health, Safety & Wellbeing Strategic Plan to support our continued commitment to the safety and wellbeing of our people.

The Plan established five priorities Health, Safety and Wellbeing priorities for our Co-op:

1. Leadership and culture
2. Operational learning
3. Risk reduction and operational resilience
4. Work and system design
5. Support and wellbeing

Underpinning these five areas will be a culture that encourages a safe operating mindset across our network.

Efficient operations

Every day we work to operate our manufacturing and supply chain network safely and efficiently.

Manufacturing costs

Our cash manufacturing costs per kgMS have decreased by the targeted 2%. This is thanks to robust performance improvement activities and complexity reduction across our business, offsetting the impact of higher energy costs and fewer milk solids collected on a fixed cost base. Major simplification programmes such as Digital Value Chain will support long-term performance improvement.

Production quality

A key indicator of operational effectiveness is the cost of quality, which are the costs associated with not making our products right first time.

This year's results were adversely affected by two events relating to product made out of specification, resulting in a downgrade of inventory.

Our teams are focused on reducing our cost of quality through embedding Run To Target (RTT) standardised operating practices across all our plants and the continued focus on making product right first time.

RTT is an internationally standardised way of working being deployed across our manufacturing sites. It aims to enhance operational efficiency by identifying and addressing issues earlier and lifting operational capability, starting on the factory floor.

RTT has been rolled out to 23 sites and will cover all manufacturing sites, depots, distribution centres, and laboratories by the end of FY26.

We will also continue to use a risk-based quality management programme, enhanced automated process control, and better plant stability supported by capital investments, to maintain and improve our quality performance.

Supply chain efficiency

We started the year with higher inventory levels than anticipated and a disrupted domestic and global supply chain network, which impacted our Delivered In Full On Time (DIFOT) metric.

Our performance in this area improved in the second half of the year thanks to strong collaboration with logistics partners and an internal commitment to integrated and modernised systems and processes.

The team is focused on continuing to improve our service level by working closely with Kotahi and other supply chain partners around the world.

This year, Kotahi, our global shipping partnership, entered into a second long-term freight agreement with Maersk aiming to create a sustainable, more efficient supply chain. This partnership, alongside our work with land-side freight joint venture, CODA, supports resilience in delivering products both locally and globally amidst supply chain disruptions.

Technology enabled improvements

Across FY24, the Co-op commenced two major digital transformation projects to enhance our manufacturing and supply chain process.

Project Pūnaha

Recognising that scale often brings complexity, we introduced Project Pūnaha to streamline our operations as we modernise our Enterprise Resource Planning platforms. This transformative, once-in-a-generation IT programme will deliver optimised decision-making processes, reduce future cash costs, and sustainably transform our business practices.

Digital Value Chain

The introduction of the Digital Value Chain programme addresses supply chain challenges, enhances our system and process efficiency, and will improve our product delivery to market. It has the power to streamline our operations, create efficiencies, and continue to support our commitment to customer satisfaction.

Capital investments

During FY24, we progressed planning of three major capital projects that will expand the production capacity of two high-value products and our cool storage.

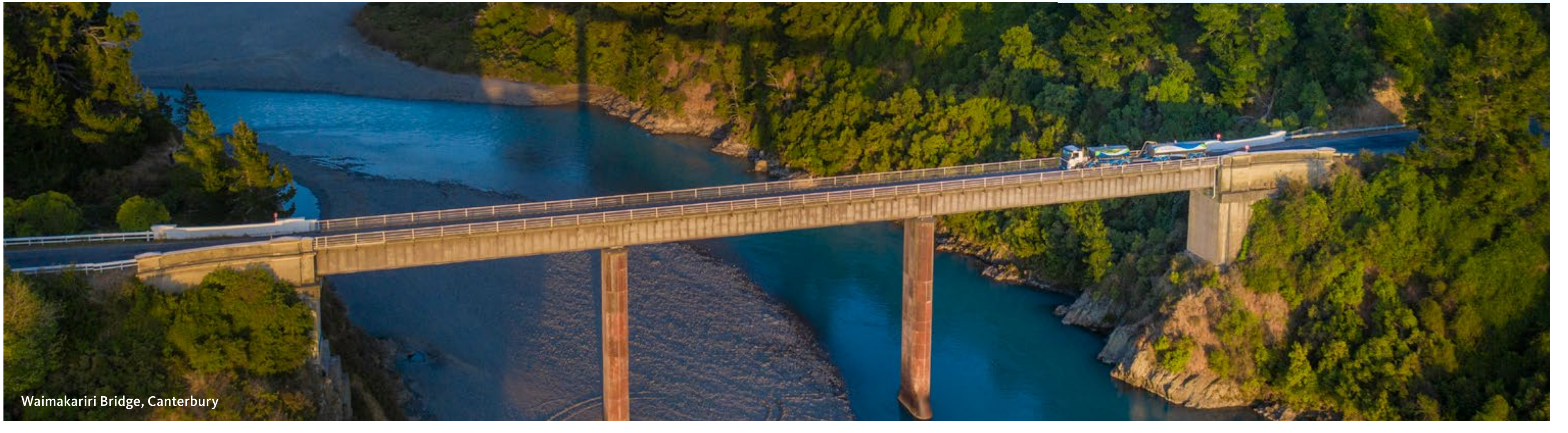
These three projects were announced in August and September of FY25:

$75 million
Investment in Studholme to expand functional protein capacity for our Ingredient channel

$150 million
Investment in Edendale to expand UHT cream capacity for our Foodservice channel

$150 million
New cool store at the Whareroa site in Taranaki

Work on these site expansions will commence in FY25.


Waimakariri Bridge, Canterbury

Reportable Segments

Fonterra's reportable segments are Core Operations and the two customer-facing regional business units, Global Markets and Greater China.

Operating profit (EBIT) of our reportable segments was:

- Core Operations' EBIT decreased $691 million to $115 million due to lower earnings in the Ingredients channel.
- Global Markets EBIT increased $363 million to $942 million mainly due to improved earnings in the Consumer channel and impacts of impairments in FY23.
- Greater China's EBIT increased $133 million to $503 million mainly due to improved earnings in the Foodservice channel and impacts of impairments in FY23.

The following commentary is provided on the Co-op's product channels.

For a breakdown of the channel performance for each reportable segment, please refer to page 31 in the Business Performance section.

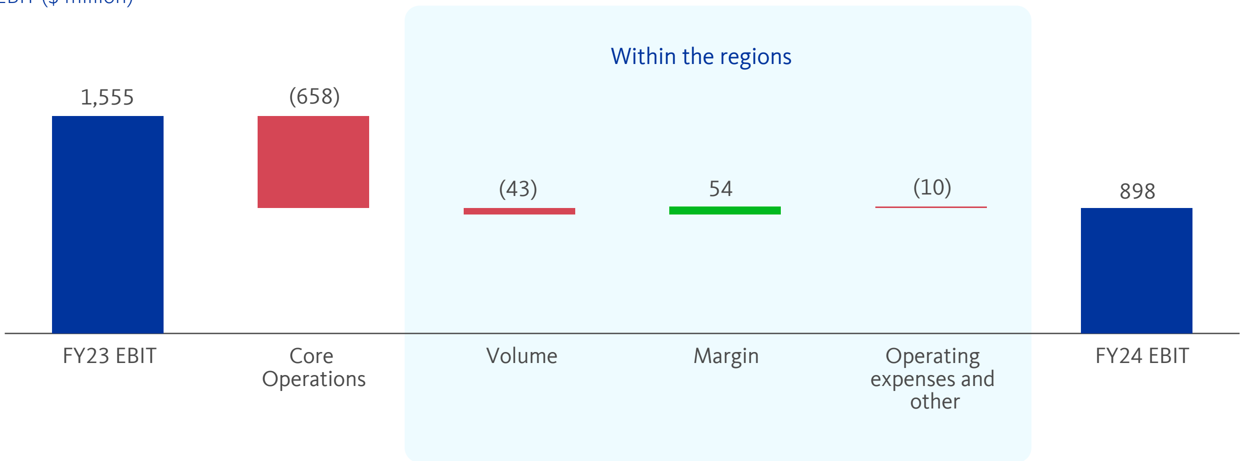
Ingredients

Our Ingredients channel is at the core of our Co-op, driving significant value for shareholders. Through our brand NZMP we supply high-quality ingredients to a wide range of customers in more than 100 destinations.

FY23 benefited from significantly favourable price relativities which eased over FY24, and this is the primary reason for the Ingredients channel EBIT decreasing $657 million to $898 million in FY24.

Ingredients operating performance

Key performance drivers
EBIT ($ million)



Note: Prepared on a continuing operations basis. Comparative information has been re-presented for consistency with the current period.

Market performance

FY24 saw volatility in demand levels from key importing regions, illustrating the value of Fonterra's broad market reach.

Sales into Greater China slowed relative to previous seasons, reducing volume by 8.4%. The decline in import volume into China was largely driven by increasing local production of fresh milk.

Outside of China, we have seen gross profit increase by 10% in Asia Pacific and North Asia and 7% in Atlantic compared to last year.

This has been driven by strong performances across multiple categories including cheese protein and butter. This was slightly offset by some reduction in earnings from Australia largely caused by a high domestic milk price which was difficult to fully recover.

Free trade with the UK

The New Zealand-UK Free Trade Agreement, which went live in May 2023, is one of New Zealand's most comprehensive agreements. It allows high-quality market access for the first time in over 50 years.

This has enabled Fonterra to re-enter the market with a focus on lean operations and strategic partnerships.

The UK is the world's second-largest dairy net importer, with strong local demand and export pull. Under the Free Trade Agreement, we've contracted cheddar, butter, organic skim milk powder, and proteins.

Our recent wins at the International Cheese & Dairy Awards in Cheshire, England, underscore our quality and innovation.

Although we are just returning to this market, FY24 has been a significant success with over 11,735MT of sales from New Zealand supply recorded.

Spotlight on protein

We are dedicated to advancing protein innovation, with a focus on developing ingredients with enhanced performance and taste. Our protein offerings are designed to support diverse product applications, from beverages to snacks.

Our milk protein concentrate (MPC) protein portfolio excels in delivering high protein content, meeting manufacturing requirements and offering a desirable sensory experience. Sales of our high-protein MPC increased by 26% in FY24.

Meanwhile, the planned expansion of our Studholme site will create a protein hub for the Co-op to cater for increasing demand for our functional proteins.

Expanding our manufacturing capacity for functional proteins will enable us to continue to strengthen our offerings with existing customers as well as attract new business.

Ingredients earnings (EBIT):

$898m

Ingredients sales:

4%* ↓

* Sales volume based on '000 Metric Tonne (MT)

Te Rapa, Waikato

Singapore, Southeast Asia

Foodservice

Our Foodservice channel delivers high-quality dairy products and solutions to global bakeries, cafes, dining outlets, restaurant chains, local businesses, and emerging customers.

We have a leading Foodservice channel in Greater China and a growing presence in other markets, in particular Southeast Asia.

Foodservice EBIT increased $138 million due to higher margins. The improved Foodservice margins were mainly due to lower milk input costs and some regions benefiting from higher in-market pricing, most notably in our Southeast Asia markets.

Increased sales volume growth of 3% also contributed to our improved earnings, mainly driven by UHT cream sales in Greater China.

10-year milestones in China Foodservice growth story

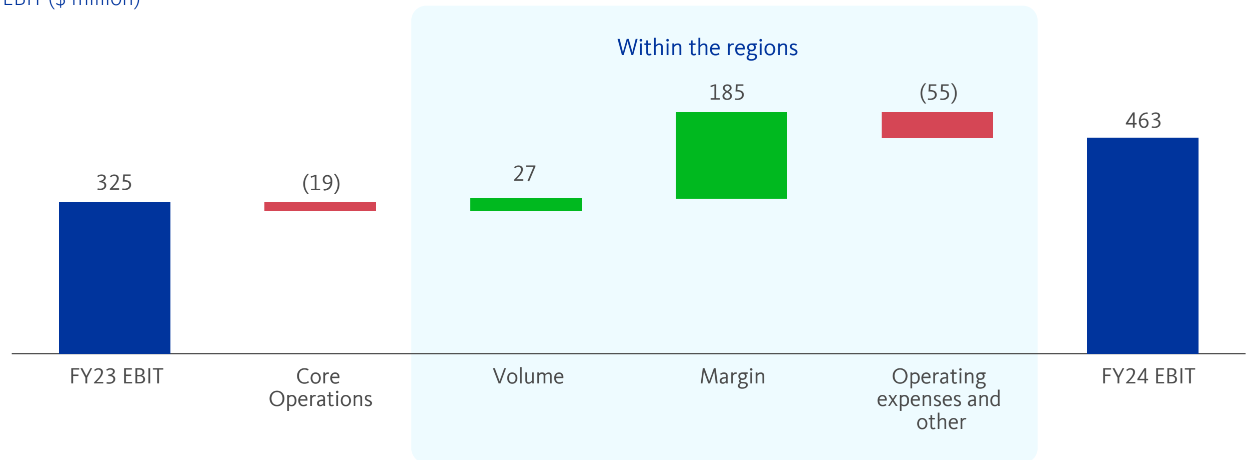
In June, two sites at the heart of Fonterra's Foodservice channel celebrated their 10th anniversaries. At the same time, the Co-op announced it will open its sixth application centre in China to meet growing demand.

In 2014, Fonterra opened its Waitoa UHT manufacturing site in the Waikato, which specialises in producing high-value cream products sought after by Fonterra's Foodservice customers.

In the same year, Fonterra opened its first-ever application centre in Shanghai, with the centres playing an important role in the Co-op's Foodservice channel by enabling Fonterra to partner with local customers and develop product applications designed to meet local consumer tastes and trends.

Foodservice operating performance

Key performance drivers
EBIT ($ million)



Note: Prepared on a continuing operations basis. Comparative information has been re-presented for consistency with the current period.

Fonterra confirmed it will open its sixth application centre in China in late 2024, located in Wuhan. This application centre will add to those in Beijing, Chengdu, Guangzhou, Shanghai and Shenzhen.

Chinese Premier Li visits Fonterra

In June, Chinese Premier Li visited the Fonterra Centre, as part of an official visit to New Zealand. He was accompanied by New Zealand Prime Minister Christopher Luxon and Minister of Agriculture Todd McClay.

It was an honour to host Premier Li and the visit is testament to the strong relationships the Co-op has built in China.

During the event, Fonterra showcased a range of its products available in China, including a showcase by our Foodservice chefs.

Foodservice growth in Southeast Asia

We continue to grow our Foodservice channel in key Asian markets, capitalising on the region's economic growth and evolving consumer preferences.

An example of this is our integration of New Zealand dairy into local staples across Southeast Asia, such as egg tarts in Thailand and bánh mì sandwiches in Vietnam.

We offer a wide range of products catering to all customer segments, from small street stalls to large establishments, and we see increased demand for butter, cream, and cheese, helping to grow our Foodservice channel outside of China.

We expect Foodservice growth across the region, along with Greater China and the Middle East to continue to be influenced by modern dietary habits and a growing appreciation for dairy's versatility, protein, and nutritional value.

Foodservice earnings (EBIT):

$463m

Foodservice sales:

3%* ↑

* Sales volume based on '000 Metric Tonne (MT)

Singapore, Southeast Asia


Rachel, Auckland

Consumer

Fonterra's Consumer channel is home to well-known brands such as Anchor, Mainland, Kāpiti, Fresh 'n' Fruity, Anlene, Fernleaf, Western Star, Bega and Perfect Italiano, selling products direct to consumers in China, Southeast Asia, Oceania, and the Middle East and Africa.

Consumer EBIT increased $324 million, due to lower impairment expense, sales volume growth and improved margins.

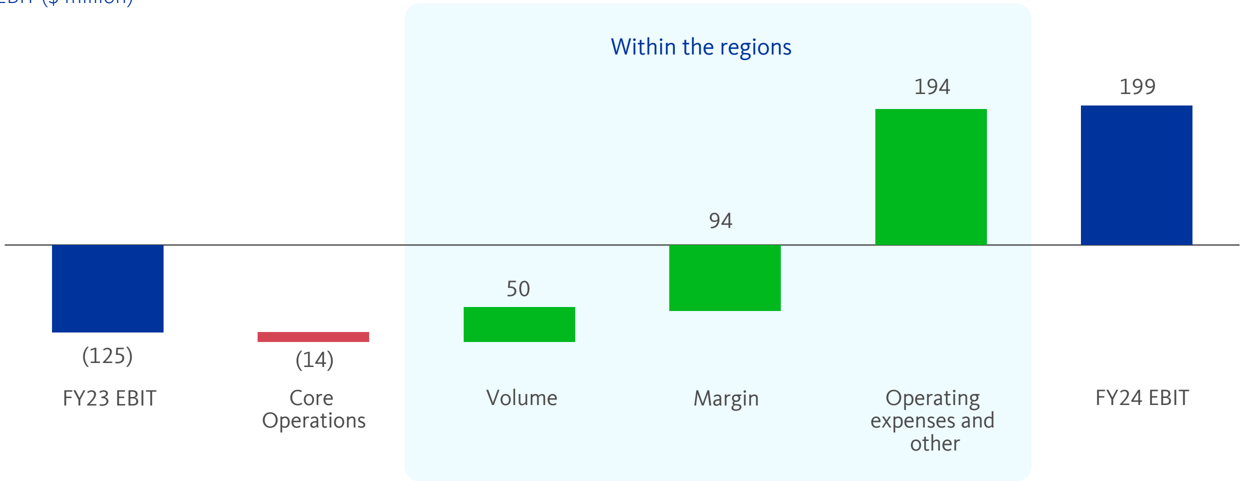
Sales volume growth of 6%, was driven by continued demand in Sri Lanka for consumer powders, and Fonterra Brands New Zealand (FBNZ) benefiting as competitors exit the mainstream yoghurt category and tourism returns in the Pacific.

Consumer margins improved due to favourable product mix and pricing across most regions, and lower cost of milk.

Consumer's operating expenses included impairments of $244 million and $31 million in FY23 and FY24, respectively. Adjusting for impairments, the underlying operating profit improvement year on year was $111 million.

Consumer operating performance

Key performance drivers
EBIT ($ million)



Note: Prepared on a continuing operations basis. Comparative information has been re-presented for consistency with the current period.

Potential divestment of global Consumer business

In May, the Co-op announced its intention to explore full or partial divestment options for some or all of its global Consumer business, as well as Fonterra Oceania and Fonterra Sri Lanka.

This decision followed a strategic review which reinforced the opportunities for the Co-op to grow further value by working closely with customers through our high-performing Ingredients and Foodservice channels.

While the businesses in scope for potential divestment are performing well, ownership of them is not required to fulfil Fonterra's core function of collecting, processing and selling milk.

At the same time, we believe Fonterra is not the highest-value owner of the Consumer and associated businesses in the longer term and a divestment could allow a new owner with the right expertise and resources to unlock their full potential.

The process to explore potential divestment options is ongoing. In the meantime, the businesses in scope for potential divestment are operating as usual.

Tailoring our products to China's aging population

Among China's 1.4 billion population, more than 20% are aged 60-plus. It is estimated that by 2050, China's 60-plus population will reach 420 million, one third of the total population.

Based on the research of the aging generation's needs, our China team launched Anlene Heart Plus Milk Powder in November, a differentiated functional benefits product. Its formulation focuses on cardiovascular health with an added ingredient, Plant Sterol Ester.

Launch of Bega snacking in Australia

Fonterra Oceania has launched a new range of snacking products in Australia's growing A$275 million cheese snacking category under the Bega brand, one of the most iconic and recognised cheese brands in the country.

The team worked at speed to launch the new snacking range from concept to supermarket shelf. These new products have the potential to significantly increase the brand's presence in the snacking category.

Retail Self Service – Anchor Orders

Anchor Orders is Fonterra Oceania's new online sales platform that allows customers to place their orders via e-commerce.

It was launched in FY24 and has been an overwhelming success for our Anchor franchisees and our customers. To date, 600,000 customer orders have been placed with 80% of franchise customers using Anchor Orders.

It's estimated that 2 hours per day of franchisee admin time, and 3 min per delivery are saved, across 350 drivers.

Consumer earnings (EBIT):

$199m

Consumer sales:

6%* ↑

* Sales volume based on '000 Metric Tonne (MT)

Yiying & Olivia, Palmerston North

Innovation

Innovation plays a vital role right across our value chain to help solve our Co-op's challenges and explore opportunities for the future.

Manufacturing innovations

This year, optimisation activity on our Individual Quick-Frozen Mozzarella line at Clandeboye resolved a blast freezer performance issue, increasing the daily capacity by 10%.

We also developed a solution to extend our UHT cream production at our Waitoa site, allowing us to produce 7.5% more product.

Meanwhile, our Automation & Operational Technology team has developed and implemented AI-enabled image cognition technology on 25kg powder bag packing lines to identify and prevent packaging damage.

The AI model assesses each powder bag and automatically rejects damaged ones, provides timestamped images for traceability, and early issue detection and prevention.

The technology is currently applied to milk powder across 56 packing lines and will assess over 70 million bags per year.

It has also been successfully implemented at the Clandeboye butter plant with further butter plant rollouts planned, as well as other machine-vision applications.

Ki Tua Fund

The Ki Tua Fund is Fonterra's venture capital fund. Its purpose is to diversify the Co-op's earnings through new business models and building new capabilities that can enhance our core business.

Since its launch in June 2023, the Ki Tua Fund has made several strategic investments in startups and new ventures.

Some of the key investments include:

1. **Pendulum Therapeutics**
   Developer of microbiome interventions designed to improve healthcare by managing chronic illnesses and tackling ailments such as type 2 diabetes.

2. **Prolific Machines**
   A photomolecular biomanufacturing innovator. Prolific Machines' innovative technology could enable the production of complex and high value proteins that are too miniscule to viably extract from milk, such as Lactoferrin.

3. **Swan Genomics**
   DNA sequencing company developing an innovative approach leveraging plasmonic nanoantenna to improve sequencing accuracy via longer read lengths, reducing costs while improving speed. This has potential upside for the Co-op's internal R&D teams as this sequencing process is time consuming and costly.

Foodservice product innovation

The global pizza market, currently valued at US$141 billion, is projected to expand to US$192 billion by 2028. Individually Quick Frozen (IQF) Mozzarella cheese is a key input to this category.

Increasingly, discerning consumers are moving toward home delivery pizza that is high-quality, delicious, and without rising costs.

To cater to these market trends, Fonterra's innovation team looked at this opportunity and subsequently developed an IP protected IQF 'Soft Style Mozzarella' at our Clandeboye plant.

In FY24 our Soft Style Mozarella innovation has reached new consumers in Latin America with Greater China scheduled for FY25.


James, Palmerston North

Sustainability

During FY24, significant progress was made towards the Co-op's sustainability ambitions.

In November, we announced an on-farm emissions reduction target following extensive conversations with farmers.

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

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 AgriZero[NZ], 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.

At the same time as announcing the target, we launched our Climate Roadmap and released our first voluntary Climate-related Disclosures.

Our Climate Roadmap details Fonterra's pathway to meeting its 2030 sustainability targets and ambition to be net zero by 2050.

In addition to our on-farm emissions target, the Co-op has a target to reduce its Scope 1 and 2 emissions by 50.4% by 2030 from a 2018 baseline.

These targets, plus an additional Scope 3 energy and industrial engagement target, were validated by the Science Based Target initiative (SBTi) in July 2024.

Our SBTi Targets

Energy and industrial:

- Fonterra Co-operative Group Limited commits to reduce absolute Scope 1 and 2 GHG emissions by 50.4% by FY2030 from a FY2018 base year.*
- Fonterra Co-operative Group Limited also commits that 78.2% of its suppliers and customers by emissions, covering purchased goods and services, capital goods, upstream and downstream transportation and distribution, business travel, and processing of sold products, will have science-based targets by FY2028.

Forest Land and Agriculture Guidance (FLAG)

- Fonterra Co-operative Group Limited commits to reduce Scope 1 and 3 FLAG GHG emissions from dairy 30% per tonne of fat-and-protein-corrected milk by FY2030 from a FY2018 base year.**
- Fonterra Co-operative Group Limited also commits to no deforestation across its primary deforestation-linked commodities, with a target date of 31 December 2025.

* The target boundary includes land-related emissions and removals from bioenergy feedstocks.
** The target includes FLAG emissions and removals.

On-farm progress

As we work towards our emissions targets, there have been a number of ways we're supporting farmers with the improvement actions they're taking on farm.

The annual Farm Insights Report we shared with farmers in September 2023 gave them a better understanding of their farm's emissions than then previous version, by providing benchmarking against other similar farms. Then in November we published a refreshed on-farm emissions booklet, with a section dedicated to outlining on-farm actions farmers can take that may improve efficiencies and result in reduced emissions on farm.

Our local Farm Source teams on the ground also play an important role providing tailored and practical advice to farmers, and offering services such as developing Farm Environment Plans with 93% of our farmer owners now having a Farm Environment Plan and 90% having an Animal Wellbeing Plan.

Sustainable value

Sustainability remains a key driver in strengthening our relationships with our key customers, helping us create value for farmers.

We have several collaborative programmes with Nestlé, including the Net Zero Pilot farm, on-farm projects accelerating best practices, and tree-planting initiatives.

Farmers who achieve The Co-operative Difference for the FY24 and FY25 seasons will also receive a payment funded by Nestlé of 1-2c per kgMS.

Additionally, Mars has supported the launch of the Greener Choices programme, which offers discounts on sustainability-linked products through Farm Source stores.

This year our ingredients and solutions brand, NZMP, released the Carbon Footprinter, giving customers the ability to access the latest emissions data for major NZMP New Zealand products and using data to strengthen customer relationships.

Customers are also able to request annual carbon footprint certificates independently verified by globally recognised sustainability accreditor Toitū Envirocare.

Planning for a more sophisticated customer-funded programme to accelerate best practices on-farm has been a significant focus internally in FY24 and will continue into FY25.

Decarbonising our manufacturing operations

At our manufacturing sites, we have made significant strides towards our water and decarbonisation targets.

We achieved a 12.4% reduction in water use and implemented Water Improvement Plans at all our global sites.

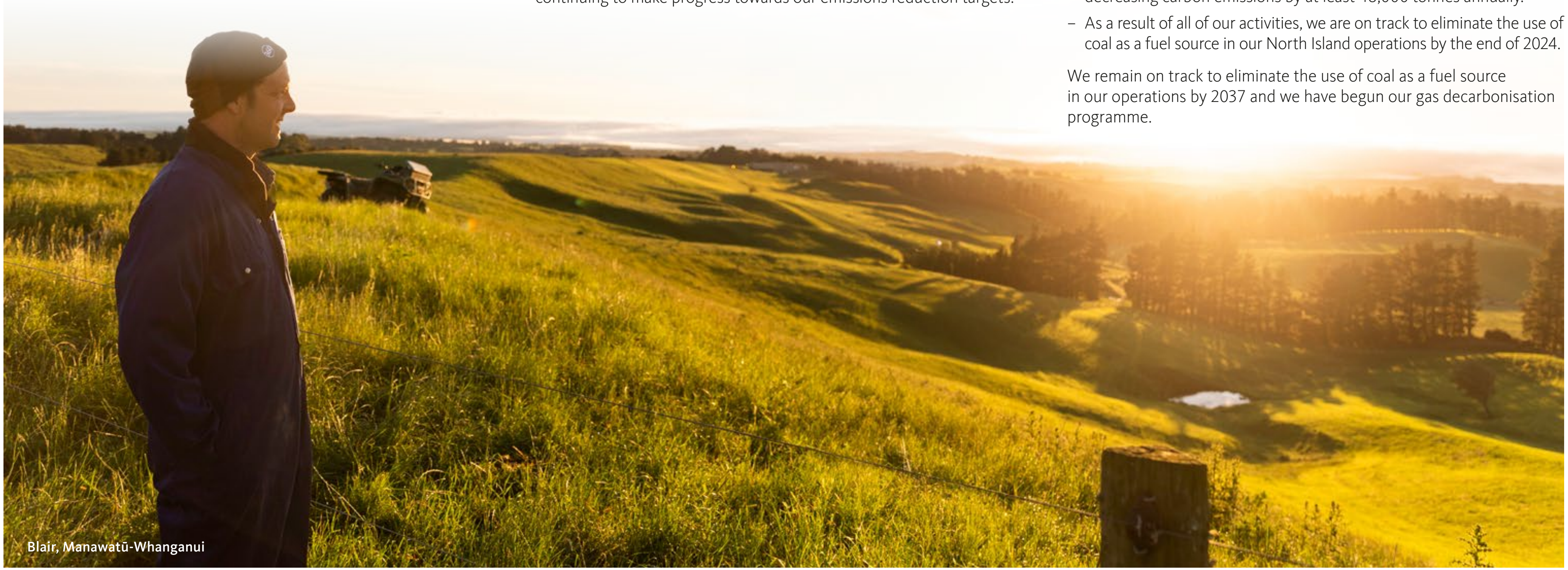
The majority of the Co-op's Scope 1 and 2 emissions come from our manufacturing and supply chain operations. During FY24, we have achieved an 18.5% reduction in Scope 1 and 2 emissions across our operations versus a 2018 baseline.

We have a significant decarbonisation programme underway, with a focus on ensuring an enduring security of energy supply while continuing to make progress towards our emissions reduction targets.

Our progress over the past year includes:

- Commenced the installation of a 20-megawatt Electrode boiler at our Edendale site. Up to 50% of the funding for this project will come from the Energy Efficiency Conservation Authority under a funding agreement signed in 2023.
- The conversion of the boiler from coal to wood pellets at the Hautapu site was completed in August 2024 with a forecast saving of 12,000t CO_2 emissions from the conversion.
- Stirling's wood biomass boiler now provides 100% renewable thermal energy, cutting annual carbon emissions by 18,500 tonnes.
- At Waitoa, the new wood biomass boiler has halved coal usage, decreasing carbon emissions by at least 48,000 tonnes annually.
- As a result of all of our activities, we are on track to eliminate the use of coal as a fuel source in our North Island operations by the end of 2024.

We remain on track to eliminate the use of coal as a fuel source in our operations by 2037 and we have begun our gas decarbonisation programme.



Blair, Manawatū-Whanganui

Doing Good Together

Our Doing Good Together programme is dedicated to making a positive impact on communities by focusing on three pillars:

1. Putting good-quality nutrition into the hands of those who need it most
2. Empowering communities to protect and restore nature, and
3. Partnering to keep our rural communities resilient and thriving.

By integrating nutrition, environmental stewardship, and community support, we strive to build stronger, healthier, and more resilient communities together.

In 2024 we served 7.8 million KickStart Breakfasts in 1,400 schools and donated 12 million dairy serves to families across Aotearoa New Zealand.

Through our partnership with Trees for Survival we supported planting native plants to protect and restore nature.

We donated to community projects across the country to keep our rural communities resilient and thriving.

We supported events with Rural Support Trust on mental health and wellbeing across New Zealand.

Business Performance

Results at a glance

Continuing operations' operating profit (EBIT)

$1,560m

↓ From 1,755m

Net earnings (Profit after tax)

$1,128m

↓ From 1,577m

Gearing ratio

24.0%

↓ From 28.8%

Continuing operations' earnings per share

70c

↓ From 75c

Earnings per share

67c

↓ From 95c

Farmgate Milk Price

$7.83

↓ From $8.22

Dividend

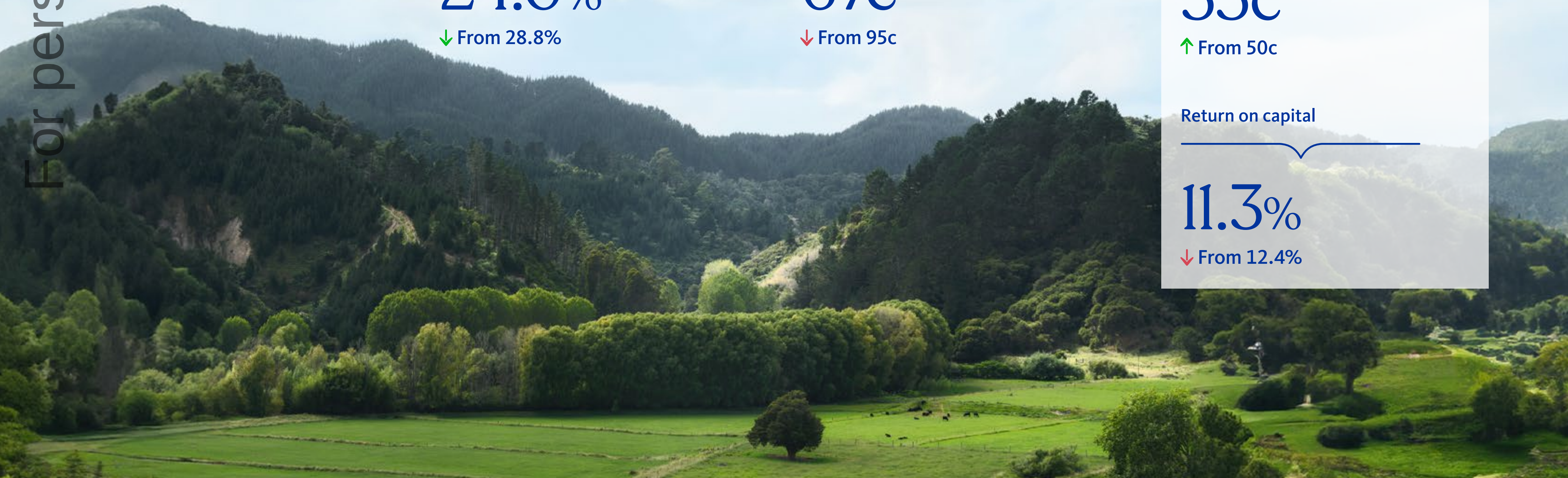
55c

↑ From 50c

Return on capital

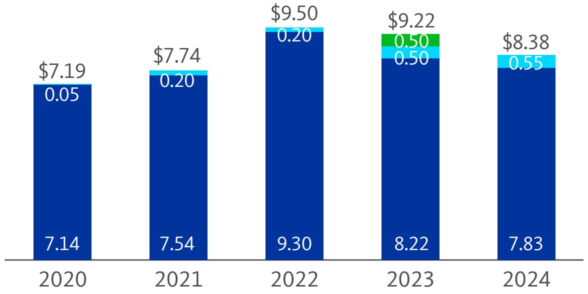
11.3%

↓ From 12.4%



The Co-op has returned $7.83 on average for every kilogram of milk solids our farmer owners supplied. Combined with a full year dividend of 55 cents per share, this means a total payout of $8.38 per kgMS to a fully shared up supplier.

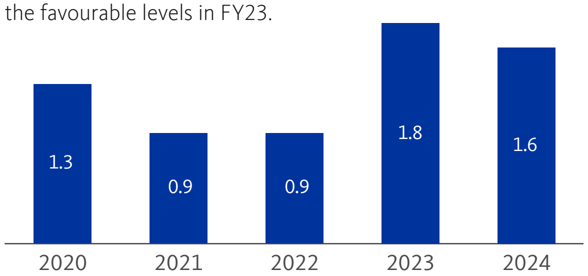
Commodity product prices that inform the Farmgate Milk Price (Reference Commodity Products) were down on average 7.7% compared to the prior season and are the main reason for the decline in the Farmgate Milk Price from $8.22 per kgMS last season.



Cash distributions per kgMS[1]

Farmgate Milk Price | Dividends | Capital return

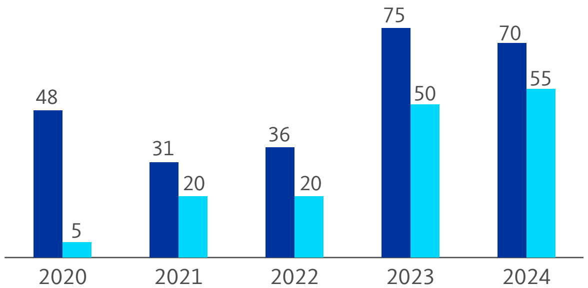
The robust underlying operating earnings in FY23 and FY24 reflect a step change in the Co-op's performance. Operating profit (EBIT) from continuing operations for FY24 is $1.56 billion, with the improvement in earnings from Foodservice and Consumer partially offsetting the lower earnings in Ingredients. The lower Ingredients' earnings reflect the less favourable price relativities in FY24 from the favourable levels in FY23.



Continuing operations' operating profit[2]($b)

1 For a fully shared up supplier.
2 Soprole was classified as a discontinued operation in 2023, and 2022 was re-presented. Soprole operating earnings for 2020 and 2021 were $42 million and $71 million respectively.

Profit after tax from continuing operations is $1.17 billion and is equivalent to 70 cents per share. Including discontinued operations, Total Group profit after tax is $1.13 billion and is equivalent to 67 cents per share, down from 95 cents in the comparable period. The main drivers of the difference are the favourable price relativities and gain on sale of Soprole included in FY23.

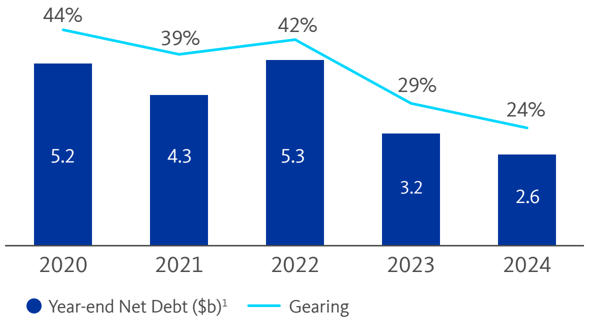


Earnings per share (cents)[3] | Dividends (cents)

3 Soprole was classified as a discontinued operation in 2023, and 2022 was re-presented. EPS prior to 2022 includes earnings from Soprole.

Net debt at year-end is $2.6 billion, $0.6 billion lower due to the lower inventory levels and strong underlying earnings. Lower net debt and higher equity, due to strong earnings, has resulted in a Gearing ratio of 24.0%, well below the 5-year trend.

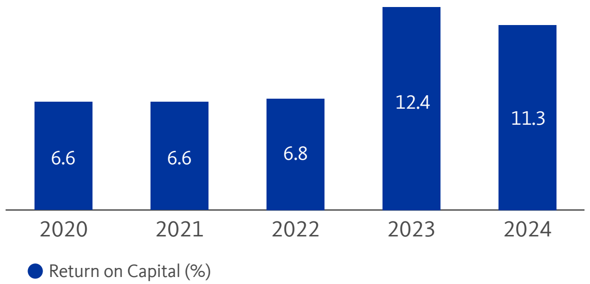
The strength of the Co-op's balance sheet provides optionality, flexibility for future investments and mitigates market volatility. The Co-op introduced the new Advance Rate Schedule guideline improving timing of on-farm cash flows for our farmer shareholders. We have also announced investments in expanding capacity for UHT cream and high-value proteins to meet increasing demand.



1 As at 31 July.

Above average earnings combined with the strength of our balance sheet has put the Co-op in a position to pay a full year dividend of 55 cents per share, comprising 15 cents per share at interim, a final dividend of 25 cents per share and a special dividend of 15 cents per share.

Return on capital for the year was 11.3% which was significantly ahead of our FY24 target range of 8-9% and the 5-year trend.



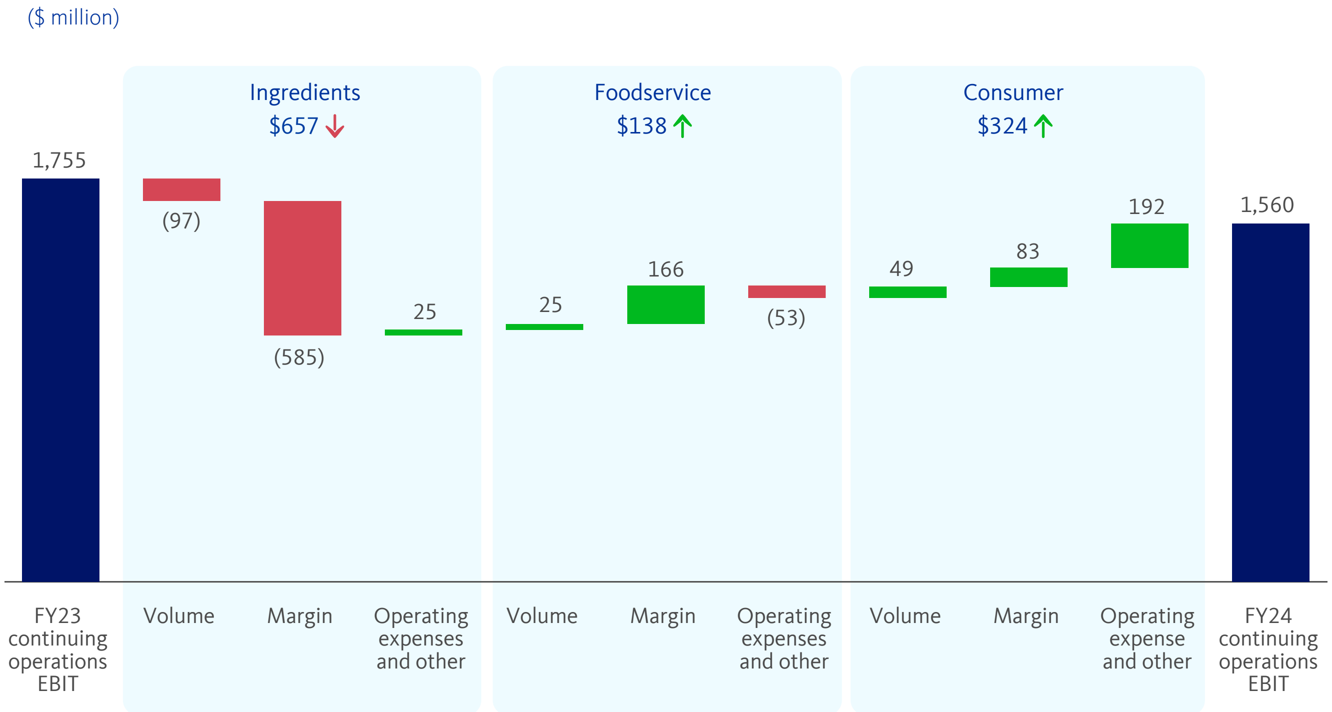
Improvement in Foodservice and Consumer partially offset lower Ingredients earnings

FY23 benefited from significantly favourable price relativities which eased over FY24, and this is the primary reason for the Ingredients channel operating profit decreasing $657 million to $898 million in FY24.

This was partially offset by the Co-op allocating milk away from the Ingredients channel and into the Foodservice and Consumer channels.

Foodservice and Consumer operating profit increased $138 million and $324 million to $463 million and $199 million, respectively, due to the increased sales volume and improved gross margins.

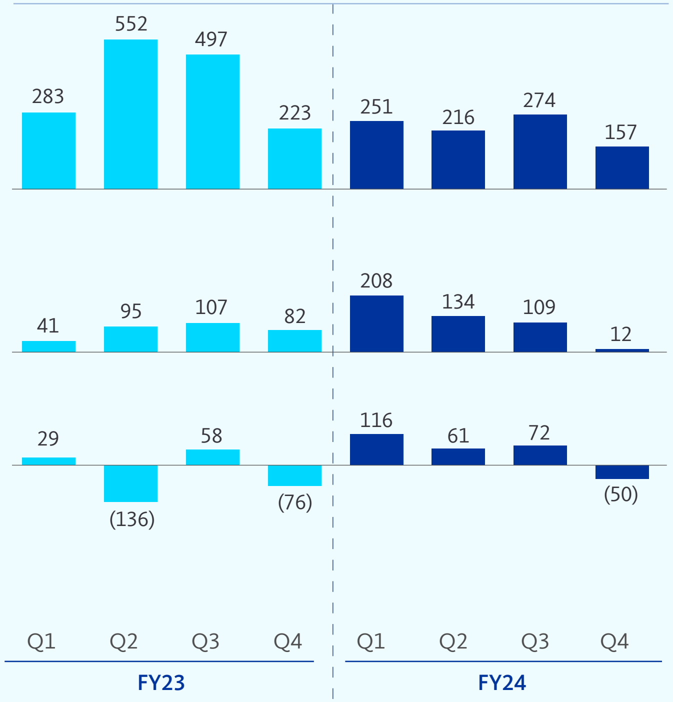
Consumer operating profit included impairments of $244 million and $31 million in FY23 and FY24, respectively. Adjusting for impairments, the underlying operating profit improvement year on year was $111 million.



Diversified across markets and products

	Core Operations	Global Markets	Greater China	Total
External sales volume (million kgMS)		1,164 0% –	449 4% ↓	1,613 1% ↓
EBIT contribution from continuing operations				
Ingredients	$165m $658m ↓	$573m $13m ↑	$160m $12m ↓	$898m $657m ↓
Foodservice	$(22)m $19m ↓	$122m $57m ↑	$363m $100m ↑	$463m $138m ↑
Consumer	$(28)m $14m ↓	$247m $293m ↑	$(20)m $45m ↑	$199m $324m ↑
Total	$115m $691m ↓	$942m $363m ↑	$503m $133m ↑	$1,560m $195m ↓

EBIT by quarter from continuing operations ($ million)



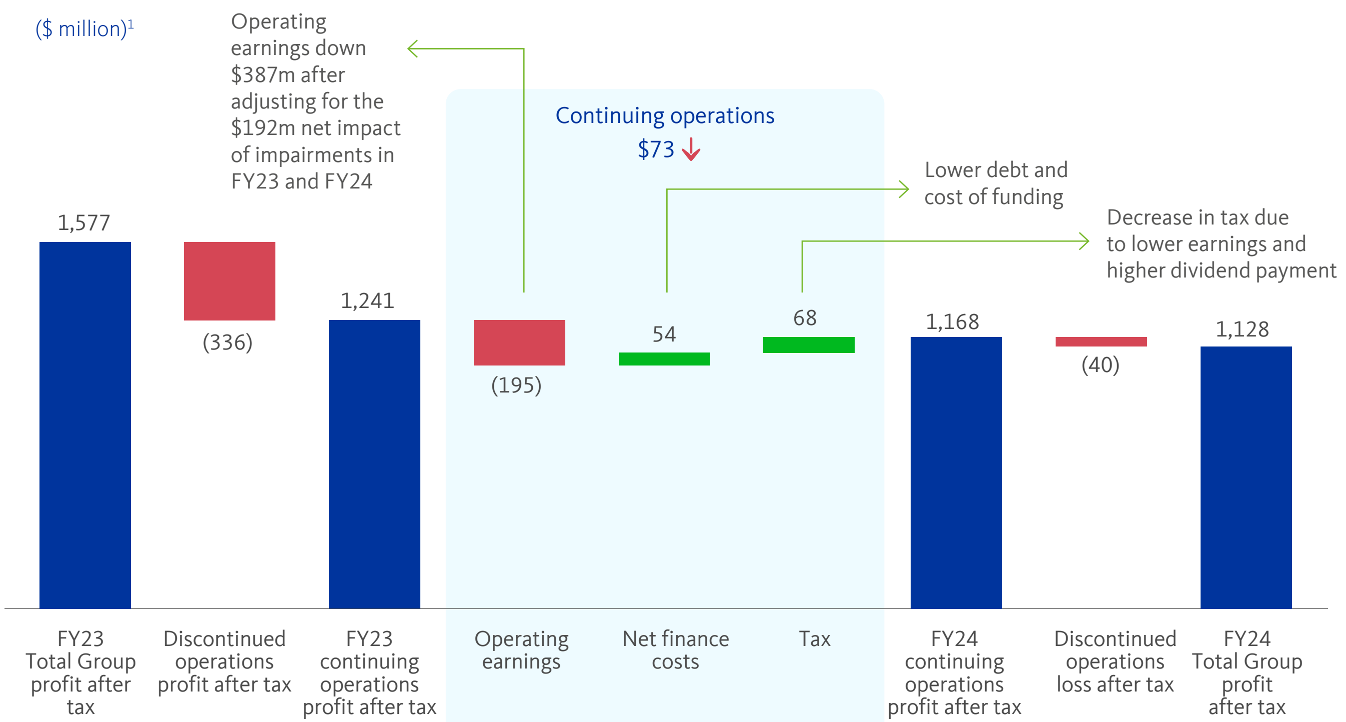
Core Operations' operating profit decreased $691 million to $115 million due to lower earnings in the Ingredients channel.

Global Markets' operating profit increased $363 million to $942 million mainly due to improved earnings in the Consumer channel and impacts of impairments in FY23.

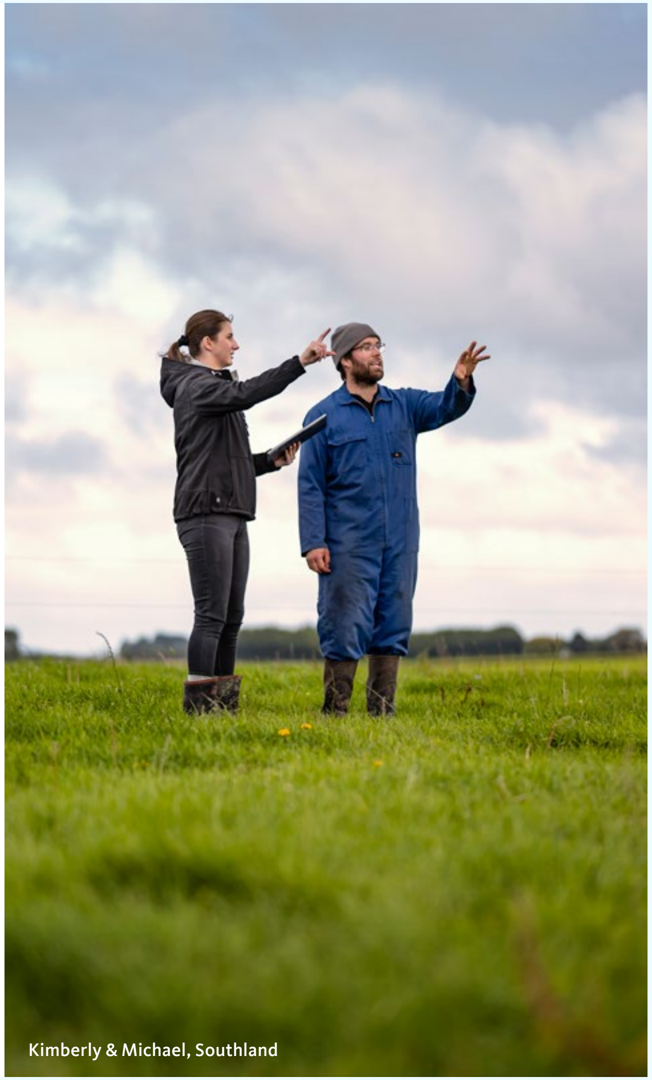
Greater China's operating profit increased $133 million to $503 million mainly due to improved earnings in the Foodservice channel and impacts of impairments in FY23.

Note: For the year ended 31 July. Prepared on a continuing operations basis. Comparative information has been re-presented for consistency with the current period.

Lower earnings partially offset by lower finance costs and tax



1 Includes amounts attributable to non-controlling interests.



Kimberly & Michael, Southland

In this section

Tiaki-Jack & Rachel, Bay of Plenty

Financial Statements

Independent Auditor's Report

To the shareholders of Fonterra Co-operative Group Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements of Fonterra Co-operative Group Limited (the 'company') and its subsidiaries (the 'Group') on pages 39 to 88 present fairly, in all material respects:

i. the Group's financial position as at 31 July 2024 and its financial performance and cash flows for the year ended on that date;

ii. in accordance with New Zealand Equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards issued by the International Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprise:

– the consolidated statement of financial position as at 31 July 2024;
– the consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended; and
– notes, including material accounting policy information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

Our firm has also provided other services to the Group that are related to our role as the Group's auditor, such as assurance and agreed upon procedures services. This includes an engagement to provide a separate reasonable assurance report in connection with the Farmgate Milk Price. A copy of this assurance report is attached as an appendix to Fonterra's Farmgate Milk Price Statement. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $60 million determined with reference to a benchmark of the cost of New Zealand sourced milk. We chose the benchmark because, in our view, this is a key measure of the Group's performance.

Scoping

The scope of our audit is designed to ensure that we perform adequate work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the financial reporting systems, processes and controls, and the industry in which it operates.

In establishing the overall approach to our audit, we considered the centralised nature of the Group's operations, the risk profile of countries where the Group operates, and changes taking place within the business. We also considered the financial significance of each business unit together with any local statutory audit requirements.

The Group financial statements are a consolidation of over 100 individual subsidiaries and equity accounted investees. We scoped in 7 subsidiaries in New Zealand and Australia to be subject to audit due to their financial significance and risk profile. We undertook audits of these subsidiaries ourselves. In addition, we performed specific risk-focused audit procedures on certain transactions and balances in respect of a further 7 subsidiaries in Japan, the Netherlands, the USA, New Zealand and Singapore. We also identified 5 additional subsidiaries in China, Indonesia, Philippines, United Arab Emirates and Saudi Arabia to include in our scoping to provide additional coverage over the Group's revenue and assets.

Taken together, the subsidiaries in scope for the Group audit accounted for 90% of the Group's revenue and 87% of the Group's total assets. For the remaining subsidiaries, we performed analysis at an aggregated Group level to confirm our assessment that there were no significant risks of material misstatement associated with them.

We assigned materiality levels to in scope subsidiaries for performance of audits and specified audit procedures. These were lower than the materiality level for the Group as a whole, ranging from $5 million to $40 million, and determined with reference to the size and risk profile of the subsidiary.

We visited subsidiary locations in New Zealand, Australia, Netherlands, Singapore, China, Indonesia, Philippines, United Arab Emirates, and Saudi Arabia. We held meetings with management responsible for the financial information of all in scope subsidiaries.

We audited the Group consolidation, financial statement disclosures and a number of complex items centrally in New Zealand. These included general IT controls, controls operated through Fonterra's shared service centre environment, revenue recognition, the cost of New Zealand sourced milk, impairment of goodwill and brands, useful lives of property, plant and equipment and financial instruments.

Independent Auditor's Report CONTINUED

KPMG

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
Revenue Recognition	
Refer to Note 1 to the financial statements. We considered the recognition of revenue from contracts with key customers and distributors to be a key audit matter due to: – the significance of the Group's $22.8 billion of revenue to the financial statements as a whole; – the level of judgement involved in establishing the timing and amount of revenue recognised for certain customers and distributors, in particular judgement related to agent versus principal considerations; and – the extent of audit effort required to examine the Group's contracts with customers in the context of the size and complexity of this area, and the requirement under auditing standards for us to consider fraud risk associated with revenue recognition.	The procedures we performed to evaluate whether revenue had been recognised appropriately included: – identifying and testing relevant controls over revenue recognition, and using data analytics routines to evaluate 100% of sales transactions undertaken through the Group's two core ERP systems (representing 93% of Group revenue); – assessing the Group's revenue recognition accounting policies, and evaluating the application of these policies to actual contracts with customers as noted below; – evaluating contractual arrangements with key customers and distributors through discussion with management and inspection of the underlying documentation, as well as sample testing other sales arrangements; and – performing other audit procedures specifically designed to address the risk of management override of controls including journal entry testing, applying particular focus to the timing of revenue transactions. We completed these procedures and have no matters to report.

Independent Auditor's Report CONTINUED

KPMG

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
Goodwill and Brands	
Refer to Note 12 to the financial statements. We considered the Group's annual impairment testing of goodwill and brands to be a key audit matter due to the significance of the balance of $1.5 billion to the financial statements as a whole and the level of judgement involved in determining the methodology and assumptions used in the testing. We focused our audit effort in respect of goodwill on the Fonterra Australia cash generating unit, which includes $287 million of goodwill and brands, and is tested using the discounted cash flow method. The Group's consumer & foodservice brands are tested using the relief from royalty valuation method. We focused our audit effort in respect of brands on those with a heightened risk of impairment: – Anmum ($39 million of brand value); and – Anlene ($164 million of brand value). We focused on the significant forward-looking assumptions the Group applied in their impairment testing, including: – forecast cash flows, for Fonterra Australia taking into account the Group's assumptions regarding the Australia milk price environment and cost saving initiatives; – local currency sales forecasts and market royalty rates appropriate to each brand; and – terminal growth rates and discount rates, as the Group's impairment models are highly sensitive to small changes in these assumptions. In addition to the above, the carrying amount of the Group's net assets at 31 July 2024 was $8.2 billion whilst the market capitalisation of Fonterra Co-operative Group Limited was $4.8 billion. This is an indicator of impairment and required additional analysis and interpretation.	The procedures we performed to evaluate the impairment assessments included: – assessing whether the methodology adopted was consistent with accepted valuation approaches of IAS 36 Impairment of Assets; – evaluating the significant assumptions by comparing to historical trends, approved budgets, business plans and external market data; – comparing discount rates and terminal growth rates applied to the estimated future cash flows to relevant benchmarks using KPMG valuation specialists; – challenging the above assumptions and judgements by performing sensitivity analysis, considering a range of likely outcomes based on various scenarios; – evaluating the estimate of the recoverable amount of the Group as a whole, including evaluating the work performed by the Group's external valuation specialists; and – considering the appropriateness of the disclosures in the financial statements. No impairment of goodwill was recognised in respect of Fonterra Australia. The Group recognised an impairment of $31 million in respect of the Anmum brand. No impairment was recognised in respect of the Anlene brand. We found the impairment testing methodologies to be consistent with IAS 36. We found the discount rate and terminal growth rate assumptions were in an acceptable range, and that the other significant assumptions were largely supported by comparison to the sources we considered. For Anmum, our scenario analysis indicated that the impairment recognised was appropriate. As there is no headroom over the carrying value of this brand, any adverse movement in key assumptions would result in further impairment. For Fonterra Australia and Anlene, our scenario analysis indicated that limited headroom exists over the carrying amount of these assets and that adverse movements in key assumptions could result in impairments. The estimate of the recoverable amount for the Group as a whole exceeded the carrying amount of the Group's net assets. The evidence we obtained in respect of valuation ranges for the Group as a whole did not indicate that further impairment of goodwill and brands was necessary. We consider the impairment disclosures to be a fair reflection of the underlying impairment tests.

Independent Auditor's Report CONTINUED

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
The cost of New Zealand sourced milk	
Refer to Notes 3 and 9 to the financial statements. The cost of New Zealand sourced milk supplied by farmer shareholders amounted to $11.7 billion and comprises the volume of milk solids supplied at the Farmgate Milk Price as determined by the Board of Directors for the relevant season. In making that determination, the Board takes into account the Farmgate Milk Price calculated in accordance with the Farmgate Milk Price Manual. We considered the cost of New Zealand sourced milk to be a key audit matter due to: – its significance to the financial statements as a whole. The cost of New Zealand sourced milk is a key component of the Group's cost of goods sold of $19.0 billion and the carrying value of the Group's inventory of $4.5 billion; and – the extent of audit effort required to examine the cost of New Zealand sourced milk due to the complexity of applying the Board approved milk price to cost of goods sold and inventory.	The procedures we performed to evaluate the impact of the Farmgate Milk Price calculation on the cost of New Zealand sourced milk included: – examining minutes of Milk Price Panel meetings and confirming with the Company Secretary that the Board considered the recommended Farmgate Milk Price from the Milk Price Panel and approved the final Farmgate Milk Price of $7.83 per kgMS for New Zealand sourced milk for the season ended 31 May 2024; and – examining the application of the Board approved Farmgate Milk Price to cost of goods sold and inventory. This involved understanding and evaluating relevant controls to ensure that the latest milk price forecast series has been applied to cost of goods sold and inventory. At season end, we checked that the cost of New Zealand sourced milk reflected the Board approved Farmgate Milk Price for the season, particularly where there has been a dynamic monthly milk price and how that should be correctly applied to the month of collection. We completed these procedures and have no matters to report. The Farmgate Milk Price calculation prepared by the Milk Price Group amounted to $7.83 per kgMS (which equates to $11.7 billion in total) and we confirmed with the Company Secretary that the Board of Directors approved the final Farmgate Milk Price of $7.83 per kgMS for New Zealand sourced milk for the season ended 31 May 2024 at their meeting on 24 September 2024.

Independent Auditor's Report CONTINUED

Other information

The Directors, on behalf of the company, are responsible for the other information included in the entity's Annual Report and supporting reports. Other information includes:

- the Annual Review;
- the Corporate Governance Statement, Remuneration and Statutory Information;
- Climate Related Disclosures; and
- Sustainability Reporting.

Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Matthew Diprose.

For and on behalf of

KPMG

KPMG
Auckland

24 September 2024

Statement of Financial Position

AS AT 31 JULY
($ MILLION)

	NOTES	2024	2023[1]
ASSETS			
Current assets			
Cash and cash equivalents		**540**	1,822
Trade and other receivables	19,17b	**2,123**	2,473
Inventories	9	**4,405**	4,306
Derivative financial instruments		**282**	190
Other assets	13	**89**	149
Assets held for sale	2b	**3**	515
Total current assets		**7,442**	9,455
Non-current assets			
Inventories	9	**53**	40
Property, plant and equipment	11	**6,400**	6,343
Intangible assets	12	**1,785**	1,824
Deferred tax assets	16b	**208**	182
Derivative financial instruments		**344**	379
Other assets	13	**447**	378
Total non-current assets		**9,237**	9,146
Total assets		**16,679**	18,601

	NOTES	2024	2023[1]
LIABILITIES			
Current liabilities			
Bank overdraft		**42**	102
Borrowings	6	**1,032**	785
Trade and other payables	10,17b	**4,196**	4,370
Tax payable		**107**	118
Derivative financial instruments		**362**	415
Capital return payable	4	**–**	804
Other liabilities	14	**108**	131
Liabilities held for sale	2b	**–**	536
Total current liabilities		**5,847**	7,261
Non-current liabilities			
Borrowings	6	**2,356**	3,156
Derivative financial instruments		**90**	106
Deferred tax liabilities	16b	**135**	36
Other liabilities	14	**76**	74
Total non-current liabilities		**2,657**	3,372
Total liabilities		**8,504**	10,633
Net assets		**8,175**	7,968
EQUITY			
Subscribed equity	4	**5,064**	5,073
Retained earnings		**2,960**	2,774
Reserves	20a	**75**	59
Non-controlling interests		**76**	62
Total equity		**8,175**	7,968

1 Comparative information includes re-presentations for consistency with the current period.

The Board approved and authorised for issue these Financial Statements on 24 September 2024.

For and on behalf of the Board:

Peter McBride
Chairman

Bruce Hassall
Director

Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 JULY

($ MILLION)

	NOTES	2024	2023[1]
Revenue from sale of goods	1	**22,822**	24,580
Cost of goods sold:			
New Zealand sourced cost of milk		***(11,679)***	*(12,306)*
Non-New Zealand sourced cost of milk		***(1,102)***	*(1,109)*
Other collection and manufacturing costs		***(6,318)***	*(6,182)*
Increase/(decrease) in inventories		***99***	*(802)*
Total cost of goods sold[2]	3a	**(19,000)**	(20,399)
Gross profit		**3,822**	4,181
Other operating income		**91**	78
Foreign exchange gains/(losses)		**16**	(8)
Operating expenses	3a	**(2,369)**	(2,496)
Net finance costs	7	**(157)**	(211)
Profit before tax from continuing operations		**1,403**	1,544
Tax expense	16	**(235)**	(303)
Profit after tax from continuing operations		**1,168**	1,241
(Loss)/profit after tax from discontinued operations	2c	**(40)**	336
Profit after tax		**1,128**	1,577
Cash flow hedges and other costs of hedging, net of tax	20a	**(115)**	389
Net investment hedges and translation of foreign operations, net of tax	20a	**52**	66
Foreign currency translation reserve losses transferred to profit or loss	2c, 20a	**68**	194
Other movements in reserves		**–**	5
Total items that may be reclassified subsequently to profit or loss		**5**	654
Total items that will not be reclassified subsequently to profit or loss		**7**	(4)
Total other comprehensive income		**12**	650
Total comprehensive income		**1,140**	2,227
Earnings per share attributed to equity holders of the Co-operative			
Basic and diluted earnings per share from continuing operations ($)		**0.70**	0.75
Basic and diluted (loss)/earnings per share from discontinued operations ($)		**(0.03)**	0.20
Total basic and diluted earnings per share ($)		**0.67**	0.95
Weighted average number of shares (thousands of shares)		**1,606,934**	1,610,507

1 Comparative information includes re-presentations for consistency with the current period.

2 This Statement is presented on a functional basis. The shaded information provides an additional breakdown of Cost of goods sold by nature of expense.

Statement of Cash Flows

FOR THE YEAR ENDED 31 JULY

($ MILLION)

	NOTES	2024	2023[1]
Cash flows from operating activities			
Profit after tax		**1,128**	1,577
Adjustments for:			
Net finance costs		**164**	261
Tax expense		**235**	380
Depreciation and amortisation		**627**	662
Impairments	12	**56**	252
Loss/(gain) on sale of businesses	2a	**66**	(341)
Foreign exchange losses/(gains)		**1**	(137)
Other		**13**	163
Total adjustments		**1,162**	1,240
Decrease in working capital and other operating activities	15	**112**	774
Net taxes paid		**(89)**	(73)
Net cash flows from operating activities		**2,313**	3,518
Cash flows from investing activities			
Proceeds relating to divestments	2	**–**	1,084
Other cash inflows		**25**	44
Acquisition of property, plant and equipment		**(577)**	(598)
Hedging activities relating to the Chilean Soprole divestment	2	**–**	(148)
Taxes paid relating to divestments	2	**–**	(118)
Acquisition of intangible assets		**(73)**	(72)
Acquisition of investments		**(73)**	(44)
Other cash outflows		**(32)**	(16)
Net cash flows from investing activities		**(730)**	132

	NOTES	2024	2023[1]
Cash flows from financing activities			
Proceeds from borrowings		**2,895**	2,698
Other cash inflows		**27**	101
Repayment of borrowings		**(3,806)**	(4,214)
Capital return paid	4	**(804)**	–
Dividends paid		**(925)**	(430)
Interest paid		**(218)**	(336)
Share buyback		**(4)**	(11)
Net cash flows from financing activities		**(2,835)**	(2,192)
Net (decrease)/increase in cash		**(1,252)**	1,458
Opening cash		**1,750**	281
Effect of exchange rate changes		**–**	11
Closing cash		**498**	1,750
Reconciliation of closing cash to the Statement of Financial Position			
Cash and cash equivalents		**540**	1,822
Bank overdraft		**(42)**	(102)
Cash balances included in assets and liabilities held for sale	2b	**–**	30
Closing cash		**498**	1,750

1 Comparative information includes re-presentations for consistency with the current period.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 JULY

($ MILLION)

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE CO-OPERATIVE				
	NOTES	SUBSCRIBED EQUITY	RETAINED EARNINGS	RESERVES	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As at 1 August 2023		**5,073**	**2,774**	**59**	**62**	**7,968**
Profit after tax		**–**	**1,074**	**–**	**54**	**1,128**
Transfer between reserves		**–**	**(4)**	**4**	**–**	**–**
Other comprehensive income		**–**	**–**	**12**	**–**	**12**
Total comprehensive income		**–**	**1,070**	**16**	**54**	**1,140**
Transactions with equity holders:						
Dividends paid	5	**–**	**(884)**	**–**	**(41)**	**(925)**
Dairy Partners Americas Brasil Limitada capital contributions received	2b	**–**	**–**	**–**	**8**	**8**
Derecognition of non-controlling interest in Dairy Partners Americas Brasil Limitada	2b	**–**	**–**	**–**	**(7)**	**(7)**
Share buyback	4	**(9)**	**–**	**–**	**–**	**(9)**
As at 31 July 2024		**5,064**	**2,960**	**75**	**76**	**8,175**
As at 1 August 2022		5,891	1,611	(569)	(27)	6,906
Profit after tax		–	1,537	–	40	1,577
Transfer between reserves		–	29	(29)	–	–
Other comprehensive income/(expense)		–	–	657	(7)	650
Total comprehensive income		–	1,566	628	33	2,227
Transactions with equity holders:						
Dividends paid	5	–	(403)	–	(27)	(430)
Dairy Partners Americas Brasil Limitada capital contributions received	2b	–	–	–	83	83
Capital return	4	(804)	–	–	–	(804)
Share buyback	4	(14)	–	–	–	(14)
As at 31 July 2023		5,073	2,774	59	62	7,968

Basis of Preparation

FOR THE YEAR ENDED 31 JULY 2024

AT A GLANCE

The basis of preparation describes the significant accounting policies, judgements and estimates that are relevant to the Group's Financial Statements as a whole. Where a policy, judgement or estimate is specific to a particular Note, it is included in the Note to which it relates.

a) About Fonterra

Fonterra Co-operative Group Limited (Fonterra, the Company or the Co-operative) is a multinational dairy co-operative. Fonterra is primarily involved in the collection, manufacture and sale of milk and milk-derived products through its Ingredients, Consumer and Foodservice channels.

Fonterra is incorporated and domiciled in New Zealand. Fonterra is registered under the Companies Act 1993 and the Co-operative Companies Act 1996, and is an FMC Reporting Entity under the Financial Markets Conduct Act 2013. Fonterra is also required to comply with the Dairy Industry Restructuring Act 2001 (DIRA).

b) Basis of preparation

These Financial Statements comprise Fonterra and its subsidiaries (together referred to as the Group) and the Group's interests in its equity accounted investments.

These Financial Statements:

- Comply with International Financial Reporting Standards (IFRS Accounting Standards);
- Comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS Accounting Standards);
- Have been prepared in accordance with Generally Accepted Accounting Practice (GAAP) applicable to for-profit entities;
- Have been prepared on a historical cost basis except where otherwise stated. Assets and liabilities measured at fair value are summarised in Note 18 *Fair value measurement*; and
- Are presented in New Zealand Dollars ($ or NZD), which is Fonterra's functional currency, and rounded to the nearest million, except where otherwise stated.

Re-presentations

At each balance date the Group assesses the aggregation and disaggregation of individual line items. The following changes have been made (and comparative information has been re-presented for consistency with the current period):

- Tax payable is presented separately from other current liabilities (31 July 2023: $118 million) and deferred tax liabilities are presented separately from other non-current liabilities (31 July 2023: $36 million); and
- Emissions units held for compliance purposes that are expected to be consumed in production beyond one year from balance date are presented as non-current inventories, separately from current inventories in the Statement of Financial Position (31 July 2023: $40 million).

In operating activities within the Statement of Cash Flows, the comparative amounts of other adjustments and of working capital and other operating activities have increased/decreased respectively by $97 million, for consistency with the current period's presentation of emission units held for compliance purposes.

In addition, changes in accounting policies have impacted comparatives and are described below. Certain comparative note information has also been re-presented for consistency with the current period.

c) Basis of consolidation

In preparing these Financial Statements, subsidiaries are consolidated from the date the Group gains control until the date on which control ceases. The Group's share of results of equity accounted investments are included in the Financial Statements from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. All transactions with subsidiaries are eliminated.

Translation of the Financial Statements into NZD

The assets and liabilities of Group companies whose functional currency is not NZD are translated into NZD at the year-end exchange rate. The revenue and expenses of these companies are translated into NZD at rates approximating those at the dates of the transactions. Exchange differences arising on this translation that are attributable to equity holders of the Co-operative are recognised in the foreign currency translation reserve. On disposal or partial disposal of an entity, the related exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Basis of Preparation CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

d) Material accounting policies

Accounting policies which are considered material to an understanding of the Financial Statements are provided throughout the notes in blue shading.

Changes in accounting policies

The Group now presents interest paid as a financing activity (previously within operating activities) to better reflect the underlying operating cash flows of the business, separately from the use of those cash flows. The re-presentation has changed Net cash flows from operating activities and Net cash flows from financing activities. There has been no impact to the Statement of Financial Position or the Statement of Profit or Loss and Other Comprehensive Income. Comparative information has been re-presented for consistency with the current period (31 July 2023: interest paid of $336 million).

New and amended accounting standards

No new or amended standards and interpretations that became effective for the year ended 31 July 2024 have had a material impact to the Group.

Accounting standards issued but not yet effective

NZ IFRS 18 *Presentation and Disclosure in Financial Statements* is effective for the year ending 31 July 2028 and will impact the presentation of the Statement of Profit or Loss and Other Comprehensive Income, with an allocation of income and expenses between operating, investing and financing categories, and new sub-totals such as Operating profit. Financial performance measures used to explain the Group financial performance in public communications outside the financial statements will also be required to be disclosed, and there is enhanced guidance on the aggregation and disaggregation of information. The Group is assessing the effect of applying NZ IFRS 18.

There are no new or amended standards that are issued but not yet effective that are expected to have a material recognition or measurement impact to the Group.

e) Significant judgements and estimates

In the preparation of these Financial Statements, a number of judgements and estimates have been made. Accordingly, actual outcomes may differ to these estimates.

Information about judgements, estimates and assumptions which are considered material to an understanding of the Financial Statements are provided in the following notes in grey shading.

NOTE		ITEM INVOLVING SIGNIFICANT JUDGEMENT OR ESTIMATION
Note 1	*Segment reporting and revenue*	Revenue recognition for transactions involving distributors
Note 2	*Divestments*	Determining if a disposal group is held for sale
Note 12	*Intangible assets*	Assumptions used in the impairment tests
Note 11	*Property, plant and equipment*	Determining residual values and useful lives

Basis of Preparation CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

f) Climate-related uncertainties

AT A GLANCE

This section provides information on climate-related risks and opportunities, and how the impact has been considered in these Financial Statements.

Climate change, Fonterra's response, and how farmer shareholders, customers, regulators and others also respond may have significant impacts on the recognised amounts of assets and liabilities.

The Group has a number of climate-related targets, including:

- Reducing its global absolute Scope 1 and 2 greenhouse gas (GHG) emissions by 50.4% by financial year (FY) 2030 (from a FY2018 base year); and
- Reducing its Scope 1 and 3 Forest, Land and Agriculture (FLAG) GHG emissions from dairy by 30% per tonne of fat and protein corrected milk (FPCM) by FY2030 (from a FY2018 baseline).

The Group has also committed to exiting coal by FY2037.

While the effects of climate change are a continuing source of uncertainty, climate-related risks and opportunities have been assessed as not having a material impact to the Financial Statements for the year ended 31 July 2024.

Judgements and estimates

The Group has specifically considered the following areas of uncertainty:

- *Estimated useful lives of property, plant and equipment*

The Group revisits the appropriateness of useful life estimates annually as described in Note 11 *Property, plant and equipment*, and has taken into account decarbonisation plans, for example coal boiler assets that will no longer be used following decarbonisation are expected to be fully depreciated by 2037.

- *Recoverable amounts of assets - impairment assumptions*

The Group performs impairment reviews as described in Note 12 *Intangible assets*, and although there have been impairments recognised in the current year, these are not explicitly related to climate change and are attributed to the estimates and assumptions for each cash generating unit as described in Note 12 *Intangible assets*.

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Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2024

Amber & Fala, Auckland

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

Performance

This section focuses on the Group's financial performance and the returns provided to equity holders.

1 Segment reporting and revenue

AT A GLANCE

This note provides information on the Group's organisational structure and segment performance, from continuing operations, together with information on the Group's external revenue. The Group's reportable segments are Global Markets, Greater China, and Core Operations.

Segment information provided in this note reflects the Group's performance from continuing operations only. During the year the financial performance of the Brazil consumer and foodservice businesses was recognised in profit after tax from discontinued operations up until the date of its sale, and it has been excluded from the disclosures in this note (31 July 2023: the Hangu China farm, the Brazil consumer and foodservice business and Chilean Soprole business). Please see Note 2 *Divestments* for further information about the Group's discontinued operations.

a) Reportable segments

Operating segments reflect the way financial information is regularly reviewed by the Fonterra Management Team (FMT). The FMT is considered to be the Chief Operating Decision Maker (CODM). The FMT consists of the Group's Chief Executive Officer (CEO), Chief Financial Officer, Chief Operating Officer, the CEO Global Markets, the CEO Greater China, the Chief Innovation and Brand Officer, the Managing Director Strategy and Optimisation, the Managing Director People and Culture and the Managing Director Co-operative Affairs.

In June 2024, Fonterra announced changes to its FMT, following the announcement in May 2024 of a step-change in its strategic direction. Two new FMT roles were created effective 1 August 2024, the President Global Markets - Ingredients and the Managing Director Global Markets - Consumer and Foodservice. These replace the CEO Global Markets FMT role.

During the year, the measure of profit or loss used by the FMT to evaluate the underlying performance of operating segments was earnings before interest and tax (EBIT).

The Group's organisational structure, operating model and the way financial information is presented to the FMT is based around two customer-facing regional business units, Global Markets and Greater China, and Core Operations which comprises:

- Chief Operating Office (COO) which includes New Zealand milk collection and processing operations, supply chain, Safety and Food Safety;
- Strategy and Optimisation (S&O), which includes optimising the New Zealand milk pool, product pricing support for the regions, managing Fonterra's dairy and non-dairy price risk and providing price risk management tools to both our customers and farmer shareholders; and
- Fonterra Farm Source™ retail stores.

Innovation and Brand and corporate costs including Group IT, Co-operative Affairs and other Group Functions, are allocated to Global Markets, Greater China and Core Operations.

The operating model forms the basis for the Group's operating segments.

The Group has identified its reportable segments based on a number of factors, including how the CODM makes decisions about resource allocations and assesses performance. The Group has determined that its reportable segments are Global Markets, Greater China and Core Operations at 31 July 2024.

REPORTABLE SEGMENTS	DESCRIPTION
Global Markets	Represents the global Ingredients, Foodservice and Consumer channels outside of Greater China.
Greater China	Represents the Ingredients, Foodservice and Consumer channels in Greater China.
Core Operations	Represents COO, S&O and Fonterra Farm Source™ retail stores.

The performance of large multinational customers are reported within the reportable segment that they are managed by. This can differ from the geographical region of the destination of goods sold.

The performance of the Group's reporting segments includes transactions between the regional business units and Core Operations for the purchase and sale of goods, which are eliminated at the total Group level. Transactions between Core Operations and the other reportable segments are based on transfer pricing that is indexed where possible to observable market pricing (such as Global Dairy Trade prices). For products with specifications that vary from those with observable market pricing, incremental manufacturing and services costs are included in the transfer price.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

1 Segment reporting and revenue CONTINUED

a) Reportable segments CONTINUED

	GLOBAL MARKETS		GREATER CHINA		CORE OPERATIONS		ELIMINATIONS		TOTAL	
CONTINUING OPERATIONS	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
Revenue from sale of goods	**16,818**	18,401	**6,369**	7,072	**16,977**	19,142	**(17,342)**	(20,035)	**22,822**	24,580
Cost of goods sold	**(14,775)**	(16,565)	**(5,493)**	(6,356)	**(16,074)**	(17,513)	**17,342**	20,035	**(19,000)**	(20,399)
Gross profit	**2,043**	1,836	**876**	716	**903**	1,629	**–**	–	**3,822**	4,181
Operating expenses	**(1,168)**	(1,310)	**(375)**	(346)	**(826)**	(840)	**–**	–	**(2,369)**	(2,496)
Other[1]	**67**	53	**2**	–	**38**	17	**–**	–	**107**	70
EBIT[2]	**942**	579	**503**	370	**115**	806	**–**	–	**1,560**	1,755
Profit after tax	**738**	385	**412**	284	**18**	572	**–**	–	**1,168**	1,241
Profit after tax attributable to equity holders of the Co-operative[2]	**727**	369	**383**	262	**18**	571	**–**	–	**1,128**	1,202
Other segment information:										
– Inter-segment revenue	**310**	299	**5**	43	**17,027**	19,693	**(17,342)**	(20,035)	**–**	–
– External revenue[3]:										
Ingredients channel revenue	**11,434**	13,291	**3,593**	4,440	**82**	(315)	**–**	–	**15,109**	17,416
Foodservice channel revenue	**1,751**	1,792	**2,377**	2,212	**(78)**	(139)	**–**	–	**4,050**	3,865
Consumer channel revenue	**3,323**	3,019	**394**	377	**(54)**	(97)	**–**	–	**3,663**	3,299
Total external revenue	**16,508**	18,102	**6,364**	7,029	**(50)**	(551)	**–**	–	**22,822**	24,580
– Depreciation and amortisation	**(160)**	(156)	**(24)**	(13)	**(443)**	(485)	**–**	–	**(627)**	(654)
– Share of (loss)/profit of equity accounted investees	**7**	7	**(2)**	–	**(6)**	10	**–**	–	**(1)**	17

1 Comprises other operating income (inclusive of the share of profit of equity accounted investees) and foreign exchange gains/(losses).

2 During the year, the measure used by the FMT to evaluate the underlying performance of operating segments transitioned to EBIT, from Profit after tax attributable to equity holders. Profit after tax attributable to equity holders has continued to be presented in the table above for information purposes only.

3 External revenue is determined in accordance with the accounting policy, estimates and judgements set out below. Core Operations includes external revenue together with adjustments to reflect that it acts as an agent for other segments, and the volatility associated with the Group's sales hedging activities.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

1 Segment reporting and revenue CONTINUED

b) Revenue

The Group recognises revenue from the sale of products when control of the products transfers to the customer. The transfer of control of products typically occurs at the following times:

- Ingredient products (export sales) – once the products are loaded onto the ship.
- Ingredient products (domestic sales) – on delivery of the products to the customer's designated location.
- Consumer and foodservice products – on delivery of the products to the customer's designated location.

The amount of revenue recognised reflects the consideration that the Group expects to be entitled to for providing the products to the customer. Revenue is measured as the sales price specified in the contract adjusted for pricing adjustments, trade spend and rebates. Pricing adjustments, trade spend and rebates are recognised as deductions from revenue at the time that the related sale is recognised. The estimated amount of the deduction from revenue is based on historical experience and the specific terms of the contracts with customers so that it is highly probable that a significant reversal of revenue recognised will not occur.

For export sales the Group sells a significant proportion of its products on terms that include freight and insurance to the destination port. For these sales the Group has a separate performance obligation to arrange freight and insurance services for the customers after the date at which control of the products passes to the customer. As the Group does not control the freight and insurance services before those services are transferred to the customer, the Group is acting as an agent. Therefore, the Group recognises the net agency fee as revenue when freight and insurance services are made available to customers, usually this is when the products are loaded onto the ship.

The Group offers credit terms which are short-term in nature. In addition, as part of its normal trade terms, the Group receives payments in advance from certain customers. Contracts with customers do not contain significant financing components.

The Group sells products either directly to customers or through distributors. For transactions involving distributors, judgement is required to assess whether:

- Control of the products passes and therefore revenue is recognised when the products are transferred to the distributor, in which case the distributor is the Group's customer; or
- The Group retains control of the products after transfer to the distributor, in which case control of the products does not pass until the products reach the customer in the supply chain who does obtain control of the product. In this situation the customer, referred to as the 'end customer' may be a retailer, reseller or food manufacturer. Revenue is not recognised until the products are transferred to the end customer.

The assessment of whether control of the products passes to the distributor can involve significant judgement. In assessing control, the following indicators are considered:

- The ability to direct the use of the product. This includes consideration of who has the primary responsibility for providing the products to the end customer and whether the Group can restrict who the distributor sells the product to.
- The transfer of inventory risk and demand risk. This includes consideration of the level of, or allowance for, product returns and who bears the residual risk of product expiry.
- The level of support provided by the Group to assist the distributor to on-sell the product. This includes consideration of collaboration on marketing plans, financial support provided by the Group through pricing discounts or funding of promotional activity.

Sales to distributors where significant judgement is involved in determining the timing of revenue recognition are primarily in the Foodservice channel.

Contractual terms vary across markets and sales channels. In most arrangements the contractual terms indicate that the distributor is responsible for providing the products to the end customer and has assumed the inventory risk. The Group often retains price risk through the provision of price discounts, funding promotional activity or influence over price setting. In general, these pricing mechanisms impact the amount of revenue recognised by the Group rather than indicating control of the products is retained.

In order to conclude on the transfer of control of the products the contract must be assessed in its entirety, along with implied contractual terms based on commercial customary practices.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

1 Segment reporting and revenue CONTINUED

b) Revenue CONTINUED

In addition to the segment and channel revenue set out above, revenue is also presented by geography on the basis of the destination of the goods sold. Geographical groupings in the following table are not aligned with the Group's reportable segments.

GEOGRAPHICAL EXTERNAL REVENUE	ASIA (EXCLUDING CHINA)	CHINA	NEW ZEALAND	AMERICAS	AUSTRALIA	REST OF WORLD	TOTAL
Year ended 31 July 2024	**8,691**	**5,639**	**2,425**	**2,326**	**2,309**	**1,432**	**22,822**
Year ended 31 July 2023	9,012	6,192	2,518	2,495	2,239	2,124	24,580

c) Geographical analysis of non-current assets

Geographical groupings in the following table are not aligned with the Group's reportable segments.

GEOGRAPHICAL NON-CURRENT ASSETS	ASIA (EXCLUDING CHINA)	CHINA	NEW ZEALAND	AMERICAS	AUSTRALIA	REST OF WORLD	TOTAL
As at 31 July 2024	**732**	**21**	**6,357**	**3**	**970**	**180**	**8,263**
As at 31 July 2023[1]	742	23	6,316	4	962	182	8,229

1 Comparative information includes re-presentations for consistency with the current period, primarily to exclude all other financial instruments.

RECONCILIATION OF GEOGRAPHICAL NON-CURRENT ASSETS TO TOTAL NON-CURRENT ASSETS	2024	2023[1]
Geographical non-current assets	**8,263**	8,229
Deferred tax assets	**208**	182
Derivative financial instruments	**344**	379
Other financial instruments	**422**	356
Total non-current assets	**9,237**	9,146

1 Comparative information includes re-presentations for consistency with the current period, primarily to exclude all other financial instruments.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

2 Divestments

AT A GLANCE

This note provides information on components of the Group that have been divested or are held for sale, and discontinued operations.

The Group completed the sale of the Brazil consumer and foodservice business during the year.

In May 2024 the Group announced exploring full or partial divestment options for some or all of its global Consumer business, as well as its integrated businesses Fonterra Oceania and Fonterra Sri Lanka. At 31 July 2024, these businesses do not meet the criteria to be classified as held for sale or discontinued operations.

a) Divestments

An asset, investment or group of assets and liabilities (e.g. a business) are derecognised when the Group loses control in a sale transaction. A gain or loss on sale is recognised as the difference between the total sales proceeds and the carrying amount of the assets and liabilities at the date of sale, less transaction and other disposal costs.

Foreign currency translation reserves (and cash flow hedge reserves) recorded in equity and reclassified to profit or loss at sale also form part of the gain or loss on sale.

Sale of the Brazil consumer and foodservice business

In December 2022 the Group announced the sale of the Brazil consumer and foodservice business. The Brazil consumer and foodservice business is considered a discontinued operation and its performance has not been included in a reportable segment.

The divestment was completed in October 2023, with a loss of $66 million recognised in Profit after tax from discontinued operations in the Statement of Profit or Loss and Other Comprehensive Income, mainly comprised of a debit balance of $68 million that was reclassified from the foreign currency translation reserve.

A breakdown of net assets disposed of is presented in the following table.

	2024
Cash and cash equivalents	33
Trade receivables	69
Inventory	34
Property, plant and equipment	91
Intangible assets	123
Other assets	159
Borrowings	(183)
Trade and other payables	(219)
Other liabilities	(98)
Net assets disposed	**9**

b) Disposal groups held for sale

A disposal group is a group of assets and liabilities to be disposed of (by sale or otherwise) in a single transaction. A 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.

Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Immediately prior to being classified as held for sale, the carrying amounts of assets and liabilities in the disposal group are measured in accordance with the applicable accounting policy. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, assets are no longer depreciated or amortised and equity accounted investments are no longer equity accounted.

Assets of disposal groups held for sale are presented in a single line item within current assets, and liabilities of disposal groups held for sale are presented in a single line item within current liabilities. Comparative period information for assets and liabilities held for sale is not re-presented in the Statement of Financial Position.

Judgement is involved in determining whether a disposal group is held for sale at balance date.

Uncertainty is involved in estimating fair value less costs to sell. The fair value less costs to sell for assets and liabilities held for sale has been estimated based on information received through the sales process, including agreed purchase price(s) where an agreement has been reached.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

2 Divestments CONTINUED

b) Disposal groups held for sale CONTINUED

The major classes of assets and liabilities held for sale are presented in the following table.

ASSETS AND LIABILITIES HELD FOR SALE	2024	2023
Cash and cash equivalents	–	30
Trade receivables	–	70
Inventory	–	37
Property, plant and equipment	–	90
Intangible assets	–	124
Other assets	3	164
Total assets held for sale	**3**	515
Borrowings	–	199
Trade and other payables	–	239
Other liabilities	–	98
Total liabilities held for sale	**–**	536
Net assets/(liabilities) held for sale	**3**	(21)

c) Discontinued operations

A disposal group that meets the criteria to be classified as held for sale (or has been sold) is a discontinued operation if it 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.

Profit/(loss) after tax from discontinued operations is presented in a single line item in the Statement of Profit or Loss and Other Comprehensive Income for both the current and comparative year.

During the year the financial performance of the Brazil consumer and foodservice business was recognised in profit after tax from discontinued operations up until the date of its sale (31 July 2023: the Hangu China farm, the Brazil consumer and foodservice business and Chilean Soprole business).

The summarised financial performance recognised in profit after tax from discontinued operations, total comprehensive income/(expense) from discontinued operations, and net cash generated by the discontinued operations, is presented in the following table.

DISCONTINUED OPERATIONS	2024	2023
Revenue	**172**	1,466
Cost of goods sold	**(106)**	(1,048)
Gross profit	**66**	418
Other operating income	**–**	349
Operating expenses	**(99)**	(304)
Net finance costs	**(7)**	(50)
(Loss)/profit before tax from discontinued operations	**(40)**	413
Tax benefit/(expense)	**–**	(77)
(Loss)/profit after tax from discontinued operations	**(40)**	336
Share of profit attributable to non-controlling interests	**14**	1
(Loss)/profit after tax attributable to equity holders of the Co-operative	**(54)**	335
(Loss)/profit after tax from discontinued operations	**(40)**	336
(Loss)/profit after tax from discontinued operations	**(40)**	336
Movement in exchange differences on translation of discontinued operations	**–**	17
Foreign currency translation reserve losses transferred to profit or loss	**68**	188
Other reserve movements	**–**	(4)
Total comprehensive income from discontinued operations	**28**	537
Net cash (outflow)/inflow from operating activities	**(27)**	63
Net cash (outflow)/inflow from investing activities	**(29)**	769
Net cash outflow from financing activities	**(5)**	(82)
Net (decrease)/increase in cash generated by the discontinued operations	**(61)**	750

Included in other cash outflows (31 July 2023: Proceeds relating to divestments) within investing activities in the Statement of Cash Flows, amounts relating to divestments include the following.

	2024	2023
Proceeds received	**4**	1,094
Less: Cash and cash equivalents disposed of	**(33)**	(10)
Total (outflows)/proceeds	**(29)**	1,084

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

3 Profit before tax from continuing operations

AT A GLANCE

This note provides information on expenses and cost of goods sold by function that have been included in profit before tax from continuing operations, together with additional information on expenses by nature.

Cost of goods sold is primarily made up of New Zealand-sourced cost of milk.

New Zealand-sourced cost of milk includes the cost of milk supplied by farmer shareholders, supplier premiums paid, and the cost of milk purchased from contract milk suppliers during the financial year.

New Zealand-sourced cost of milk supplied by farmer shareholders comprises the volume of milk solids supplied at the Farmgate Milk Price as determined by the Board for the relevant season. In making that determination the Board takes into account the Farmgate Milk Price calculated in accordance with the Farmgate Milk Price Manual, which is independently assured. The Fonterra Farmgate Milk Price Statement sets out information about the Farmgate Milk Price, and how it is calculated. It can be found in the 'Investors/Farmgate Milk Prices/Milk Price Methodology' section of Fonterra's website.

Other collection and manufacturing costs include changes in inventory levels together with purchases of other products, raw materials, packaging, direct labour costs, depreciation and other costs directly incurred to bring inventory to its final point of sale location.

a) Expenses by function

	2024	2023[1]
Cost of goods sold	**19,000**	20,399
Administrative expenses	**1,008**	928
Selling and marketing expenses	**587**	542
Distribution expenses	**449**	433
Other operating expenses	**325**	593
Operating expenses	**2,369**	2,496

1 Comparative information includes re-presentations for consistency with the current period.

b) Expenses by nature

COST OF GOODS SOLD	2024	2023
Cost of milk:		
– New Zealand sourced	**11,679**	12,306
– Non-New Zealand sourced	**1,102**	1,109
Other ingredient purchases and manufacturing costs	**2,810**	2,813
Employee benefits expense	**1,350**	1,267
Energy costs	**792**	632
Packaging	**544**	519
Storage and distribution	**382**	477
Depreciation and amortisation	**440**	474
Total other collection and manufacturing costs	**6,318**	6,182
(Increase)/decrease in inventories	**(99)**	802
Total cost of goods sold	**19,000**	20,399

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

3 Profit before tax from continuing operations CONTINUED

b) Expenses by nature CONTINUED

OPERATING EXPENSES	2024	2023[1]
Employee benefits expense	**995**	963
Storage and distribution	**268**	263
Advertising and promotion	**240**	219
Information technology	**231**	205
Professional and management fees	**250**	167
Depreciation and amortisation	**187**	180
Impairments	**34**	248
Other	**164**	251
Total operating expenses	**2,369**	2,496

1 Comparative information includes re-presentations for consistency with the current period.

The table below presents further information on expenses recognised in the Statement of Profit or Loss and Other Comprehensive Income within both Cost of goods sold and Operating expenses from continuing operations.

	2024	2023
Total employee benefits expense	**2,345**	2,230
Total depreciation and amortisation expense	**627**	654
Total research and development costs	**107**	116

c) Fees paid to the auditor and network firms

KPMG has been appointed the Group's external auditor for five consecutive years and the lead audit partner has served for five consecutive years. The Board has overseen compliance with the Group's Audit Independence Policy and KPMG has not provided any services during the year other than audit, review and audit-related services.

A breakdown of fees paid to the auditor and network firms which are included in the Statement of Profit or Loss and Other Comprehensive Income is presented in the following table. Fees are inclusive of any disbursements.

	$ THOUSANDS	
	2024	2023
Audit and review of the Financial Statements of the Group and its subsidiaries:		
– New Zealand[1]	**6,524**	6,627
– Network firms of the auditor	**1,362**	2,000
Total fees for the audit and review of the Financial Statements	**7,886**	8,627
Audit and review related services performed by the New Zealand auditor:		
Assurance engagements		
– Farmgate Milk Price Statement[1]	**516**	89
– Shareholder continuity report	**7**	13
– Assurance to Directors over Climate Related Disclosures (excluding GHG emissions)	**155**	–
Agreed upon procedures engagements		
– AGM vote scrutineering	**–**	4
– Compliance with banking arrangements	**14**	12
– Annual update of debt issuance prospectus	**–**	68
Total fees for audit and review related services	**692**	186
Total fees paid to auditor	**8,578**	8,813

1 The allocation of fees between Farmgate Milk Price Statement assurance engagement and the audit and review of the Financial Statements of the Group and its subsidiaries: New Zealand has been changed in the current year.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

Debt and equity

This section outlines the Group's capital structure and the related financing costs. It also provides information on how the funds that finance current and future activities are raised and how the Group manages capital.

4 Subscribed equity instruments

AT A GLANCE

This note provides information on the Group's capital structure, including shares of the Co-operative and Units of the Fonterra Shareholders' Fund.

Subscribed equity instruments comprise Co-operative shares and units in the Fonterra Shareholders' Fund (the Fund). Incremental costs directly attributable to equity transactions are recognised as a deduction from subscribed equity.

Under Fonterra's Flexible Shareholding capital structure farmer shareholders are required to hold their "minimum holding" and no more than their "maximum holding" of shares in accordance with Fonterra's Constitution for the 2024/2025 season by the Compliance Date of 1 December 2024.

Information about the Group's capital structure is available in the 'Investors/Capital Structure' section of Fonterra's website.

a) Co-operative shares, including shares held within the Group

Co-operative shares can be traded between eligible shareholders on the Fonterra Shareholders' Market (a private market operated by NZX Limited). Co-operative shares may only be held by:

- A shareholder supplying milk to Fonterra (farmer shareholder);
- Former farmer shareholders and/or their "permitted transferee(s)" (being a relative of, or someone with a sufficient ownership or control relationship with, a former farmer shareholder) who must dispose of their shares within a specified period after cessation of supply. This "exit period" is determined by when the former farmer shareholder became a farmer shareholder;
- Sharemilkers, contract milkers and lessors who are associated with a farm that supplies milk to Fonterra; and
- Fonterra Farmer Custodian Limited (the Custodian).

Voting rights are dependent on milk supply supported by Co-operative shares. The rights attaching to Co-operative shares are set out in Fonterra's Constitution, available in the 'Our Co-operative/Governance and Management' section of Fonterra's website.

A reconciliation of movements in shares of the Co-operative is presented in the following table.

	SHARES		$ MILLION	
	2024	2023	**2024**	2023
Co-operative shares				
Co-operative shares on issue at beginning of period	**1,609,244,669**	1,612,825,585	**5,078**	5,891
Shares acquired (and cancelled) under buyback programmes	**(54,114)**	(3,580,916)	**–**	(9)
Capital return payable	**–**	–	**–**	(804)
Co-operative shares on issue at end of period	**1,609,190,555**	1,609,244,669	**5,078**	5,078
Treasury shares				
Treasury shares at beginning of period	**(2,000,000)**	–	**(5)**	–
Additional treasury shares	**(3,000,000)**	(2,000,000)	**(9)**	(5)
Treasury shares at end of period	**(5,000,000)**	(2,000,000)	**(14)**	(5)
Co-operative shares on issue, excluding treasury shares	**1,604,190,555**	1,607,244,669	**5,064**	5,073

On 18 August 2023 the approved capital return of $804 million was paid to shareholders. 268,208,181 shares were repurchased and cancelled. At the same time, one share held by each shareholder which was not repurchased was subdivided into such number of shares as were repurchased, plus one. Accordingly, there was no change in the number of shares on issue following this transaction.

As part of Fonterra's ongoing capital management programme, Fonterra allocated up to $50 million to an on-market share buyback programme. This programme commenced on 18 August 2023 and was terminated following the announcement in May 2024 of the step-change in strategic direction for the Group (including exploring full or partial divestment options for some or all of its global Consumer business).

The treasury shares relate to shares that can be acquired by the Market Makers which the Group is required to fund, with the legal title held by Fonterra Farmer Custodian Limited, but which are treated as treasury shares for accounting purposes. At 31 July 2024, the Market Makers had acquired and the Group had funded 1,947,594 shares (31 July 2023: 1,199,961 shares).

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

4 Subscribed equity instruments CONTINUED

b) Units in the Fonterra Shareholders' Fund (the Fund)

The Custodian holds legal title of Co-operative shares of which the Economic Rights have been sold to the Fund on trust for the benefit of the Fund. Units in the Fund are traded on the New Zealand Stock Exchange (NZX) and Australian Securities Exchange (ASX).

Under Fonterra's Flexible Shareholding capital structure, the ability for the Fund to acquire Economic Rights and issue units to investors (i.e. to exchange shares for units) on a day-to-day basis is suspended. The Fonterra Board retains the right to regulate this process, and if, in future, the Board considered it was appropriate to increase the Fund size, it could do so up to the overall Fund size limit (as a percentage of total Co-operative shares on issue) of 10% (31 July 2023: 10%). The current Fund size is 6.7% (31 July 2023: 6.7%). The Fonterra share buyback programmes have not had a material impact on the Fund size as a percentage of the total number of Co-operative shares on issue.

The rights attaching to units are set out in the Fonterra Shareholders' Fund 2024 Annual Report, available in the 'Investors/Fonterra Shareholders' Fund' section of Fonterra's website.

A reconciliation of movements in units of the Fund is presented in the following table.

	UNITS	
	2024	2023
Units on issue at beginning of period	**107,410,984**	107,417,322
Units redeemed	**–**	(6,338)
Units on issue at end of period	**107,410,984**	107,410,984

c) Market capitalisation

The Group's market capitalisation has been below the carrying amount of net assets since Fonterra's capital review announcement in May 2021, and the gap has been increasing over time. At 31 July 2024, the Group's market capitalisation was $4.8 billion (31 July 2023: $5.1 billion) and the carrying amount of net assets was $8.2 billion (31 July 2023: $8.0 billion).

The share price is not considered an accurate reflection of the fair value of the Group's net assets for a number of reasons, including the nature of the Co-operative and its unique capital structure. For example, shares traded in a restricted market (i.e. Co-operative shares) are generally expected to trade at a discount compared to unrestricted markets, there is reduced liquidity in the market, supply and demand dynamics are impacted, and there is limited or no ability for investors to take a significant ownership interest or controlling interest.

However, accounting standards consider market capitalisation below the value of net assets to be an indicator of impairment and an impairment test has been performed. An external valuation was obtained to support the recoverable amount of the Group's net assets, using a multiples based approach on a fair value less costs of disposal basis. The valuation used key estimates including maintainable EBIT, earnings multiples of between 12.0x to 13.0x and seasonally adjusted net debt. This valuation uses unobservable inputs which would be categorised under Level 3 of the fair value hierarchy. This implied an equity valuation range which exceeds the net assets of the Group. As such, no impairment has been recognised.

5 Dividends

All Co-operative shares, including those held by the Custodian, are eligible to receive dividends if declared by the Board.

Dividends are recognised as a liability in the Group's Financial Statements in the period in which they are declared by the Board. The Group's Dividend Policy can be found in the 'Investors/Results & Reporting/ Dividends & Reinvestment Plan' section of Fonterra's website.

	2024	2023
2024 Interim dividend – 15 cents per share	**241**	–
2023 Final dividend – 40 cents per share	**643**	–
2023 Interim dividend – 10 cents per share	**–**	161
2022 Final dividend – 15 cents per share	**–**	242

Dividend declared after balance date

On 24 September 2024, the Board declared a final dividend of 25 cents per share and a special dividend of 15 cents per share, to be paid on 11 October 2024 to all holders of Co-operative shares on issue at 2 October 2024.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024
($ MILLION)

6 Borrowings

AT A GLANCE

This note provides information on the Group's borrowings, including movements during the year.

Borrowings (excluding lease liabilities) are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method, with the hedged risks on certain debt instruments measured at fair value.

Lease liabilities are recognised at the commencement date of the lease as the present value of the lease payments over the lease term. The lease payments include the exercise price of a purchase option where the Group is reasonably certain to exercise the option.

The lease payments are discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease term is the non-cancellable period, plus renewal options if they are reasonably certain to be exercised. Once a lease has commenced, the Group will only reassess the lease term on the occurrence of a significant event or change in circumstance that is within its control and affects its ability to exercise, or not exercise, an option not previously included in the lease term.

	2024	2023
Total current borrowings	1,032	785
Total non-current borrowings	2,356	3,156
Total borrowings[1]	**3,388**	3,941
Bank loans	39	50
Lease liabilities	359	392
NZX-listed bonds[2]	98	95
Medium-term notes[2]	2,892	3,404
Total borrowings[1,3]	**3,388**	3,941

1 At 31 July 2023, borrowings of $199 million attributable to disposal groups held for sale were not included in the table above.
2 Comparatives have been re-presented for consistency with the current year.
3 All borrowings other than lease liabilities are both unsecured and unsubordinated.

A breakdown of movements in total borrowings is presented in the following table.

	2024	2023
Opening balance	**3,941**	5,256
Proceeds	2,895	2,493
New lease liabilities	47	81
Repayments	(3,643)	(3,828)
Foreign exchange movements	83	98
Changes in fair values	52	(132)
Other	13	(27)
Closing balance	**3,388**	3,941

During the year total cash payments for leases (including lease liability repayments above, and also short-term and low value leases) were $120 million (31 July 2023: $130 million).

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

7 Net finance costs

Interest income and expense is recognised on an accrual basis in profit or loss, using the effective interest method.

Finance costs also include the changes in fair value relating to derivatives used to manage interest rate risk, and the associated changes in fair value of the borrowings designated in a hedge relationship attributable to the hedged risk. Information about the Group's hedge accounting policies are included in Note 20 *Hedge accounting*.

	2024	2023
Finance income	**30**	23
Interest expense[1]	**(199)**	(256)
Changes in fair value relating to:		
– Borrowings designated in a hedge relationship	**(52)**	132
– Derivatives designated in a hedge relationship	**66**	(110)
– Derivatives where hedge accounting has not been applied	**(2)**	–
Total interest income from fair value movements	**12**	22
Finance costs	**(187)**	(234)
Net finance costs	**(157)**	(211)

1 Includes interest expense of $12 million (31 July 2023: $13 million) relating to lease liabilities.

8 Capital management

AT A GLANCE

This note provides information on measures the Board uses to monitor the Group's capital.

The Group's objectives when managing capital are to maintain an appropriate balance between debt and equity to finance the Group's activities, assets and growth. The Group is not subject to substantive debt covenants or any other externally imposed capital requirements. The Board closely monitors the following non-GAAP measures: adjusted net debt, the gearing ratio, the debt to earnings before interest, tax, depreciation and amortisation (EBITDA) ratio and return on capital.

a) Adjusted net debt, gearing and debt to EBITDA

Adjusted net debt, the gearing ratio and the debt to EBITDA ratio are monitored by the Board and Management and provide useful information aligned with how certain rating agencies calculate these ratios when considering and determining the Group's credit rating.

At 31 July 2024, the Board approved Gearing Policy establishes a maximum adjusted net debt gearing ratio of 45%, with a long-term target range of 30% to 40%, and the Board approved Debt Policy establishes a maximum debt to EBITDA ratio of 3.75x, with a long-term target range of 2.5 to 3.0x.

The Adjusted net debt gearing ratio and Debt to EBITDA ratio are presented in the following tables.

	2024	2023
Total borrowings	**3,388**	3,941
Add: Bank overdraft	**42**	102
Less: Cash and cash equivalents	**(540)**	(1,822)
Add: Capital return payable	**–**	804
Add: Borrowings attributable to disposal groups held for sale	**–**	199
Less: Cash and cash equivalents attributable to disposal groups held for sale	**–**	(30)
Add: Cash adjustment of 25% for cash held by subsidiaries (including cash and cash equivalents attributable to disposal groups held for sale)	**47**	50
Less: Derivatives used to manage changes in hedged risks on debt instruments	**(332)**	(37)
Adjusted net debt	**2,605**	3,207
Equity excluding hedge reserves	**8,247**	7,925
Total capital	**10,852**	11,132
Adjusted net debt gearing ratio	**24.0%**	28.8%

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

8 Capital management CONTINUED

a) Adjusted net debt, gearing and debt to EBITDA CONTINUED

	2024	2023
Adjusted net debt	**2,605**	3,207
Profit after tax	**1,128**	1,577
Add: Net finance costs from continuing operations	**157**	211
Add: Net finance costs from discontinued operations	**7**	50
Add: Tax expense from continuing operations	**235**	303
Add: Tax expense from discontinued operations	**–**	77
Total Group EBIT	**1,527**	2,218
Add: Depreciation and amortisation from continuing operations	**627**	654
Add: Depreciation and amortisation from discontinued operations	**–**	8
Less: EBITDA relating to divestments	**(33)**	(78)
Add/(less): Normalisation adjustments[1]	**66**	(337)
Add/(less): Share of loss/(profit) of equity accounted investees	**1**	(17)
(Less)/add: Net foreign exchange (gains)/losses from continuing operations	**(16)**	8
Add: Net foreign exchange losses from discontinued operations	**–**	1
Total Group normalised EBITDA excluding divestments, share of profit of equity accounted investees and net foreign exchange gains/losses	**2,172**	2,457
Debt to EBITDA ratio	**1.2x**	1.3x

1 Comprised of a loss on sale of the Brazilian consumer and foodservice business of $66 million (31 July 2023: Gain on sale of the Chilean Soprole business of $349 million less Hangu China farm loss of $12 million).

b) Average capital employed and return on capital

Return on capital is calculated as total Group normalised earnings before interest and tax (total Group normalised EBIT) including finance income on long-term advances less a notional tax charge, divided by average capital employed.

The return on capital ratio is reported regularly to key management personnel, and compared against budget and prior years return on capital.

	2024	2023
Adjusted net debt	**2,605**	3,207
Less: Cash adjustment	**(47)**	(50)
Add: Cash and cash equivalents held by subsidiaries for operational purposes	**180**	185
Add: Equity excluding hedge reserves	**8,247**	7,925
Less: Net deferred tax assets	**(73)**	(146)
Capital employed (at 31 July)	**10,912**	11,121
Impact of seasonal variation in capital employed	**992**	1,653
Average capital employed (13 month rolling average)	**11,904**	12,774
Total Group EBIT	**1,527**	2,218
Add/(less): Normalisation adjustments[1]	**66**	(337)
Total Group normalised EBIT	**1,593**	1,881
Add: Finance income on long-term advances	**14**	11
Less: Notional tax charge	**(259)**	(305)
Total Group normalised EBIT including finance income on long-term advances less notional tax charge	**1,348**	1,587
Return on capital	**11.3%**	12.4%

1 Comprised of a loss on sale of the Brazilian consumer and foodservice business of $66 million (31 July 2023: Gain on sale of the Chilean Soprole business of $349 million less Hangu China farm loss of $12 million).

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

Assets and liabilities

This section provides information about certain elements of the Group's assets and liabilities. This includes:

- Short-term operating assets and liabilities generated by the Group. Movements in these items have a direct impact on the net cash flows generated from operating activities.
- Long-term assets to operate the business and generate returns to equity holders. These assets include physical assets such as land and buildings, and non-physical assets such as right-of-use assets, brands and goodwill.

9 Inventories

Raw materials and finished goods

Raw materials and finished goods are measured at the lower of cost or net realisable value on a first-in-first-out basis.

In the case of manufactured inventories, cost includes all direct costs plus the portion of fixed and variable production overheads incurred in bringing inventories to their present location and condition.

Net realisable value is the estimated selling price, less the costs of completion and selling expenses.

Emissions units

Emissions units are held primarily for compliance purposes, which are measured at the lower of cost or net realisable value on a weighted average cost basis. The Group's obligation to surrender emissions units is included in other current liabilities. Emissions units are derecognised as they are surrendered to settle the Group's emissions obligation.

	2024	2023
Raw materials	**741**	692
Finished goods	**3,652**	3,596
Less: Provision for impairment of raw materials and finished goods	**(94)**	(117)
Emissions units	**159**	175
Total inventories	**4,458**	4,346

10 Trade and other payables

Trade and other payables are recognised at the amount invoiced by the vendor and employee entitlements are recognised on an accrual basis. Due to their short-term nature, they are not discounted.

Amounts owing to suppliers are amounts the Group owes to farmer shareholders and New Zealand contract milk suppliers for the collection of milk, which includes end of season adjustments, offset by amounts owing from farmer shareholders for goods and services provided to them by the Group. These amounts are recognised at the net amount due to the supplier for the milk provided.

	2024	2023
Owing to suppliers	**1,623**	1,997
Trade payables	**2,120**	1,909
Employee entitlements	**369**	344
Other	**84**	120
Total trade and other payables	**4,196**	4,370

The Board uses its discretion in establishing the rate at which the Group will pay suppliers for the milk supplied over the season. This is referred to as the advance rate. For the 2024 season, amounts advanced during the financial year as a percentage of the Farmgate Milk Price (per kgMS) were 87% (31 July 2023: 85%). The Fonterra Farmgate Milk Price Statement sets out information about the Farmgate Milk Price as calculated in accordance with the Farmgate Milk Price Manual. It can be found in the 'Investors/Farmgate Milk Prices/Milk Price Methodology' section of Fonterra's website.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

11 Property, plant and equipment

AT A GLANCE

This note provides information on owned and leased assets including movements during the year, and capital commitments at the reporting date.

	2024	2023
Property, plant and equipment – owned	**6,070**	5,982
Right-of-use assets – leased	**330**	361
Total	**6,400**	6,343

a) Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. Cost includes the purchase consideration and those costs directly attributable to bringing the asset to the location and condition necessary for its intended use. It also includes financing costs directly attributable to the acquisition, production or construction of the asset. Subsequent costs are capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are recognised in profit or loss.

Depreciation

Depreciation is calculated on a straight-line basis to allocate the cost of the asset, less any residual value, over its estimated useful life. The range of estimated useful lives for each class of property, plant and equipment is as follows:

– Land	Indefinite
– Buildings and leasehold improvements	2 to 35 years (31 July 2023: 2 to 35 years)
– Plant, vehicles and equipment	2 to 35 years (31 July 2023: 2 to 35 years)

Judgement is involved in determining the assets' residual values and useful lives, which are reviewed and adjusted each financial year.

The estimates of useful lives may be impacted by climate-related risks in future and changes in expectations, for example the following events may shorten estimated useful lives of existing assets and result in an acceleration of depreciation:

- Milk supply and demand: In the event milk supply and demand reduce faster than expected, a plant closure may become necessary before the end of an existing asset's useful life; and
- Capital expenditure: In the event regulatory change or other factors require larger or earlier future investments, existing assets may need to be replaced before the end of their useful lives.

The Group's New Zealand ingredients manufacturing sites are utilised as a single network for processing raw milk supply. In estimating useful lives and residual values of its New Zealand ingredients manufacturing assets, the Group has considered the impact of:

- Possible flat or declining milk supply scenarios (together with individual plant peak milk processing requirements);
- Regulatory or environmental matters (such as the New Zealand Government's Emissions Reduction Plan);
- The Group's investment in sustainability, including its decarbonisation plan to exit coal by 2037 and electrification of the vehicle fleet;
- Technological advancements; and
- Changing consumer preferences and market competition.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

11 Property, plant and equipment CONTINUED

a) Owned assets CONTINUED

A breakdown of total owned property, plant and equipment is presented in the following table.

	LAND	BUILDINGS AND LEASEHOLD IMPROVEMENTS	PLANT, VEHICLES AND EQUIPMENT	CAPITAL WORK IN PROGRESS	TOTAL
Net book value					
As at 1 August 2023	**378**	**1,432**	**3,651**	**521**	**5,982**
Additions	**6**	**1**	**4**	**534**	**545**
Transferred from capital work in progress	**–**	**83**	**496**	**(579)**	**–**
Depreciation charge	**–**	**(96)**	**(352)**	**–**	**(448)**
Transferred from assets held for sale	**–**	**1**	**3**	**–**	**4**
Other	**–**	**(5)**	**(4)**	**(4)**	**(13)**
As at 31 July 2024	**384**	**1,416**	**3,798**	**472**	**6,070**
Represented by:					
Cost	**384**	**2,744**	**8,726**	**472**	**12,326**
Accumulated depreciation and impairment	**–**	**(1,328)**	**(4,928)**	**–**	**(6,256)**
Net book value					
As at 1 August 2022	368	1,517	3,674	508	6,067
Additions	14	1	3	571	589
Transferred from capital work in progress	–	70	469	(539)	–
Depreciation charge	–	(106)	(372)	–	(478)
Transferred to assets held for sale	(4)	(50)	(110)	(24)	(188)
Other	–	–	(13)	5	(8)
As at 31 July 2023	378	1,432	3,651	521	5,982
Represented by:					
Cost	378	2,641	8,294	521	11,834
Accumulated depreciation and impairment	–	(1,209)	(4,643)	–	(5,852)

Capital commitments

As at 31 July 2024 the Group was committed to spend $229 million (31 July 2023: $98 million), primarily related to plant, vehicles and equipment.

b) Leased assets

The Group is a lessee of various types of assets, including buildings, plant, vehicles and equipment. Right-of-use assets reflect the Group's right to use leased assets. Corresponding lease liabilities reflect the present value of the related future lease payments.

Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses. Cost is calculated as the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs required to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use assets are depreciated on a straight-line basis over the lease term, unless the useful life of the asset is less than the lease term or if the Group will own the asset at the end of the lease term. In these situations, the right-of-use asset is depreciated over the useful life of the asset, which is determined on the same basis as those of property, plant and equipment. Right-of-use assets are also adjusted for any impairment losses and certain remeasurements of the lease liability.

The Group enters into lease arrangements for land and buildings with options for renewal that typically run for a period of 3 to 10 years (31 July 2023: 3 to 10 years), however some property leases can run up to a period of 35 years (31 July 2023: 35 years). Lease payment changes are renegotiated at periods specified in the lease contracts and are usually based on local price indices or market rental rates.

Leases for plant, vehicles and equipment typically run for a period of 2 to 5 years (31 July 2023: 2 to 5 years).

Information about right-of-use assets from leases for which the Group is a lessee is presented in the following table.

	NET BOOK VALUE		DEPRECIATION CHARGE	
	2024	2023	**2024**	2023
Land	**22**	24	**2**	2
Buildings	**223**	240	**58**	59
Plant, vehicles and equipment	**85**	97	**21**	29
Total	**330**	361	**81**	90

Refer to Note 6 *Borrowings* for information about lease liabilities.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024
($ MILLION)

12 Intangible assets

AT A GLANCE

This note provides information on the Group's intangible assets which include goodwill, brands and software assets. Movements during the year and information on the Group's assessment of impairment for continuing operations are also included within this note. An impairment is recognised when the carrying amount of an asset or cash-generating unit (CGU) is greater than its recoverable value.

The significant intangible assets recognised by the Group are goodwill, brands and software assets.

Goodwill

Goodwill represents the premium paid by the Group over the fair value of the Group's share of the net identifiable assets of an acquired business at the date of acquisition. Goodwill is initially recognised at cost and subsequently measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually and is not amortised.

Brands

Brands that are purchased by the Group are initially recognised at cost, or at their fair value if acquired as part of a business combination, and subsequently measured at cost less any impairment losses. A brand is determined to have an indefinite life where there is an intention to maintain and support the brand for an indefinite period.

Indefinite life brands are tested for impairment annually and are not amortised.

Indefinite life brands that have been impaired are reviewed for possible reversal of impairment annually. A reversal of an impairment loss shall not exceed the carrying amount that would have been recognised had no impairment loss occurred in prior years.

Software assets

Software assets, both purchased and internally developed, are capitalised provided there is an identifiable asset that will generate future economic benefits through cost savings or supporting revenue generation. Subsequent costs are capitalised if they extend the useful life or enhance the functionality of the asset.

Software assets are amortised on a straight-line basis over their estimated useful lives (31 July 2024: 3 to 10 years, 31 July 2023: 3 to 10 years). Software assets are tested for impairment when an indicator of impairment exists.

Impairment testing

A CGU is tested for impairment when there are indicators of impairment. An impairment test is also completed on an annual basis when a CGU has goodwill or indefinite life intangibles allocated to it. To determine if an asset or CGU is impaired, the carrying amount of the asset or CGU is compared to its recoverable amount, being the higher of its value in use and fair value less costs of disposal. If the carrying amount is higher than the recoverable amount, the CGU is impaired to its recoverable amount.

Uncertainty is involved in estimating value in use and fair value less costs of disposal.

Value in use is determined as the present value of the future cash flows expected to be derived from the CGU. Judgement is involved in estimating future cash flows, discount rates and terminal growth rates. Cash flows are based on approved forecasts which are consistent with the Board approved strategy. Cash flows do not exceed five years, and discount rates are based on external data where possible.

Where the Group has applied the relief from royalty method for valuing its brands, judgement is involved in estimating both forecasted sales growth and royalty rates.

Fair value less costs of disposal reflects the price that would be received to sell the CGU in an orderly transaction between market participants at the measurement date, less the costs of disposal. Fair value has been determined using a market approach, with judgement involved in the estimate of future maintainable earnings and the earnings multiple applied.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

12 Intangible assets CONTINUED

A breakdown of total intangible assets is presented in the following table.

	BRANDS	GOODWILL	SOFTWARE	SOFTWARE WIP	OTHER	TOTAL INTANGIBLES
Net book value						
As at 1 August 2023	**1,161**	**316**	**252**	**82**	**13**	**1,824**
Additions	**–**	**–**	**–**	**40**	**30**	**70**
Transferred from work in progress	**–**	**–**	**83**	**(83)**	**–**	**–**
Amortisation	**–**	**–**	**(91)**	**–**	**(7)**	**(98)**
Impairment	**(31)**	**–**	**(2)**	**–**	**–**	**(33)**
Other	**21**	**4**	**(5)**	**1**	**1**	**22**
As at 31 July 2024	**1,151**	**320**	**237**	**40**	**37**	**1,785**
Represented by:						
Cost	**1,463**	**657**	**1,567**	**40**	**64**	**3,791**
Accumulated depreciation and impairment	**(312)**	**(337)**	**(1,330)**	**–**	**(27)**	**(2,006)**
Net book value						
As at 1 August 2022	1,248	533	283	74	15	2,153
Additions	–	–	–	79	–	79
Transferred from work in progress	–	–	71	(71)	–	–
Amortisation	–	–	(92)	–	(2)	(94)
Impairment	(101)	(121)	–	–	–	(222)
Transferred to assets held for sale	(20)	(95)	(1)	–	–	(116)
Other	34	(1)	(9)	–	–	24
As at 31 July 2023	1,161	316	252	82	13	1,824
Represented by:						
Cost	1,437	653	1,498	82	34	3,704
Accumulated depreciation and impairment	(276)	(337)	(1,246)	–	(21)	(1,880)

a) Goodwill and indefinite life brands

The allocation of goodwill and brands is presented in the following table. All brands presented have indefinite lives.

	2024			2023		
	BRANDS	GOODWILL	TOTAL	BRANDS	GOODWILL	TOTAL
Asia brands	**600**	**–**	**600**	611	–	611
Australia CGU	**149**	**138**	**287**	148	135	283
New Zealand consumer and foodservice CGU	**282**	**108**	**390**	282	108	390
NZMP brand	**120**	**–**	**120**	120	–	120
Other CGUs	**–**	**74**	**74**	–	73	73
Total	**1,151**	**320**	**1,471**	1,161	316	1,477

b) Impairment testing of goodwill and indefinite life brands

The Group has performed impairment tests for CGUs with goodwill or intangible assets with indefinite useful lives. Annual impairment tests are performed at 31 March, and an impairment of $31 million was recognised for brands within operating expenses in the Statement of Profit or Loss and Other Comprehensive Income (31 July 2023: $222 million brands and goodwill impairment).

CGUs and assets were assessed for indicators of impairment at 31 July. Apart from the Group's market capitalisation (refer to Note 4 *Subscribed equity instruments* for further information), no indicators of impairment were identified at the reporting date.

Further information for those CGUs with significant goodwill or indefinite life brands is provided below.

Asia brands

The Asia brands represent the Group's trademarks and other intellectual property in territories outside of New Zealand and Australia, relating to the Anchor™, Anlene™, Anmum™, and Chesdale™ brands.

The relief from royalty method is used to calculate the recoverable amounts of the brands. The relief from royalty methodology is a value in use calculation which determines the recoverable amount by calculating the present value of what a licensee would theoretically pay as a royalty to use the brands.

The key assumption used in the relief from royalty method is forecast sales growth. The value attributed to the assumption is based on five-year revenue forecasts using the three-year business plans approved by the Board. Revenues for years four and five have been prepared based on growth expectations for the brand.

The royalty rates applied in the calculation are determined based on comparable market data, and range from 3% to 7% (31 July 2023: 3% to 7%).

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

12 Intangible assets CONTINUED

b) Impairment testing of goodwill and indefinite life brands CONTINUED

Asia brands impairment totalled $31 million (31 July 2023: $101 million). Of this impairment, $26 million is attributed to the Greater China reportable segment and $5 million to the Global Markets reportable segment (31 July 2023: $46 million Greater China, $55 million Global Markets).

Further information on the Anchor™, Anlene™ and Anmum™ brands is provided below.

Anchor™ Brand

The carrying value of the Anchor™ brand is $375 million (31 July 2023: $362 million). No impairment has been recognised for the brand, and no reasonably possible change in key assumptions would cause the carrying amount of the brand to exceed its recoverable amount.

The brand is sold across a number of markets, and the range of post-tax discount rates applied was 8.9% to 28.6% (31 July 2023: 9.2% to 32.3%). The range of pre-tax discount rates was 10.5% to 40.3% (31 July 2023: 10.7% to 45.7%).

The long-term growth rates applied range from 1.0% to 4.6% (31 July 2023: 1.5% to 5.1%).

Anlene™ brand

The carrying value of the Anlene™ brand is $164 million (31 July 2023: $159 million) and no impairment has been recognised for the brand (31 July 2023: impairment of $45 million).

As the brand is sold across a number of markets, all with different characteristics, the range of post-tax discount rates applied was 8.9% to 28.6% (31 July 2023: 9.2% to 32.3%). The range of pre-tax discount rates was 10.5% to 40.3% (31 July 2023: 10.7% to 45.7%).

The long-term growth rates applied range from 1.0% to 4.6% (31 July 2023: 1.5% to 5.1%).

An adverse change in an assumption could result in a reduction in the recoverable amount, in which case an impairment may be possible.

Anmum™ brand

The recoverable amount of the Anmum™ brand was assessed to be $39 million. This was lower than the carrying value of the brand, resulting in an impairment of $31 million (31 July 2023: $51 million).

The impairment recognised is primarily due to a reduction in forecast sales growth driven by challenging market conditions.

As the brand is sold across a number of markets, all with different characteristics, the range of post-tax discount rates applied was 8.9% to 16.0% (31 July 2023: 9.2% to 16.4%). The range of pre-tax discount rates was 10.5% to 19.6% (31 July 2023: 10.7% to 19.8%).

The long-term growth rates applied range from 1.0% to 3.2% (31 July 2023: 1.5% to 3.7%).

Following this impairment, the carrying value of the brand has been reduced to the recoverable value. An adverse change in a key assumption could result in a further reduction in the recoverable amount, in which case a further impairment may be possible.

Australia CGU

This CGU represents a business which sells dairy products in the ingredients, consumer and foodservice channels, primarily in Australia.

The recoverable amount of the business was determined on a value in use basis using a discounted cash flow methodology.

The model uses a five-year cash flow forecast based on the three-year business plan approved by the Board. Cashflows for years four and five have been prepared based on economic growth expectations for Australia.

Key assumptions that will drive the business' achievement of the cash flows included in the impairment model reflect past experience and Management's future expectations for the business, and are as follows:

- The Australian milk price aligning to historical relativities to global dairy prices;
- Revenue growth of 2.7%; and
- Ongoing operational cost savings of $30 million, including efficiencies created through the recently formed Fonterra Oceania business.

The long-term growth rate applied to the future cash flows after year five of the forecast was 2.5% (31 July 2023: 2.5%). This reflects the expected long-term economic growth rate for Australia.

The post-tax discount rate was 7.4% (31 July 2023: 7.0%). The pre-tax discount rate was 9.8% (31 July 2023: 9.3%).

An adverse change in these assumptions could result in a reduction in the recoverable amount, in which case an impairment may be possible.

New Zealand consumer and foodservice CGU

This CGU represents a business which sells dairy products in the consumer and foodservice channels in New Zealand and selected export markets.

The recoverable amount of the business was determined on a fair value less costs of disposal basis under a market approach. No impairment has been recognised, and no reasonably possible change in key assumptions would cause the carrying amount to exceed its recoverable amount.

The valuation uses a sustainable earnings before interest, tax, depreciation and amortisation (EBITDA) based on expected future maintainable earnings, and an appropriate earnings multiple based on benchmarking against peers. This valuation uses unobservable inputs, which would be categorised under Level 3 of the fair value hierarchy.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

13 Other assets

AT A GLANCE

This note provides a summary of other asset balances aggregated in the Statement of Financial Position.

A breakdown of other assets is presented in the following table.

	2024	2023
Current		
Tax receivable	**23**	49
Other	**66**	100
Total other current assets	**89**	149
Non-current		
Equity accounted investments	**128**	116
Long-term advances	**163**	155
Ki Tua Fund investments[1]	**61**	17
Other[1]	**95**	90
Total other non-current assets	**447**	378

1 Comparative information includes re-presentations for consistency with the current period.

On 23 January 2020 Fonterra completed the sale of its 50 per cent share of DMV Fonterra Excipients GmbH & Co. KG (DFE Pharma) and the sale proceeds included an interest-bearing loan of $93 million. This loan is due for repayment in 2035 or earlier in certain circumstances. The amount included within long-term advances at 31 July 2024 is $135 million (31 July 2023: $120 million).

14 Other liabilities

AT A GLANCE

This note provides a summary of other liability balances aggregated in the Statement of Financial Position.

A breakdown of other liabilities is presented in the following table.

	2024	2023[1]
Current		
Provisions	**50**	55
Other	**58**	76
Total other current liabilities	**108**	131
Non-current		
Provisions	**72**	63
Other	**4**	11
Total other non-current liabilities	**76**	74

1 Comparative information includes re-presentations for consistency with the current period.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

14 Other liabilities CONTINUED

a) Provisions and contingent liabilities

Provisions are recognised in the Statement of Financial Position only where the Group has a present legal or constructive obligation. This obligation must be the result of a past event, when it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Estimates and assumptions are made in determining the likelihood, amount and timing of cash outflows when the outcome is uncertain. Legal counsel or other experts are consulted on matters that may give rise to a provision or a contingent liability.

In the normal course of business, the Group is exposed to claims and legal proceedings that may in some cases result in costs.

Provisions relate to employee benefits (defined benefit scheme obligations, other obligations that fall due on termination of employment, and long-term employee benefits), and other provisions (customs and duties, legal matters, product quality claims and other claims arising in the normal course of business). The timing and amount of settlement is uncertain as it depends on the outcome of judicial proceedings or commercial negotiations relating to each individual claim.

Employee benefit provisions total $60 million (31 July 2023: $52 million). A breakdown of provision movements is presented in the following table.

	2024
As at 1 August 2023	**118**
Additional provisions	**76**
Unused amounts reversed	**(18)**
Utilised during the year	**(57)**
Other	**3**
As at 31 July 2024	**122**

Other

This section contains notes and disclosures that aid in understanding the Group's position and performance, and outlines the key risk management activities undertaken to manage the Group's exposure to financial risk.

15 Net movement in working capital and other operating activities

A breakdown of the decrease in working capital and other operating activities from the Statement of Cash Flows is presented in the following table.

	2024	2023[1]
Trade and other receivables	**380**	(31)
Inventories	**(109)**	566
Trade and other payables	**(136)**	302
Other movements	**(23)**	(63)
Total decrease in working capital and other operating activities	**112**	774

1 Comparative information includes re-presentations for consistency with the current period.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

16 Taxation

AT A GLANCE

This note provides information on income tax that has been recognised in the Statement of Profit or Loss and Other Comprehensive Income and the effective tax rate, together with information on the deferred tax asset and liability in the Statement of Financial Position and movements during the year.

Tax expense comprises current and deferred tax. Tax expense, including the tax consequences of distributions to farmer shareholders, is recognised in profit or loss. The tax consequences of distributions to farmer shareholders are recognised in the year to which the distribution relates. Other than distributions to farmer shareholders, tax consequences of items recognised directly in equity are also recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes. Deferred tax is measured at the tax rate that is expected to apply to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted at balance date.

Deferred tax is not recognised on the following temporary differences:

- The initial recognition of goodwill;
- The initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries and equity accounted investees to the extent that the timing of the reversal is controlled by the Group and it is probable that they will not reverse in the foreseeable future.

In determining the probability of reversal, consideration is taken of whether the related assets are held for sale, future expectations of exiting, and if applicable, the impact any exit would have on the crystallisation of the deferred tax.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the temporary differences can be utilised.

a) Taxation – Statement of Profit or Loss and Other Comprehensive Income

The total tax expense in profit or loss is summarised in the following table.

	2024	2023
Current tax expense	117	98
Prior period adjustments to current tax	(4)	(3)
Deferred tax movements: Origination and reversal of temporary differences	122	208
Tax expense	**235**	303

The taxation charge that would arise at the standard rate of corporation tax in New Zealand is reconciled to the tax expense as follows:

	2024	2023
Profit before tax from continuing operations	**1,403**	1,544
Prima facie tax expense at 28%	393	432
Tax effect of distributions to farmer shareholders	(216)	(189)
Add: Tax effect of other items	58	60
Tax expense from continuing operations	**235**	303
Effective tax rate	**16.7%**	19.6%

The Group does not expect to be significantly impacted by Pillar II tax reforms and the move towards global minimum tax rates of 15%.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

16 Taxation CONTINUED

b) Taxation – Statement of Financial Position

The deferred tax assets and deferred tax liabilities in the Statement of Financial Position, along with the net deferred tax, are presented in the following table.

	2024			2023[1]		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX
Property, plant and equipment	**104**	**(257)**	**(153)**	112	(178)	(66)
Intangible assets	**–**	**(345)**	**(345)**	–	(358)	(358)
Derivative financial instruments	**24**	**–**	**24**	–	(18)	(18)
Inventories	**165**	**–**	**165**	175	–	175
Tax losses	**193**	**–**	**193**	225	–	225
Other	**189**	**–**	**189**	188	–	188
Total before offsetting	**675**	**(602)**	**73**	700	(554)	146
Offset adjustment	**(467)**	**467**	**–**	(518)	518	–
Total	**208**	**(135)**	**73**	182	(36)	146

1 Comparative information includes re-presentations for consistency with the current period.

	2024	2023
Movements for the year		
Opening balance	**146**	501
Recognised in profit after tax	**(122)**	(208)
Recognised in other comprehensive income	**47**	(147)
Foreign currency translation	**2**	–
Closing balance	**73**	146

Deferred tax liabilities

Earnings generated by foreign subsidiaries could be subject to withholding and other taxes on remittance. Deferred tax liabilities are not recognised in respect of unremitted earnings that are considered indefinitely reinvested in foreign subsidiaries.

As at 31 July 2024, unremitted earnings that are considered indefinitely reinvested in foreign subsidiaries amount to $165 million (31 July 2023: $171 million). The Group has made a judgement not to recognise deferred tax liabilities in respect of these amounts because it can control the timing and the manner in which the associated temporary difference will reverse. This includes controlling the timing of dividends, and in the event of divestments, the manner in which divestment proceeds are remitted, and therefore the associated tax consequences.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

17 Related party transactions

AT A GLANCE

This note provides details on transactions, balances and commitments with persons or entities that are related to the Group, including key management personnel and equity accounted investees.

a) Key management personnel

Key management personnel comprise members of the Board and members of the FMT.

A number of Board Directors are also farmer shareholders.

Transactions with key management personnel are on normal trade terms and no balances are secured.

	2024	2023
Transactions with key management personnel		
Short-term employee benefits	**20**	23
Long-term employee benefits	**2**	1
Share-based payments	**1**	1
Directors' remuneration	**3**	3
Total key management personnel remuneration	**26**	28
Purchases of goods, primarily milk supplied by farmer shareholder Directors	**119**	138
Sale of goods, primarily sales through Farm Source™ retail stores	**6**	8
Dividends paid to farmer shareholder Directors	**9**	4
Capital return paid to farmer shareholder Directors	**8**	–
Balances with key management personnel		
Total payables and provisions arising from remuneration	**17**	19
Total capital return payable to farmer shareholder Directors	**–**	8
Total payables arising from the purchase of goods or services[1]	**15**	19

1 Comparative information includes re-presentations for consistency with the current period.

During the year ended 31 July 2024 (and the year ended 31 July 2023) Fonterra issued Alignment Rights to FMT under a long-term incentive plan. The value on issuance of these Alignment Rights is split equally between:

- "Co-op Units", where the participant receives distributions during the period of the arrangement and a cash payment equal to the number of rights times the 12-month volume weighted average price of a Co-operative Share. This is a cash-settled share-based payment as the payment is linked to share prices, and is presented as a share-based payment above; and
- "Farm Units", where the participant receives a cash payment equal to the number of rights times the 3-year average owner operator Dairy Operating Profit per hectare, sourced from the Dairy NZ Economic Survey. This is presented as a long-term employee benefit above.

The cost is spread over the 3-year service period, and paid between 4 to 6 years from the date of issue.

b) Equity accounted investees

Transactions with equity accounted investees are on normal trade terms and no balances are secured.

	2024	2023
Transactions with equity accounted investees		
Revenue from the sale of goods and services, primarily for commodity products sold	**21**	41
Other income, primarily dividends and royalties	**11**	21
Purchases of goods, primarily commodity products	**78**	87
Purchases of services, primarily freight services	**198**	218
Contributions paid	**25**	21
Balances with equity accounted investees		
Total receivables arising from the sale of goods or services	**3**	3
Total payables arising from the purchase of goods or services	**10**	14

The Group has prospective commitments with related parties including contracts with equity accounted investees for the sale, supply and purchase of dairy products, energy and the provision of various management services.

The Group has committed to provide funding of up to $50 million to the AgriZero^{NZ} joint venture, of which $19 million has been contributed during the year (31 July 2023: $12 million contributed).

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

18 Fair value measurement

AT A GLANCE

This note provides a summary of assets and liabilities measured at fair value and categorises these into a hierarchy that indicates the extent to which fair value is based on observable information. This note also includes information about the fair value of financial assets and financial liabilities not measured at fair value.

The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The fair values of financial assets and liabilities are calculated by reference to quoted market prices where that is possible. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If quoted market prices are not available, the methodology used to calculate the fair values of financial assets and liabilities is to identify the expected cash flows under the terms of each specific contract and then discount these values back to the present value. These models use as their basis independently sourced market data where it is available and rely as little as possible on entity-specific estimates.

The calculation of the fair value of financial instruments reflects the impact of credit risk where applicable.

Specific valuation techniques used to value financial instruments include:

- The fair value of foreign exchange contracts is determined using observable currency exchange rates, option volatilities and interest rate yield curves;
- The fair value of interest rate contracts is calculated as the present value of the estimated future cash flows based on observable interest rate yield curves;
- The fair value of commodity contracts that are not exchange traded is determined by calculating the present value of estimated future cash flows based on observable quoted prices for similar instruments; and
- The fair value on the hedged risks of borrowings and long-term advances that are not exchange traded is calculated as the present value of the estimated future cash flows based on observable currency exchange rates and interest rate yield curves.

Fair value hierarchy

The fair value hierarchy described below is used to provide an indication of the level of estimation or judgement required in determining fair value:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

The fair value hierarchy for assets and liabilities measured at fair value are presented in the following table.

	LEVEL 1		LEVEL 2		LEVEL 3	
	2024	2023[1]	**2024**	2023	**2024**	2023[1]
Measured at fair value on a recurring basis						
Derivative assets	**122**	34	**504**	535	**–**	–
Derivative liabilities	**(77)**	(190)	**(375)**	(331)	**–**	–
Other	**38**	55	**–**	13	**115**	56
Measured at fair value on a non-recurring basis						
Net assets/(liabilities) held for sale	**–**	–	**–**	–	**3**	(21)
Fair value	**83**	(101)	**129**	217	**118**	35

1 Comparative information includes re-presentations for consistency with the current period.

The fair value of financial assets and liabilities not measured at fair value approximates carrying value, except in respect of medium-term notes. The medium-term notes have a carrying value of $2,892 million (31 July 2023: $3,404 million), and their fair value is $2,952 million (31 July 2023: $3,470 million) at level 2 of the fair value hierarchy.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

19 Financial risk management

AT A GLANCE

This note provides information on the Group's financial risks. The Group has exposure to market risk (which includes volatility in foreign exchange, interest rates, and commodity prices), liquidity risk, and credit risk. These risks are managed in accordance with established Group policies and procedures.

The Group has exposure to the following financial risks:

- Market risk;
- Liquidity risk; and
- Credit risk.

The Group's overall financial risk management programme focuses primarily on maintaining a financial risk profile that provides flexibility to implement the Group's strategies, while optimising return on assets. Financial risk management is centralised, which supports compliance with the financial risk management policies and procedures set by the Board.

The Group uses derivatives, such as forwards, futures, options and swaps to manage its exposure to certain risks as described in this section. Derivatives are measured at fair value.

Measurement differences between derivatives and the associated item being hedged can present volatility in profit or loss. To reduce this volatility the Group applies hedge accounting. Refer to Note 20 *Hedge accounting* for further information.

Market risk

a) Foreign exchange risk

Nature and exposure of risk

Foreign exchange risk is the risk that changes in foreign exchange rates will affect the Group's future cash flows or fair value of financial instruments.

The Group is exposed to movements in foreign exchange rates through transactions and balances denominated in foreign currencies. The Group's exposure to foreign currency before applying risk management strategies are as follows:

- Forecast foreign currency transactions, which predominantly includes the Group's forecast sales transactions which are mainly denominated in United States Dollars;
- Net investments in foreign operations of $3,647 million (31 July 2023: $3,678 million). This amount includes foreign currency receivables and payables, and excludes net investments in foreign operations held for sale and borrowings held by the Group in the same currency as the investment;
- Borrowings denominated in foreign currency of $2,920 million (31 July 2023: $3,464 million); and
- Foreign currency receivables of $1,648 million (31 July 2023: $1,788 million) and payables of $1,022 million (31 July 2023: $918 million).

The concentration of borrowings by currency is presented in the following table.

	2024	2023
United States Dollar	**1,459**	1,374
Australian Dollar	**537**	709
European Euro	**668**	640
New Zealand Dollar	**468**	477
British Pound	**–**	468
Chinese Renminbi	**195**	193
Other	**61**	80
Total borrowings	**3,388**	3,941

How foreign exchange risk is managed

Forecast foreign currency transactions

The Group enters into foreign currency forward contracts and foreign currency options to manage foreign exchange risk on the following forecast foreign currency transactions:

- Forecast cash receipts from foreign currency sales for a period of up to 18 months within decreasing limits approved by the Board; and
- Up to 100% of other forecast foreign currency transactions.

Foreign operations

The Group also has discretion to use foreign currency denominated borrowings and foreign currency swaps to manage foreign exchange risk on net investments in foreign operations.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

19 Financial risk management CONTINUED

a) Foreign exchange risk CONTINUED

Foreign currency denominated borrowings

To the extent the Group has monetary assets in the same foreign currency as the borrowing, the Group has a reduced exposure to foreign exchange risk. Foreign currency gains and losses relating to these balances are offset in profit or loss.

The Group uses cross-currency interest rate swaps (CCIRS) to manage residual foreign exchange and interest rate risk on foreign currency denominated borrowings. CCIRS exchange fixed rate foreign currency borrowings and interest payments into equivalent New Zealand Dollar-denominated amounts of principal with floating interest rates. The Group's policy is to maintain its net exposure to a foreign currency within Board approved predefined limits.

Receivables and payables denominated in foreign currency

In accordance with Board approved policy, the Group enters into foreign currency forward contracts and foreign currency options for 100% of its net foreign currency receivables and payables which generate foreign exchange risk within profit or loss.

Derivatives used to hedge the changes in the value of foreign currency receivables and payables are not hedge accounted. Changes in the fair value of these derivatives provide an offset to the changes in the value of foreign currency receivables and payables recognised in profit or loss. These are recognised within foreign exchange gains/(losses) in the Statement of Profit or Loss and Other Comprehensive Income.

Sensitivity analysis

The following table presents the Group's post-tax sensitivity of financial instruments and net assets held in foreign operations at reporting date, after taking into consideration the impact of hedge accounting, to a reasonably possible strengthening or weakening NZD against foreign currencies. Hedged forecast transactions would offset the equity impacts shown below when incurred.

Assets and liabilities held for sale have been excluded from the sensitivity analysis in the following table.

	2024		2023	
	EQUITY	PROFIT	EQUITY	PROFIT
10% strengthening of the NZD	**421**	**1**	352	(9)
10% weakening of the NZD	**(497)**	**(1)**	(389)	9

b) Interest rate risk

Nature and exposure of risk

Interest rate risk is the risk that changes in interest rates will affect the Group's future cash flows or fair value of financial instruments.

Changes in interest rates expose the Group to changes in the fair value of borrowings subject to fixed interest rates (fair value risk), and changes in future interest payments on borrowings subject to floating interest rates (cash flow risk).

The Group is exposed to movements in interest rates on its interest-bearing borrowings and interest-bearing assets, including cash and cash equivalents. The Group's exposure before applying risk management strategies is $2,727 million (31 July 2023: $2,066 million).

How interest rate risk is managed

The Group issues fixed and floating rate debt and uses interest rate swaps (IRS) to manage interest rate exposure on its borrowings within a Board approved target ratio of fixed and floating rate exposure.

Sensitivity analysis

The following table presents the Group's post-tax sensitivity of floating rate financial instruments and of the fair value of fixed rate financial assets and liabilities held at reporting date to a reasonably possible change in interest rates. This analysis assumes that the amount and mix of fixed and floating rate debt remains unchanged from that in place at reporting date, and that the change in interest rates is effective from the beginning of the year.

Assets and liabilities held for sale have been excluded from the sensitivity analysis in the following table.

	2024		2023	
	EQUITY	PROFIT	EQUITY	PROFIT
100 basis point increase	**44**	**1**	44	2
100 basis point decrease	**(45)**	**(1)**	(46)	(2)

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

19 Financial risk management CONTINUED

c) Commodity price risk

Nature and exposure of risk

Commodity price risk is the risk that changes in commodity prices will affect the Group's future cash flows or fair value of financial instruments.

The Group is exposed to dairy commodity price risk through changes in selling prices and the cost of milk. In addition, the Group is a large purchaser of electricity, diesel and emissions units and is exposed to changes in the cost of these commodities.

How commodity price risk is managed

Dairy commodity price risk

The Group manages its exposure to dairy commodity price risk by:

- Determining the most appropriate mix of products to manufacture based on expected milk supply and global demand for dairy products;
- Governing the length and terms of sales contracts, so that sales revenue is reflective of current market prices and is, where possible, linked to Global Dairy Trade prices; and
- Using dairy commodity derivative contracts to obtain a certain price for future sales, or the cost of milk, to manage margin risk. The markets for dairy commodity derivatives are relatively limited, which reduces the ability to manage earnings volatility. As markets for these derivatives grow, the use of dairy commodity derivatives to manage dairy commodity price risk may increase.

Other commodity price risk

The Group manages its exposure to other commodity price risk through the use of derivative contracts to hedge the cost of electricity and diesel and the pre-purchase of emissions units to hedge the cost of emissions units. These are transacted at Board approved levels.

Sensitivity analysis

The following table presents the Group's post-tax sensitivity on its commodity derivatives, after taking into consideration the impact of hedge accounting, from a reasonably possible increase or decrease in commodity prices, with all other variables held constant. Commodity price sensitivity arises from the revaluation of derivative assets and liabilities in the Statement of Financial Position at balance date. Hedged forecast transactions would offset the equity impacts shown below when incurred.

	2024		2023	
	EQUITY	PROFIT	EQUITY	PROFIT[1]
10% increase in commodity prices	**54**	**(27)**	38	(17)
10% decrease in commodity prices	**(55)**	**28**	(39)	17

1 Comparative information includes re-presentations for consistency with the current period.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024
($ MILLION)

19 Financial risk management CONTINUED

Liquidity risk

Nature and exposure of risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The following table sets out the contractual, undiscounted cash flows for the Group's financial instruments.

	2024					
	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	3 MONTHS OR LESS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS
Non-derivative financial liabilities						
Borrowings						
– Bank loans	(39)	(39)	(9)	(30)	–	–
– Lease liabilities	(359)	(413)	(21)	(56)	(200)	(136)
– NZX-listed bonds	(98)	(106)	–	(4)	(102)	–
– Medium-term notes	(2,892)	(3,294)	(21)	(1,002)	(1,795)	(476)
Bank overdraft	(42)	(43)	(10)	(33)	–	–
Trade and other payables (excluding employee entitlements)	(3,827)	(3,827)	(3,759)	–	(68)	–
Other	(56)	(70)	(25)	(9)	(36)	–
Total non-derivative financial liabilities	(7,313)	(7,792)	(3,845)	(1,134)	(2,201)	(612)
Derivative financial instruments						
Gross settled derivatives						
Inflow		23,615	10,241	9,616	3,282	476
Outflow		(23,493)	(10,322)	(9,719)	(3,111)	(341)
Total gross settled derivative financial instruments	65	122	(81)	(103)	171	135
Net settled derivatives	109	113	10	101	2	–
Total financial liabilities and derivatives	(7,139)	(7,557)	(3,916)	(1,136)	(2,028)	(477)

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

19 Financial risk management CONTINUED

	2023[1]					
	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	3 MONTHS OR LESS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS
Non-derivative financial liabilities						
Borrowings						
– Bank loans	(50)	(50)	(16)	(34)	–	–
– Lease liabilities	(392)	(445)	(23)	(65)	(209)	(148)
– NZX-listed bonds	(95)	(110)	–	(4)	(106)	–
– Medium-term notes	(3,404)	(3,993)	(25)	(780)	(2,384)	(804)
Bank overdraft	(102)	(102)	(102)	–	–	–
Trade and other payables (excluding employee entitlements)	(4,026)	(4,026)	(3,943)	(83)	–	–
Capital return payable	(804)	(804)	(804)	–	–	–
Other	(65)	(79)	(29)	(6)	(44)	–
Total non-derivative financial liabilities	(8,938)	(9,609)	(4,942)	(972)	(2,743)	(952)
Derivative financial instruments						
Gross settled derivatives						
Inflow		25,128	12,241	8,628	3,455	804
Outflow		(25,014)	(12,229)	(8,834)	(3,292)	(659)
Total gross settled derivative financial instruments	105	114	12	(206)	163	145
Net settled derivatives	(57)	(18)	(105)	95	(8)	–
Total financial liabilities and derivatives	(8,890)	(9,513)	(5,035)	(1,083)	(2,588)	(807)

1 Comparative information includes re-presentations for consistency with the current period.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

19 Financial risk management CONTINUED

How liquidity risk is managed

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has a Board approved policy in place to ensure that it has sufficient cash or facilities on demand to meet expected operational expenses for a period of at least 80 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In such situations back-up funding lines are maintained and as set out in Fonterra's Constitution, the Group can defer payments to farmer shareholders if necessary.

The Group manages its liquidity by retaining cash and marketable securities, and the availability of funding from an adequate amount of committed credit facilities. The Group would also be able to close out market positions if necessary. The Group's funding facilities are reviewed at least annually, which is one of the key financial risk management activities undertaken to ensure an appropriate maturity profile given the nature of the Group's business. At balance date the Group had undrawn lines of committed credit totalling $2,950 million (31 July 2023: $2,830 million).

Liquidity and refinancing risks are also managed by ensuring that the Group can maintain access to funding markets throughout the world. To that end, the Group maintains debt issuance programmes in a number of key markets and manages relationships with international investors.

Credit risk

Nature and exposure of risk

Credit risk is the risk of loss to the Group due to customer or counterparty default on the Group's receivable balances. The Group's maximum exposure to credit risk is represented by the carrying amounts of cash and cash equivalents, trade and other receivables, long-term advances and derivative assets.

The Group has no significant concentrations of credit risk.

How credit risk is managed

The Group sets minimum credit quality requirements, credit limits and uses other credit mitigation tools to manage its credit risk. The Group's Board approved policy is to actively manage its exposure to credit risk through the following actions.

Derivative contracts, cash and cash equivalents and other balances

- Use of financial counterparties that have a credit rating of at least 'A-' from S&P Global Ratings (or equivalent);
- Use of commodity counterparties that have a credit rating of at least 'BBB-' from S&P Global Ratings (or equivalent) for commodity derivative contracts; and
- Posting or receiving margin in respect of derivative contracts transacted on exchanges.

As at 31 July 2024 the Group posted $106 million (31 July 2023: posted $257 million) of margin as collateral for derivative financial instruments. This collateral is included in other receivables within Trade and other receivables.

The Group further manages its credit risk through the following:

Trade and other receivables

- Application of credit limits, and credit mitigation tools, such as letters of credit.

Long-term advances

- Counterparty creditworthiness is assessed before the commencement of any long-term advances. Depending on the nature and amount of the advance, they are subject to Board approval. The collectability of long-term advances is monitored on a regular basis.

Expected credit losses on trade and other receivables

The Group recognises an allowance for expected credit losses based on the lifetime expected credit losses at balance date for trade receivables, and for other receivables if the credit risk has increased significantly since initial recognition. The allowance for expected credit losses for other amounts receivable, if the credit risk has not increased significantly since initial recognition, is based on expected credit losses during the next 12 months.

The Group's Trade and other receivables (excluding prepayments) of $1,993 million (31 July 2023: $2,371 million) are largely current or less than one month past due (31 July 2024: $1,924 million, 31 July 2023: $2,268 million). Expected credit losses of $12 million have been recognised (31 July 2023: $23 million) on a trade receivables balance of $1,843 million (31 July 2023: $2,094 million).

Trade and other receivables includes other receivables of $159 million (31 July 2023: $297 million) and prepayments of $130 million (31 July 2023: $102 million).

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

20 Hedge accounting

AT A GLANCE

This note provides information on the Group's risk and hedging instruments, where hedge accounting has been applied. The Group utilises fair value hedges, cash flow hedges, and net investment hedges to manage foreign exchange, interest rate, and commodity price risk. The hedge accounting impacts are presented within this note.

Derivatives are measured at fair value. Refer to Note 18 *Fair value measurement* for information on how fair value is determined.

The resulting gain or loss on re-measurement is recognised immediately in profit or loss, unless the derivative is designated into an effective hedge relationship as a hedging instrument, in which case the timing of recognition in profit or loss depends on the nature of the designated hedge relationship.

The Group may designate derivatives as:

- Fair value hedges (where the derivative is used to manage the variability in the fair value of recognised assets and liabilities);
- Cash flow hedges (where the derivative is used to manage the variability in cash flows relating to recognised liabilities or forecast transactions); or
- Net investment hedges (where borrowings or derivatives are used to manage the risk of fluctuation in the translated value of its foreign operations).

Hedge accounting is discontinued when the hedging instrument expires, is terminated, is exercised, or no longer qualifies for hedge accounting.

Fair value hedges

For fair value hedges the following are recognised in profit or loss:

- The change in fair value of the hedging instruments; and
- The change in the fair value of the underlying hedged item attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued. The fair value adjustment to the carrying amount of the hedged item upon discontinuance is amortised and recognised in profit or loss over the remaining term of the original hedge. If the hedged item is sold or extinguished any unamortised fair value adjustment is immediately recognised in profit or loss.

Cash flow hedges

The effective portion of changes in the fair value of the hedging instruments are recognised in other comprehensive income in the Statement of Profit or Loss and Other Comprehensive Income and accumulated in a separate reserve in equity. Subsequently the cumulative amount is transferred to profit or loss when the underlying transactions are recognised in profit or loss.

The ineffective portion of changes in the fair value of the hedging instruments are recognised immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued. The cumulative gain or loss recognised in other comprehensive income remains in the hedge reserve until the forecast transaction occurs, or it is immediately recognised in profit or loss if the transaction is no longer expected to occur.

Net investment hedges

The effective portion of changes in the fair value of the hedging instruments are recognised in other comprehensive income and transferred to profit or loss when the foreign operation is disposed of or sold.

The ineffective portion of changes in the fair value of the hedging instruments are recognised immediately in profit or loss.

Costs of hedging

The change in fair value of a hedging instrument relating to the time-value of foreign currency options, and the foreign currency basis component of cross-currency interest rate swaps are recognised in other comprehensive income and accumulated within hedge reserves in the Statement of Financial Position. Subsequently, the cumulative amount is transferred to profit or loss at the same time as hedged item impacts profit or loss.

The Group's risk management activities described in Note 19 *Financial risk management* result in volatility to profit or loss caused by timing and measurement differences between hedging instruments and the associated item being hedged. Where a hedge relationship between a hedged item and the hedging instrument (e.g. a derivative) qualifies for hedge accounting, and the Group applies hedge accounting, the volatility in profit or loss caused by the timing and measurement differences between hedging instruments and the associated hedged item is reduced. The Group applies the following hedge accounting activities.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

20 Hedge accounting CONTINUED

Foreign exchange risk

Forecast foreign currency transactions

The Group applies cash flow hedge accounting where derivatives are used to manage foreign exchange risk on forecast foreign currency transactions which predominantly includes the Group's forecast sales transactions. The amount and maturity of the derivative and the forecast transaction is aligned to ensure that the hedge relationship remains effective, with any undesignated costs of hedging accounted for separately.

Hedge ineffectiveness arises if the amount of the forecast transactions falls below the amount of the designated hedging instruments.

The impact of hedge accounting effectiveness and ineffectiveness is recognised within revenue from sale of goods in the Statement of Profit or Loss and Other Comprehensive Income.

Foreign operations

The Group's net investments are designated in hedge relationships to the extent borrowings denominated in the same foreign currency and foreign currency swaps are directly attributed to the net investment.

Hedge ineffectiveness arises if the carrying amount of the net investment falls below the amount of the designated hedging instruments.

The impact of hedge accounting effectiveness and ineffectiveness is recognised within foreign exchange gains/(losses) in the Statement of Profit or Loss and Other Comprehensive Income.

Foreign currency denominated borrowings

The Group applies hedge accounting to foreign currency denominated borrowings that are managed by CCIRS. The amount and maturity of the CCIRS and the hedged debt is aligned to ensure that the hedge relationship remains effective, with any undesignated costs of hedging accounted for separately.

The hedge relationship may be designated into separate cash flow hedges and fair value hedges to manage the different components of foreign currency and interest rate risk:

- Fair value hedge relationship where CCIRS are used to manage the interest rate and foreign currency risk in relation to foreign currency denominated borrowings with fixed interest rates.
- Cash flow hedge relationship where CCIRS are used to manage the variability in cash flows arising from interest rate movements on floating interest rate payments and foreign exchange movements on payments of principal and interest.

Hedge ineffectiveness arises in relation to CCIRS that have been designated in hedge relationships after their initial recognition, or from changes in counterparty credit risk and cross currency basis spreads.

The impact of hedge accounting effectiveness and ineffectiveness is recognised within net finance costs and foreign exchange gains/(losses) in the Statement of Profit or Loss and Other Comprehensive Income.

Interest rate risk

The Group applies hedge accounting to the borrowings and the associated IRS, for movements in benchmark market interest rates (i.e. excluding any margin component).

Hedge ineffectiveness arises in relation to IRS that have been designated to hedge relationships after their initial recognition or from changes in counterparty credit risk.

In specific situations, where changes in the fair value of fixed to floating IRS provide an offset to the changes in the fair value of other associated floating-to-fixed IRS, hedge accounting is not applied. The changes in fair values of these IRS offset each other and are recognised within net finance costs in the Statement of Profit or Loss and Other Comprehensive Income.

The impact of hedge accounting effectiveness and ineffectiveness is recognised in net finance costs in the Statement of Profit or Loss and Other Comprehensive Income.

Commodity price risk

The Group applies cash flow hedge accounting where derivatives are used to manage commodity price risk on certain forecast transactions. The amount and maturity of the derivative and the forecast transaction is aligned to ensure that the hedge relationship remains effective.

Hedge ineffectiveness arises if the amount of the forecast transactions falls below the amount of the designated hedging instruments.

The impact of hedge accounting effectiveness and ineffectiveness is recognised within cost of goods sold in the Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024
($ MILLION)

20 Hedge accounting CONTINUED

a) Impact to reserves in equity

A breakdown of reserves is presented in the following table.

	2024	2023
Hedge reserves	**(72)**	43
Foreign currency translation reserve	**127**	7
Other	**20**	9
Total	**75**	59

Hedge reserves	2024	2023
Opening balance	**43**	(346)
Movements attributable to cash flow hedges		
Change in value of effective derivative hedging instruments	**(90)**	(56)
Reclassifications to profit or loss:		
– As hedged transactions occurred	**(64)**	563
Net change in the cost of hedging reserve	**(6)**	33
Tax credit/(expense)	**45**	(151)
Total movement	**(115)**	389
Closing balance	**(72)**	43

Foreign currency translation reserve	2024	2023
Opening balance	**7**	(253)
Movements attributable to net investments in foreign operations and net investment hedges		
Net translation (loss)/profit on:		
– Borrowings and derivative hedging instruments	**(5)**	15
– Net investments in foreign operations	**55**	47
Reclassifications to profit or loss:		
– Disposals of foreign operations	**68**	194
– Tax credit	**2**	4
Total movement	**120**	260
Closing balance	**127**	7

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

20 Hedge accounting CONTINUED

b) Hedging instruments designated in a hedge accounting relationship

Information about hedging instruments that the Group has designated in a hedge accounting relationship is presented in the following tables.

	2024					
				CARRYING AMOUNT IN THE STATEMENT OF FINANCIAL POSITION		
RISK AND HEDGING INSTRUMENTS	MATURITY (MONTHS)	WEIGHTED AVERAGE RATE/ PRICE	NOMINAL AMOUNT[1]	DERIVATIVE ASSETS	DERIVATIVE LIABILITIES	BORROWINGS
Foreign exchange risk – Forecast foreign currency transactions						
Cash flow hedges						
NZD:USD forwards and options (sales)	1 – 18	0.610	13,019	19	(259)	–
USD:CNY forwards and options (sales)	1 – 12	7.163	934	3	(7)	–
AUD:USD forwards (sales)	1 – 12	0.663	109	1	(2)	–
USD:AUD forwards (purchases)	1 – 13	0.671	84	3	(1)	–
AUD:AED forwards (sales)	1 – 4	2.436	4	–	–	–
Total			14,150	26	(269)	–
Foreign exchange risk – Foreign operations						
Net investment hedges						
AUD borrowings	40	–	89	–	–	(89)
EUR borrowings	4	–	177	–	–	(177)
Total			266	–	–	(266)
Foreign exchange risk and interest rate risk – Foreign currency denominated borrowings						
Cash flow and fair value hedges						
NZD:USD CCIRS	26 – 73	0.760 /Floating	1,184	268	–	–
NZD:EUR CCIRS	4	0.656 /Floating	386	73	–	–
NZD:CNY CCIRS	12	4.669 /Floating	171	16	–	–
Total			1,741	357	–	–

1 Nominal amount is the face value converted into NZD using the exchange rate at year-end, except for CCIRS which are converted using the weighted average contracted foreign exchange rate.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024
($ MILLION)

20 Hedge accounting CONTINUED

b) Hedging instruments designated in a hedge accounting relationship CONTINUED

	2024					
				CARRYING AMOUNT IN THE STATEMENT OF FINANCIAL POSITION		
RISK AND HEDGING INSTRUMENTS	MATURITY (MONTHS)	WEIGHTED AVERAGE RATE/ PRICE	NOMINAL AMOUNT[1]	DERIVATIVE ASSETS	DERIVATIVE LIABILITIES	BORROWINGS
Interest rate risk – Borrowings						
Cash flow hedges						
NZD IRS	1 – 60	2.75%	2,989	54	(23)	–
AUD IRS	1	3.76%	39	–	–	–
Total			3,028	54	(23)	–
Fair value hedges						
NZD IRS	16	Floating	100	–	(2)	–
AUD IRS	23 – 40	Floating	532	–	(21)	–
Total			632	–	(23)	–
Commodity price risk – Forecast transactions						
Cash flow hedges[2]						
Fuel futures	1 – 18	$99.11	21	–	(1)	–
Milk Price futures and options	3 – 27	$8.79	713	1	(52)	–
Electricity futures	1 – 36	$136.60	174	161	(2)	–
Total			908	162	(55)	–

1 Nominal amount is the face value converted into NZD using the exchange rate at year-end, except for CCIRS which are converted using the weighted average contracted foreign exchange rate.
2 The weighted average prices for commodity hedges are presented as the price per barrel for fuel futures (shown in USD), kilogram of milk solid for milk price futures and options, and per megawatt hour for electricity futures.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

20 Hedge accounting CONTINUED

b) Hedging instruments designated in a hedge accounting relationship CONTINUED

	2023					
				CARRYING AMOUNT IN THE STATEMENT OF FINANCIAL POSITION		
RISK AND HEDGING INSTRUMENTS	MATURITY (MONTHS)	WEIGHTED AVERAGE RATE/ PRICE	NOMINAL AMOUNT[1]	DERIVATIVE ASSETS	DERIVATIVE LIABILITIES	BORROWINGS
Foreign exchange risk – Forecast foreign currency transactions						
Cash flow hedges						
NZD:USD forwards and options (sales)	1-18	0.623	11,603	117	(114)	–
USD:CNY forwards and options (sales)	1-12	6.898	774	21	(2)	–
AUD:USD forwards (sales)	1-7	0.666	114	1	(1)	–
USD:AUD forwards (purchases)	1-18	0.704	43	3	(2)	–
Total			12,534	142	(119)	–
Foreign exchange risk – Foreign operations						
Net investment hedges						
AUD borrowings	52	–	87	–	–	(87)
EUR borrowings	16	–	173	–	–	(173)
Total			260	–	–	(260)
Foreign exchange risk and interest rate risk – Foreign currency denominated borrowings						
Cash flow and fair value hedges						
NZD:USD CCIRS	38-85	0.760/Floating	1,184	179	–	–
NZD:GBP CCIRS	5	0.361/Floating	623	–	(161)	–
NZD:EUR CCIRS	16	0.656/Floating	386	43	–	–
NZD:CNY CCIRS	24	4.669/Floating	171	11	–	–
Total			2,364	233	(161)	–

1 Nominal amount is the face value converted into NZD using the exchange rate at year-end, except for CCIRS which are converted using the weighted average contracted foreign exchange rate.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

20 Hedge accounting CONTINUED

b) Hedging instruments designated in a hedge accounting relationship CONTINUED

	2023					
				CARRYING AMOUNT IN THE STATEMENT OF FINANCIAL POSITION		
RISK AND HEDGING INSTRUMENTS	MATURITY (MONTHS)	WEIGHTED AVERAGE RATE/ PRICE	NOMINAL AMOUNT[1]	DERIVATIVE ASSETS	DERIVATIVE LIABILITIES	BORROWINGS
Interest rate risk – Borrowings						
Cash flow hedges						
NZD IRS	1-60	2.57%	3,418	144	–	–
AUD IRS	11-13	3.34%	173	2	–	–
Total			3,591	146	–	–
Fair value hedges						
NZD IRS	28	Floating	100	–	(4)	–
AUD IRS	35-52	Floating	519	–	(30)	–
Total			619	–	(34)	–
Commodity price risk – Forecast transactions						
Cash flow hedges[2]						
Fuel futures	1-16	$98.72	15	1	–	–
Milk Price futures and options[3]	3-27	$9.78	836	16	(174)	–
Electricity futures	1-42	$140.42	262	3	(26)	–
Total			1,113	20	(200)	–

1 Nominal amount is the face value converted into NZD using the exchange rate at year-end, except for CCIRS which are converted using the weighted average contracted foreign exchange rate.
2 The weighted average prices for commodity hedges are presented as the price per barrel for fuel futures (shown in USD), kilogram of milk solid for milk price futures and options, and per megawatt hour for electricity futures.
3 Comparative information includes re-presentations for consistency with the current period.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024
($ MILLION)

20 Hedge accounting CONTINUED

c) Impact of hedge accounting

Information about the impact of hedge accounting on the Group's Financial Statements is presented in the following tables.

	2024				
RISK AND HEDGING INSTRUMENTS USED	ACCUMULATED COST OF HEDGING	CHANGE IN VALUE USED TO CALCULATE HEDGE EFFECTIVENESS[1]	CHANGE IN VALUE OF HEDGING INSTRUMENT RECOGNISED IN OTHER COMPREHENSIVE INCOME	AMOUNTS RECLASSIFIED FROM HEDGING RESERVE TO PROFIT OR LOSS	FAIR VALUE HEDGE ADJUSTMENTS RECOGNISED IN PROFIT OR LOSS
Foreign exchange risk – Forecast foreign currency transactions					
Cash flow hedges	(30)	(243)	(320)	68	–
Foreign exchange risk – Foreign operations					
Net investment hedges	–	(6)	(6)	–	–
Foreign exchange risk and interest rate risk – Foreign currency denominated borrowings					
Cash flow and fair value hedges	(6)	370	47	(42)	245
Interest rate risk – Borrowings					
Cash flow hedges	–	41	(28)	(96)	–
Fair value hedges	–	(21)	–	–	13
Commodity price risk – Forecast transactions					
Cash flow hedges	(1)	96	211	6	–
Total	(37)	N/A	(96)	(64)	258

1 For those borrowings in a net investment hedge, the change in value to calculate hedge effectiveness is for the year ended 2024.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

20 Hedge accounting CONTINUED

c) Impact of hedge accounting CONTINUED

	2023				
RISK AND HEDGING INSTRUMENTS USED	ACCUMULATED COST OF HEDGING	CHANGE IN VALUE USED TO CALCULATE HEDGE EFFECTIVENESS[1]	CHANGE IN VALUE OF HEDGING INSTRUMENT RECOGNISED IN OTHER COMPREHENSIVE INCOME	AMOUNTS RECLASSIFIED FROM HEDGING RESERVE TO PROFIT OR LOSS	FAIR VALUE HEDGE ADJUSTMENTS RECOGNISED IN PROFIT OR LOSS
Foreign exchange risk – Forecast foreign currency transactions					
Cash flow hedges	(24)	10	80	475	–
Foreign exchange risk – Foreign operations					
Net investment hedges	–	(14)	(14)	–	–
Foreign exchange risk and interest rate risk – Foreign currency denominated borrowings					
Cash flow and fair value hedges	(7)	135	26	(7)	(61)
Interest rate risk – Borrowings					
Cash flow hedges	–	207	85	(48)	–
Fair value hedges	–	(33)	–	–	(12)
Commodity price risk – Forecast transactions					
Cash flow hedges	–	(177)	(247)	143	–
Total	(31)	N/A	(70)	563	(73)

1 For those borrowings in a net investment hedge, the change in value to calculate hedge effectiveness is for the year ended 2023.

d) Profit or loss impact from derivatives not designated in a hedge relationship

In addition to derivatives that are designated and qualify for hedge accounting, the Group also holds certain derivatives as economic hedges of foreign currency, commodity and interest rate exposure.

The impact of derivatives not designated in a hedge relationship on profit or loss was a loss of $54 million (31 July 2023: a gain of $27 million), predominantly related to $52 million unfavourable movements on foreign currency contracts hedging net receivables (31 July 2023: $21 million favourable). Hedges of net receivables are offset within foreign exchange gains/(losses) by the revaluation of net receivables balances.

Additional impacts of derivatives not designated in a hedge relationship in relation to divestment activities are set out in Note 2 *Divestments*.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

21 Offsetting of financial assets and liabilities

AT A GLANCE

This note provides a summary of financial assets and financial liabilities which have been presented net in Statement of Financial Position (and additional financial assets and financial liabilities with offset rights that are conditional, and have not been presented net).

Financial assets and liabilities are offset, and the net amount reported in the Statement of Financial Position where there currently is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Balances offset within the Statement of Financial Position include derivative transactions with certain counterparties and amounts owed by farmer shareholders which are offset against amounts owed to them by the Group.

The Group enters into various master netting arrangements or similar agreements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be offset in certain circumstances. These principally relate to derivative transactions under ISDA (International Swaps and Derivatives Association) agreements where each party has the option to settle amounts on a net basis in the event of default of the other party.

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and other agreements are presented in the following table.

	AMOUNTS OFFSET IN THE STATEMENT OF FINANCIAL POSITION				
	GROSS FINANCIAL ASSETS/ (LIABILITIES)	GROSS FINANCIAL ASSETS/ (LIABILITIES) SET OFF	NET FINANCIAL ASSETS/ (LIABILITIES) PRESENTED	AMOUNTS NOT OFFSET	NET
As at 31 July 2024					
Cash and cash equivalents	**540**	**–**	**540**	**(5)**	**535**
Derivative financial assets	**925**	**(299)**	**626**	**(240)**	**386**
Trade and other receivables (excluding prepayments)	**2,096**	**(103)**	**1,993**	**(55)**	**1,938**
	3,561	**(402)**	**3,159**	**(300)**	**2,859**
Derivative financial liabilities	**(751)**	**299**	**(452)**	**300**	**(152)**
Total trade and other payables (excluding employee entitlements)	**(3,930)**	**103**	**(3,827)**	**–**	**(3,827)**
	(4,681)	**402**	**(4,279)**	**300**	**(3,979)**
As at 31 July 2023					
Derivative financial assets	741	(172)	569	(197)	372
Trade and other receivables (excluding prepayments)	2,479	(108)	2,371	(160)	2,211
	3,220	(280)	2,940	(357)	2,583
Derivative financial liabilities	(693)	172	(521)	357	(164)
Total trade and other payables (excluding employee entitlements)	(4,134)	108	(4,026)	–	(4,026)
	(4,827)	280	(4,547)	357	(4,190)

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2024

($ MILLION)

22 Subsidiaries

Subsidiaries are entities controlled by the Group. Subsidiaries are consolidated from the date the Group gains control until the date on which control ceases.

Non-controlling interests are allocated their share of profit after tax in the Statement of Profit or Loss and Other Comprehensive Income and are presented within equity in the Statement of Financial Position separately from equity attributable to equity holders of the Co-operative. The effect of all transactions with non-controlling interests that change the Group's ownership interest but do not result in a change in control are recorded in equity. Where control is lost, the remaining interest in the investment is remeasured to fair value and any surplus or deficit arising from that remeasurement is recognised in profit or loss.

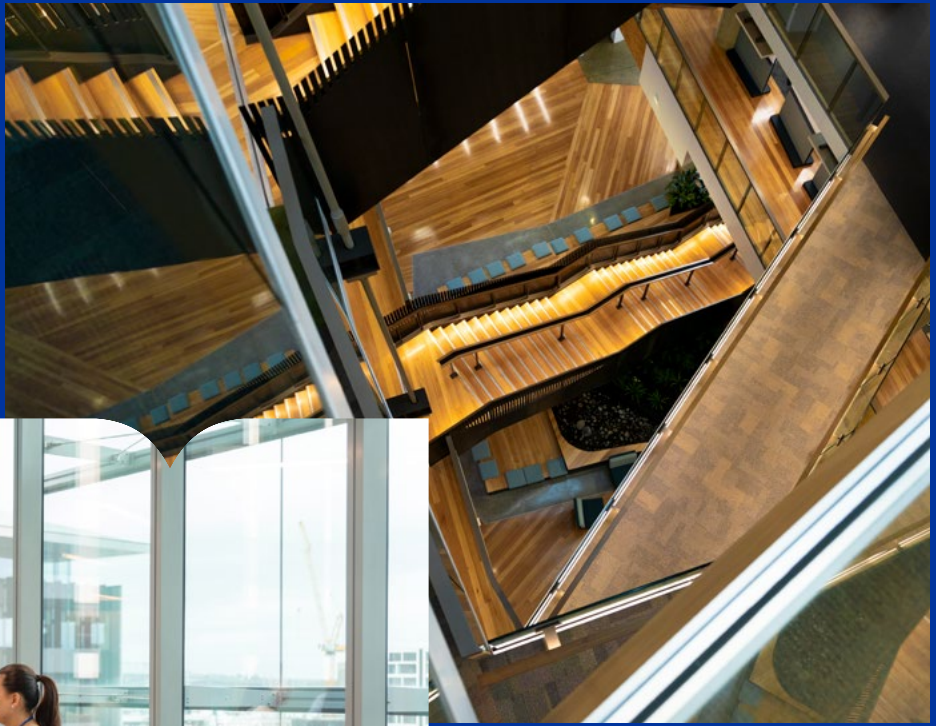
The Group's subsidiaries are involved in the marketing, distribution, processing and financing of dairy products. All Group subsidiaries have a balance date of 31 July unless otherwise indicated. Subsidiaries with different balance dates from that of the Group are due to legislative requirements in the country the entities are domiciled. The significant subsidiaries of the Group are presented in the following table.

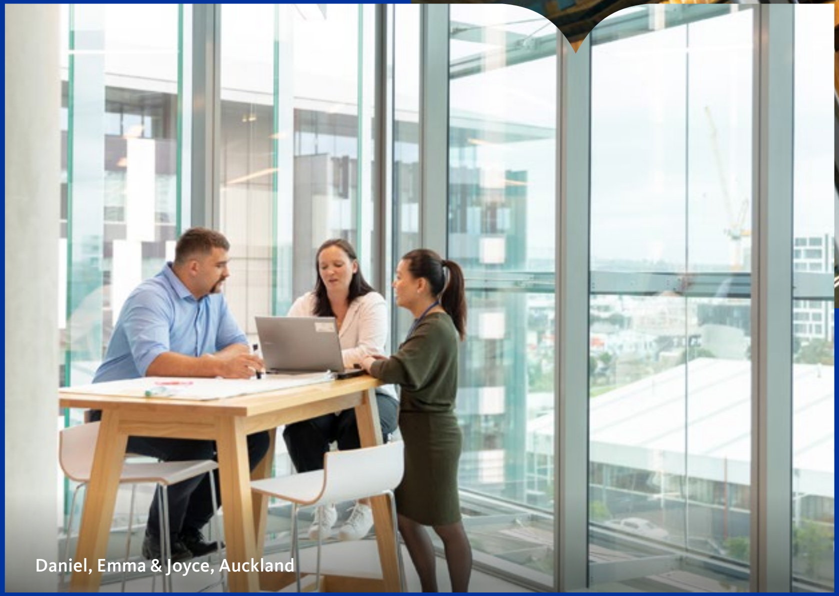
SUBSIDIARY NAME	COUNTRY OF INCORPORATION AND PRINCIPAL PLACE OF BUSINESS	OWNERSHIP INTERESTS (%) 2024	OWNERSHIP INTERESTS (%) 2023
New Zealand Milk (Australasia) Pty Limited	Australia	**100**	100
Fonterra Australia Pty Limited	Australia	**100**	100
Fonterra Brands (Australia) Pty Limited	Australia	**100**	100
Fonterra Investments Pty Limited	Australia	**100**	100
Dairy Partners Americas Brasil Limitada[1]	Brazil	**–**	51
Fonterra Commercial Trading (Shanghai) Company Limited[2]	China	**100**	100
Fonterra (Japan) Limited[3]	Japan	**50**	50
Fonterra Brands Indonesia, PT	Indonesia	**100**	100
Fonterra Brands (Malaysia) Sdn Bhd	Malaysia	**100**	100
Fonterra (Europe) Coöperatie U.A.	Netherlands	**100**	100
Fonterra Europe Manufacturing B.V.	Netherlands	**100**	100
Fonterra (New Zealand) Limited	New Zealand	**100**	100
Fonterra Brands (New Zealand) Limited	New Zealand	**100**	100
Fonterra Dairy Solutions Limited	New Zealand	**100**	100
Fonterra Ingredients Limited	New Zealand	**100**	100
Fonterra Limited	New Zealand	**100**	100
New Zealand Milk Brands Limited	New Zealand	**100**	100
RD1 Limited	New Zealand	**100**	100
Kotahi Logistics LP	New Zealand	**90**	91
Saudi NZ Milk Products Company Ltd	Saudi Arabia	**100**	100
Fonterra Brands (Singapore) Pte Limited	Singapore	**100**	100
Fonterra Brands Lanka (Private) Limited	Sri Lanka	**100**	100
Fonterra Brands (Middle East) L.L.C.[3]	UAE	**49**	49
Fonterra (USA) Inc.	United States	**100**	100

1 Balance date 31 December. This subsidiary was disposed as part of the sale of the DPA Brazil business.
2 Balance date 31 December.
3 Consolidated on the basis that the Group controls through its exposure or rights to variable returns and the power to affect those returns.

In addition to the entities presented, the Group controls the Fonterra Shareholders' Fund and Fonterra Farmer Custodian Limited and consolidates these two entities. The trustees of the Fonterra Farmer Custodian Trust own the legal title to all of the shares of the Custodian. The Fund is a managed investment scheme with an independent trustee.

In this section





Daniel, Emma & Joyce, Auckland

Governance Disclosures

Our Board

Our Board of Directors is responsible for leadership, direction and oversight of Fonterra, and is accountable to our farmer shareholders for the overall performance of the Co-op.

The current members of the Board are shown here, with full profiles available on our website. Further information regarding Board Committee membership and responsibilities can be found on pages 96-97.

Peter McBride
Elected Director (Chairman)

Clinton Dines
Appointed Director

Brent Goldsack
Elected Director

Leonie Guiney
Elected Director

Bruce Hassall
Appointed Director

Holly Kramer
Appointed Director

Andy Macfarlane
Elected Director

John Nicholls
Elected Director

Cathy Quinn
Elected Director

Alison Watters
Elected Director

Information regarding changes to the Board during FY24 and further upcoming changes can be found on page 93.

Our Management Team

The Fonterra Management Team (FMT) leads the business to deliver on our strategy, bringing together a depth of expertise and capability to strengthen our position as a provider of high-value, innovative dairy ingredients.

The current members of the FMT are shown here, with full profiles available on our website.

Miles Hurrell

Chief Executive Officer

Andrew Murray

Chief Financial Officer

Anna Palairet

Chief Operating Officer

Komal Mistry-Mehta

Chief Innovation and Brand Officer

Emma Parsons

Managing Director Strategy and Optimisation

Kate Daly

Managing Director People and Culture

Mike Cronin

Managing Director Co-operative Affairs

René Dedoncker

Managing Director Global Markets Consumer and Foodservice

Richard Allen

President Global Markets Ingredients

Teh-han Chow

Chief Executive Officer Greater China

The following changes have been made to the FMT since 1 August 2023:

- Anna Palairet was permanently appointed as Chief Operating Officer from 19 April 2024, after acting in the position since 1 June 2023;
- Andrew Murray was appointed as Chief Financial Officer from 1 August 2024, replacing Simon Till who was acting in the role since Neil Beaumont left Fonterra on 3 November 2023;
- René Dedoncker was appointed as Managing Director Global Markets Consumer and Foodservice and Richard Allen was appointed as President Global Markets Ingredients, effective 1 August 2024, to replace Judith Swales in her role as Chief Executive Officer Global Markets; and
- Emma Parsons will be leaving Fonterra to start her new role as CEO for Kotahi, a joint venture between Fonterra and Silver Fern Farms, on 1 October 2024.

Corporate Governance Statement

Fonterra's Board of Directors, the Co-operative Council and FMT are committed to achieving the highest standards of corporate governance to promote the success of our Co-operative and build long-term value.

Our governance framework reflects Fonterra's unique characteristics as a globally competitive New Zealand based dairy co-operative, and is regularly reviewed and updated to remain appropriate and effective, and to align with best practice and contemporary corporate governance trends.

This Corporate Governance Statement reports the extent to which Fonterra has followed the recommendations of the NZX Corporate Governance Code. It is current as at 24 September 2024 and has been approved by the Board.

Principle 1: Ethical Standards

Code of ethics

Our Code of Business Conduct, The Way We Work, reflects the expectation that our Board of Directors and employees globally should consistently maintain high standards of ethical behaviour, and act responsibly and with integrity and transparency. We have an Ethical Behaviour Policy and Standard that set out our commitments, expectations, and requirements that support the Code.

All new employees are provided with a copy of the Code, along with our other key global policies. An annual e-learning is assigned to senior leaders and those in sensitive roles to support the ongoing awareness and understanding of the Global Policy Framework, including our commitments and expectations regarding ethical behaviour.

In addition, the Board has adopted its own Code of Conduct, undertaking the responsibility of leading by example and nurturing an environment where integrity and accountability are key.

The Way We Work, the Ethical Behaviour Policy and the Board Code of Conduct are available on fonterra.com.

All employees are required to record actual or potential conflicts in the Fonterra Conflict of Interest register, and mitigating actions must be approved by their managers. Fonterra also maintains a Gift and Entertainment register, where employees must record all gifts given or received, above a nominal level, including hospitality and entertainment with third parties. Employees are also required to declare external governance appointments prior to accepting them (and new employees must declare existing appointments), and in certain situations, such appointments will require approval from FMT.

We fund an independently administered whistleblowing hotline (The Way We Work Hotline), facilitated by Deloitte. More information regarding this hotline can be found on pages 156 and 174 of the Sustainability Reporting section of this report and page 16 of the Modern Slavery Statement. The legislative requirements that must be followed in relation to whistleblowing (referred to as protected disclosures) are outlined in Fonterra's Ethical Behaviour Standard.

Securities Trading Policy

We have a Securities Trading Policy and Standard that detail the rules for trading in:

- shares, retail bonds, units, derivatives, and any other listed securities of Fonterra or the Fonterra Shareholders' Fund; and
- any swap contract, contract for difference, futures contract or options contract that settles to the Fonterra Farmgate Milk Price.

The policy applies to all Directors, employees and contractors of the Fonterra group globally, as well as members of the Co-operative Council and the Milk Price Panel, and is in addition to legislative prohibitions on insider trading. Our Securities Trading Policy and Standard are available on fonterra.com.

Principle 2: Board Composition and Performance

Board Charter

The Board Charter includes details about the Board's role, responsibilities, obligations, composition and procedures, and establishes the Board's relationship with management. It is reviewed regularly and is available on fonterra.com.

Board appointments

Fonterra's Constitution currently provides for a maximum of 11 Directors, with up to seven Directors elected by farmer shareholders (Elected Directors) and up to four Directors appointed by the Board (Appointed Directors). At the 2023 Annual Meeting, shareholders voted to reduce the maximum number of Directors to nine, effective from the 2024 Annual Meeting. The balance between Elected Directors and Appointed Directors will be maintained, with a composition of six Elected Directors and three Appointed Directors.

The Board is committed to building its capabilities and maintaining a good balance of experience on the Board. To achieve this, and the highest standards of governance, the Board has developed a list of attributes that all Directors must be able to demonstrate and a list of skills that the Board believes are required to effectively govern a complex, globally competitive New Zealand dairy co-operative with diverse stakeholders. The attributes and skills lists are reviewed annually and updated as required.

Using the skills list, the Board develops a skills matrix by assessing the required weighting of each skill given the Board's current priorities and the external operating environment, against the aggregate skills of the current Board. The skills matrix is used to identify the skills to be targeted each year as part of the Elected Director election process and when selecting Appointed Directors. The attributes, skills list, skills matrix and the year's targeted skills are published annually as part of the Elected Director election process, to assist potential candidates in assessing their suitability and to assist our farmer shareholders when assessing the candidates put forward for election.

All Directors enter into written agreements establishing the terms of their appointment.

Elected Director selection process

The Elected Director selection process involves a three-member Independent Assessment Panel (IAP) that assesses and recommends appropriate candidates (up to the number of vacancies to be filled, plus two) to be put to our farmer shareholders for election. This includes any incumbent director seeking re-election as a candidate assessed by the IAP. The members of the IAP are independent of the Co-operative and are jointly appointed by the Board and the Co-operative Council. In addition to the candidates assessed and recommended by the IAP, there is a non-assessed candidate process where candidates can put themselves forward for election as Elected Directors with the support of 35 shareholders.

Elected Directors are elected by postal ballot and online voting by our farmer shareholders. The voting packs circulated to all farmer shareholders with voting entitlements include biographical information on each candidate including relevant skills and experience. The Elected Director elections are overseen by the Co-operative Council.

Director rotation

At each Annual Meeting, one-third of the Elected Directors retire from their position on the Board. The Elected Directors who retire are those who have served the longest since their last election. Retiring Elected Directors are eligible for re-election, subject to the tenure principles in the Board Charter.

Appointed Director selection process

Appointed Directors are selected to enable the Board to access the skills and competencies needed to lead an enterprise of our size, global reach and complexity. They are independent and bring perspectives, experience and skills to complement and enhance the attributes and skills provided by the Elected Directors.

The People, Culture and Safety Committee oversees the process for identifying and recommending potential Appointed Directors. Prior to appointment by the Board, the Fonterra Shareholders' Fund Board is consulted. The Appointed Directors are ratified by farmer shareholders at the next Annual Meeting held following their appointment.

Changes to Fonterra Board members

The Directors on the Fonterra Board as at 31 July 2024 are shown on page 90.

There have been several changes to the Board since 1 August 2023:

- In November 2023, Elected Directors Brent Goldsack and Cathy Quinn were re-elected to the Board.
- In March 2024, Appointed Director Scott St John retired from the Board. A recruitment process is currently underway to fill the position vacated by Mr St John.
- In August 2024, it was announced that Appointed Director Clinton Dines and Elected Director Leonie Guiney would retire from the Board following the Annual Meeting in November 2024.

Diversity

Diversity, equity, and inclusion (DEI) are integral to the success of the Co-op and providing a supportive environment for our people. Information about our DEI initiatives, and performance against our targets and objectives can be found on pages 174-177 of the Sustainability Reporting section of this report, and in the Sustainability Reporting Data Pack. Our Diversity, Equity, and Inclusion Policy is published on fonterra.com.

As the majority of Directors are elected by our farmer shareholders through an independent process, the Board has not adopted formal Board gender targets for FY24. The Board is, however, committed to addressing the gender composition of the Board through the appointment of Appointed Directors and building a pipeline of diverse Directors through the Fonterra Governance Development programme.

The gender composition of the Board is shown in the table below.

	Total	Male	Female	Gender diverse	Undeclared
As at 31 July 2024	10[1]	6 60%	4 40%	– 0%	– 0%
As at 31 July 2023	11	7 64%	4 36%	– 0%	– 0%

1 As at 31 July 2024, there was a vacant Appointed Director position.

The gender composition of the FMT[1] is shown in the table below.

	Total	Male	Female	Gender diverse	Undeclared
As at 31 July 2024	9[2]	4 44%	5 56%	– 0%	– 0%
As at 31 July 2023	10	5 50%	5 50%	– 0%	– 0%

1 Fonterra's 'Officers' for the purposes of the FSM Rules.

2 This includes Mr Simon Till, who held the position of acting Chief Financial Officer until 31 July 2024, and Ms Judith Swales, who held the position of Chief Executive Officer Global Markets until 31 July 2024. It does not include the members of FMT appointed as of 1 August 2024.

Ongoing training

Directors undertake an induction programme following their appointment to the Board. The areas covered include:

- business strategy and planning;
- an overview of key financial metrics to monitor business performance;
- an overview of material areas of our business, including through meetings with key executives; and
- our Constitution and governance framework.

Directors are expected to keep themselves informed of changes and trends in the business, Fonterra's environment and markets, and the economic, political, social and legal climate. Directors are encouraged to attend external development and training courses and the Board holds training and workshops on relevant subjects each year. The Board is also provided with regular strategic readings and Directors are expected to keep up to date with governance trends. Board visits to our manufacturing sites and global businesses occur regularly.

Performance assessment

Directors formally assess the performance of the Board, and the Board reviews each Committee's performance against its Charter. A regular programme of peer review of individual Directors occurs as part of an ongoing Director development programme.

The Co-operative Council issues an annual Letter of Members' Expectations to the Board setting out the expectations of Co-op members. The Board and the Council's independent assessment of Fonterra's performance against these expectations is published in the Council's annual report. Further information regarding the Council can be found on page 105.

The Board is responsible for reviewing the Chief Executive Officer's performance.

Director independence

The Fonterra Shareholders' Market Listing Rules (FSM Rules) require us to have at least two Independent Directors, defined in the FSM Rules as a Director who is not an employee of Fonterra or who has no disqualifying relationship.

Elected Directors must be farmer shareholders under section 12.3 of the Constitution and are therefore not considered independent.

Appointed Directors cannot be shareholders and are expected to maintain independence for the length of their term.

To assess the independence of Appointed Directors, a holistic assessment is undertaken against the requirements of the Companies Act 1993 (Companies Act), the Fonterra Board Charter and the NZX Corporate Governance Code.

Fonterra currently has three Appointed Directors and one vacant Appointed Director position. As at 31 July 2024, Clinton Dines, Bruce Hassall, and Holly Kramer each did not have (and continue not to have) any disqualifying relationship in relation to Fonterra and are therefore Independent Directors.

Our Constitution currently allows for up to four independent Appointed Directors, out of a maximum of 11 Board members (refer to page 93 for further information on changes to the Board size and composition which will take effect from November 2024). Accordingly, the Board does not consist of a majority of independent directors.

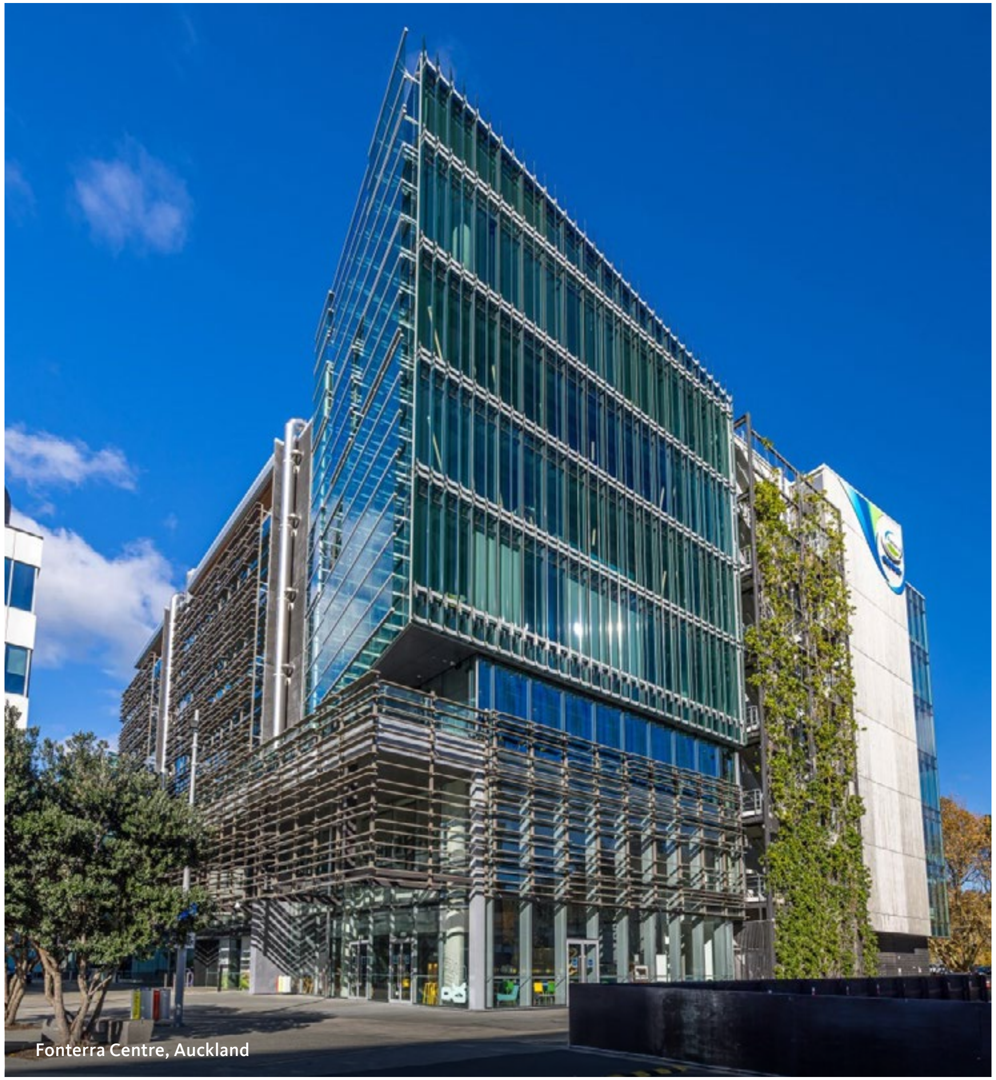
Conflict management arrangements

There are conflict management arrangements in place to record any actual or potential conflicts of interest of Directors, and Directors are expected to proactively advise the Co-operative of any potential conflicts.

Division of roles

Under our Constitution the Chair must be an Elected Director, reflecting our structure as a co-operative company, and is therefore not independent. Peter McBride, who is an Elected Director, is the Board-elected Chair.

The Chair and Chief Executive Officer roles at Fonterra are not exercised by the same individual.



Fonterra Centre, Auckland

Principle 3: Board Committees

We have a number of permanent Board Committees, and the membership and purpose of each permanent Committee is detailed in the following tables. Additional non-permanent Committees are formed when it is efficient or necessary to facilitate decision-making by providing for a sub-group of Directors to focus on particular areas and to make recommendations to the Board.

Each permanent Committee is governed by a charter (available on fonterra.com), which defines the scope and responsibilities of that Committee and is reviewed by the Board regularly.

In November 2023 the Board formed one non-permanent Committee, the Strategic Review Committee, to assist the Board and management in considering strategic opportunities. Ms Cathy Quinn is the Chair of the Committee and Mr Brent Goldsack, Mr Bruce Hassall, Ms Holly Kramer and Mr Peter McBride are members of the Committee.

Committee or group	Membership as at 31 July 2024	Purpose
Audit, Finance and Risk Committee	Bruce Hassall[1] (Chair) Clinton Dines[1] Brent Goldsack Leonie Guiney Cathy Quinn	To assist the Board in fulfilling its corporate governance responsibilities relating to Fonterra's: – financial management and internal control frameworks, financial reporting, climate risk reporting, audit activities, capital markets matters, and funding activities; and – management and monitoring of the Group Risk Appetite Statement, and the Group Risk Appetite and Tolerance position (noting that other Board Committees share oversight of some individual Group Risks).
Co-operative Relations Committee	John Nicholls (Chair) Clinton Dines[1] Brent Goldsack Andy Macfarlane Alison Watters	– To assess matters relating to New Zealand milk supply terms and aspects of milk pricing, and to assess the rules relating to shareholding, and the risk management policy as referred to in the Constitution. – To support strong and effective engagement between the Co-operative and farmer shareholders, and assist the Board in the management of Fonterra's relationships with key external stakeholders and community initiatives. – To review the Co-operative Principles periodically, seek to resolve supplier complaints before referral to the Milk Commissioner, and undertake activities relating to the annual Fonterra Co-operative Council elections.
Disclosure Committee	Cathy Quinn (Chair) Bruce Hassall[1] Peter McBride Andy Macfarlane John Nicholls	– To oversee Fonterra's continuous disclosure obligations, including by considering the materiality of information and making judgements on other information where it may not be material but its disclosure would benefit the market. – To review and approve the materials for release relating to the Interim and Annual Results and Quarterly Business Updates (except for disclosures reviewed by other Board Committees).

1 Independent Director.

Committee or group	Membership as at 31 July 2024	Purpose
Milk Price Panel	David Pilkington[2,3] (Chair) Leonie Guiney Bruce Hassall[1] Bill Donaldson[4] Fred Ohlsson[2,4] Prof. Hamish Gow[2,5] Ming Lim-Pollard[2,5]	– To provide assurances to the Board as to the governance of the Milk Price and the Milk Price Manual, and the proper application of the Milk Price Principles. – The Milk Price Panel does not determine the Farmgate Milk Price, as this is a decision reserved for the Board.
People, Culture and Safety Committee	Holly Kramer[1] (Chair) Clinton Dines[1] Leonie Guiney Peter McBride Cathy Quinn	To assist the Board in fulfilling its corporate governance responsibilities relating to: – the recruitment, retention, remuneration and development of Directors, executives and other employees; – optimising Fonterra's culture to deliver high performance; and – Fonterra's management of health, safety and wellbeing (including promoting a safe and healthy working environment for all employees, contractors and members of the public as required).
Sustainability and Innovation Committee	Alison Watters (Chair) Clinton Dines[1] Holly Kramer[1] Andy Macfarlane Brent Goldsack	To assist the Board in fulfilling its corporate governance responsibilities relating to: – reviewing and overseeing the sustainability aspects of Fonterra's strategy, including reviewing the Co-operative's key sustainability metrics, commitments and targets and monitoring performance against them; and – reviewing Fonterra's innovation and research and development strategy, including monitoring performance against agreed metrics and reviewing the approach to Fonterra's intellectual property portfolio.

1 Independent Director.
2 Independent Member (as defined in the FSM Rules).
3 Approved by the Minister of Agriculture under subsection 150E(1)(b) of the Dairy Industry Restructuring Act 2001.
4 Appointed by the Co-operative Council.
5 Nominated by the Minister of Agriculture under subsection 150E(1)(a) of the Dairy Industry Restructuring Act 2001.

Board and Committee attendance

	Board[1]		Audit, Finance and Risk Committee		Co-operative Relations Committee		Disclosure Committee		Milk Price Panel		People, Culture and Safety Committee		Sustainability and Innovation Committee	
	Eligible to attend	Attendance	Eligible to attend	Attendance	Eligible to attend	Attendance	Eligible to attend	Attendance	Eligible to attend	Attendance	Eligible to attend	Attendance	Eligible to attend	Attendance
Clinton Dines	17	14	7	5	5	4	–	–	–	–	9	7	3[2]	2
Brent Goldsack	17	16	7	7	5	5	–	–	–	–	–	–	5	5
Leonie Guiney	17	17	7	7	–	–	–	–	8	8	9	6	2[3]	1
Bruce Hassall	17	12	7	7	–	–	8	4	5	4	–	–	2[3]	1
Holly Kramer	17	15	2[3]	0	–	1[4]	–	–	–	–	9	7	5	5
Andy Macfarlane	17	15	2[3]	2	5	5	4	3	–	–	–	–	5	5
Peter McBride	17	17	2[5]	3[6]	–	–	8	7	–	–	9	9	–	1[4]
John Nicholls	17	17	–	–	5	5	8	6	–	–	–	–	–	3[4]
Cathy Quinn	17	16	7	7	–	–	8	8	–	–	9	9	2[3]	2
Scott St John[7]	11	10	5	5	–	–	4	2	–	–	–	–	3	3
Alison Watters	17	17	2[3]	2	5	5	–	–	–	–	–	1[4]	5	5

1 Of the 17 Board meetings, eight were formal scheduled Board meetings and nine were Board calls or meetings convened at shorter notice.
2 Eligible to attend one meeting as a member of the Audit, Finance and Risk Committee (for the joint portion of the meeting to discuss the Climate-related Disclosures), and two meetings as a member of the Sustainability and Innovation Committee (which he joined in March 2024).
3 Eligible to attend the joint Audit, Finance and Risk Committee and Sustainability and Innovation Committee portion of the meeting to discuss the Climate-related Disclosures.
4 Attended as an observer.
5 Eligible to attend as Chair of the Board.
6 Attended two meetings as Chair of the Board, and one meeting as an observer.
7 Retired in March 2024.

Independent Directors – Audit, Finance and Risk Committee and People, Culture and Safety Committee

The membership of the Audit, Finance and Risk Committee and the People, Culture and Safety Committee (which fulfils the role of a remuneration committee) does not consist of a majority of independent Appointed Directors.

Under the FSM Rules, the Audit, Finance and Risk Committee is not required to comprise of a majority of Appointed Directors. Given the Board's composition there is no headroom to have more than four independent Appointed Directors (or three from the 2024 Annual Meeting onwards), as the majority of the positions are filled by Elected Directors (and as noted on page 95, the Elected Directors are not considered independent). Given this, it is difficult for us to appoint a majority of Appointed Directors to these Committees without excluding Elected Directors or significantly increasing the workload of the Appointed Directors.

We do not consider that this is a significant issue, as both of these Committees are chaired by independent Appointed Directors.

Management only attends Audit, Finance and Risk Committee and People, Culture and Safety Committee meetings at the invitation of the respective Committee.

Milk Price Panel

The Dairy Industry Restructuring Act 2001 (DIRA) requires that the Chair and a majority of the members of the Milk Price Panel (Panel) are independent. In addition, the Dairy Industry Restructuring (Fonterra Capital Restructuring) Amendment Act 2022 (DIRA Amendment Act) amended DIRA with effect from 1 June 2023 to, amongst other things:

- require that the independent Chair of the Panel have no "meaningful association" with Fonterra or a shareholder, and be approved by the responsible Minister under DIRA; and
- increase the number of members on the Panel nominated by the responsible Minister under DIRA from one to two.

At the 2023 Annual Meeting, shareholders voted to amend the Constitution to increase the size of the Panel from six to seven members, to accommodate the additional appointments under the DIRA Amendment Act and to enable an independent Appointed Director to join the Panel. The amendment took effect on 15 January 2024, and Mr Bruce Hassall was appointed to the vacant position (having previously been a member of the Panel).

Andrew Barlass joined the Panel as a non-voting observer on 1 September 2024 as an appointee of the Co-operative Council. He will be appointed as a member of the Panel from 1 September 2025, when he will succeed Bill Donaldson.

The Panel members as at 31 July 2024 are listed in the table on page 97.

Nominations committee

The People, Culture and Safety Committee fulfils the role of a nominations committee in respect of Appointed Directors. The election and selection process for Elected Directors and Appointed Directors is explained under Board appointments on page 93.

Takeover offer

The Board does not believe that it is necessary to establish protocols for a takeover offer, given our co-operative structure and the thresholds on share ownership in our Constitution.

Principle 4: Reporting and Disclosure

Continuous disclosure

Fonterra's Disclosure Policy facilitates compliance with the continuous disclosure obligations in the NZX Listing Rules and FSM Rules, and underpins our commitment to maintaining a well-informed market through effective communication with investors and market participants. The Disclosure Policy and associated Disclosure Standard are available on fonterra.com.

Fonterra and the Manager of the Fonterra Shareholders' Fund have an arrangement to co-operate with each other and take all steps reasonably required to ensure that information to be disclosed by either of them under the FSM Rules and the listing rules of the NZX or the ASX (as the case may be) is disclosed simultaneously to the FSM, the NZX Main Board and the ASX. We simultaneously disclose relevant information on the ASX on behalf of the Fonterra Shareholders' Fund.

Financial and non-financial reporting

Our Annual Report and supporting material disclose financial matters affecting the Co-op in a balanced, clear and objective manner, and includes the audited Financial Statements on page 33. We also release financial performance information during the year at our Interim Results and Quarterly Business Update announcements.

In addition, we disclose non-financial information in our Annual Report and supporting material, which includes consideration of environmental, social sustainability and governance factors and practices, and how these support our strategic objectives.

For FY24, we have continued to prepare sustainability disclosures (refer to the Sustainability Reporting section of this report on page 155, and the Sustainability Reporting Data Pack) with reference to the Global Reporting Initiative (GRI) Standards, and we obtain independent assurance in relation to these disclosures. We have adopted this internationally recognised reporting framework to help users of our sustainability performance information compare our disclosed information with others.

We have also published our first mandatory Climate-related Disclosures (refer to page 125 of this report), prepared in compliance with the Aotearoa New Zealand Climate Standards. This follows the voluntary disclosure made for FY23, released in November 2023.

Our fifth Modern Slavery Statement has also been released, setting out the actions taken by Fonterra to address modern slavery risks in its operations and supply chain during FY24 and meeting the regulatory disclosure requirements in the Australian Modern Slavery Act 2018.

Principle 5: Remuneration

The Remuneration Report on page 106 of this report details Fonterra's remuneration framework, strategy, and governance processes for its employees and Directors.

Principle 6: Risk Management

The Board, supported by the Audit, Finance and Risk Committee, has responsibility for overseeing the implementation of our risk management framework.

Our risk management framework supports the implementation of risk management practices across the Co-operative and is aligned with the three lines model. First line managers hold clear risk management responsibilities, including requirements to comply with external obligations as well as our Global Policy framework. Our second line consists of the risk management practices and assurance processes delivered by our Group and Specialist Functions, supporting a consistent best-practice approach to risk management across the business. Third line independent assurance and oversight is provided by a dedicated internal audit function, taking a risk-based approach to the control environment, and providing reporting to the FMT and to the Board via the Audit, Finance and Risk Committee.

Our Risk Appetite Statement specifies the amount of risk we are willing to take or accept in pursuit of our strategy. It indicates the parameters within which we conduct our operations. Our approach is to manage and minimise risk to people and the capital associated with our business, whilst accepting and managing an increased degree of risk in areas where it is required to deliver our strategy.

Fonterra's Global Risk Management Policy and Standard are aligned to the AS/NZS ISO31000:2018 Risk management – Principles and Guideline standard. They outline our risk management principles and accountabilities, and set out the requirements for managing risk across our business. They are designed to embed a positive risk culture and co-operative-wide risk management capability, including establishing a consistent approach to identifying, controlling, monitoring, and reporting on our key risks.

Continuous monitoring of risk occurs as part of integrated business planning processes, specific technical risk councils and audit outcomes, with a focus on the key risks faced globally in implementing our strategy. As part of their risk management responsibilities, the Board and the Audit, Finance and Risk Committee receive regular reports of Fonterra's Group Risk Appetite position and the measures in place to identify and manage the impact of emerging risks. The Board and the People, Culture and Safety Committee also receive regular reports on the health, safety and wellbeing of our people as part of our risk management framework.

The following table sets out Fonterra's key risks and provides an overview of our mitigation activities in FY24.

Key risk	Risk description	Risk mitigations
Climate Change	The risk that the efficiency and continuity of Fonterra's milk supply and operations is disrupted due to an increased prevalence and severity of both physical and transitionary climate impacts.	Deliver on our Climate Roadmap, including emissions reduction targets. Continue to develop sustainability initiatives with customers. Actively identify climate-related risks and potential mitigations to build a resilient Co-operative through our climate risk programme and disclosure requirements. Ongoing engagement with stakeholders on climate activities remains a priority.
Commodity Price, Foreign Exchange and Interest Rate	The risk that market price volatility, including foreign exchange, interest rates and commodities, is not appropriately responded to, adversely impacting revenue and/or earnings.	Established governance framework including oversight from the Financial Risk Committee and the Audit, Finance and Risk Committee. Regular review of relevant policies, standards, and procedures to maintain a robust control framework. Review and approval of annual exposure management plans and financial trading limits. Regular review of foreign exchange and interest rate exposures and approval of the hedging plan. Regular review of dairy and non-dairy portfolios, and ongoing market exposure assessments.
Cybersecurity	The risk that the Co-operative's ability to maintain the confidentiality, integrity or availability of critical business assets and information is compromised due to unauthorised access to systems and/or a data breach.	Implementation of ongoing cyber programme to build defence by improving capability to detect, protect, respond, restore and recover from cyber incidents. Ongoing activity to improve cyber awareness and enable our staff as a key part of cyber defence. Active engagement with key strategic partners, industry groups and government agencies to share information and work together to help keep Fonterra cyber safe. Regular cybersecurity control reviews and assessments conducted to assess the environment and manage cyber risk across people process and technology.
Environmental Sustainability	Failure to enact measures to mitigate the impact of Fonterra's activities on the environment.	Resourcing plans to make progress against environmental targets. Refer to the Sustainability Reporting section of this report on page 155, and the Sustainability Reporting Data Pack for our sustainability goals and performance. Proactive engagement with industry, iwi, government, non-governmental organisations, and regulators.
Food Safety and Quality	The risk that Fonterra supplies unsafe food (or food that is perceived to be unsafe), or product that is of sub-standard quality.	Our Global Quality Management framework provides that the purchase, supply, production and release of food is aligned with global regulatory standards as a minimum. Our global third-party sourcing network undergoes specific food safety and quality audits by specialists from Fonterra. External global regulatory bodies undertake independent audits of our global management system, and manufacturing and distribution footprint. Internal second line global audit programme that supports and demonstrates compliance to external global regulatory and certification programme requirements.
Health, Safety and Wellbeing	Failure to manage the health, safety and wellbeing of the Co-operative's people in the workplace.	Regular detailed evaluations and verification of major accident risks and employee safety, prioritising hazard elimination. Engaging employees in making work safe through proactive risk management and ongoing training and dialogue. Addressing physical and psychosocial health risks through comprehensive programmes and balancing the nature of work with health. Robust incident investigation using digital systems and tools to document, analyse, and act on incidents and feedback, promoting transparency and accountability. Setting goals and reporting and measuring events in an enterprise-wide management system to drive action and delivery priorities. Exceeding regulatory compliance and maintaining open communication with all stakeholders to enhance safety standards.

Key risk	Risk description	Risk mitigations
Information Technology	Failure to establish, maintain and safeguard an appropriate information technology (IT) and data management framework, that maintains the confidentiality, integrity and availability of Fonterra's data, systems and supply chain.	Ongoing implementation of risk reduction programmes to improve stability, reliability and resilience of our IT landscape. Initiated the Core System of Record programme (Project Pūnaha) to replace old and complex hardware and software systems. Expansion of the Data and Artificial Intelligence (AI) programme to improve management and protection of data, and leverage AI technologies as these develop.
Innovation	Inability to innovate effectively to respond to market trends and disruptions.	Insights and outputs from strategic development and implementation processes feed directly through to integrated innovation forums. Targeted use of a spectrum of innovation vehicles (e.g., Fonterra's Ki Tua investment fund, internal research and development expertise, third party partners, research institutions and government) to identify, develop, and/or acquire relevant innovations, technologies, and research and development capabilities.
Legal and Compliance	Failure to manage or respond to changes in Fonterra's Legal and Compliance obligations, within the markets in which Fonterra operates.	Annual employee Policy commitment (including certification of compliance with Fonterra Legal and Compliance policies and standards). Annual maturity assessment of compliance management processes aligned to key policies and standards. Regular legal and compliance training (both broad based and market/function specific), accessible legal and compliance guidance, and reporting systems and processes. Support and advice from internal Legal, Regulatory and Trade Strategy teams, supplemented by specialist external support as required.
Licence to Operate	The risk that Fonterra's engagement with, and treatment of, the communities and environment where Fonterra operates is ineffective and/or fails to consider societal impacts, stakeholder interests, and/or legal and regulatory obligations.	Fonterra's Doing Good Together Programme, delivering community engagement and social impact programmes across three pillars. Active stakeholder engagement programme in New Zealand and key international markets. Achievement of key environmental and other relevant targets. Continuous oversight and escalation processes relating to resource consents.
Liquidity and Funding	Unable to access sufficient funds to meet financial obligations, and/or insufficient financial flexibility to take advantage of opportunities.	Established financial assurance framework including oversight from the Financial Risk Committee, and the Audit, Finance, and Risk Committee. Active management of debt, working capital, and cashflow forecasting. Regular review of relevant policies, standards, and procedures to maintain a robust control framework.
Market Access / Geopolitical	The risk that changes within global markets, including economic volatility, geopolitical instability, market access and market concentration adversely impacts business operations, reputation and sales.	Trade strategy, insights and intelligence, advocacy, and government/industry engagement. Scenario planning and modelling, and development of bespoke action plans, in relation to specific risks. Regular review of market concentration risk. Active centralised portfolio management with product portfolio plans that capture a diverse global demand pool. Multimarket, diverse product and channel offerings with specific strategies in place to support.

Key risk	Risk description	Risk mitigations
Milk Supply	Inability to retain milk supply driven by disruption (e.g. biosecurity/weather event), competitor activity, unfavourable returns and/or adverse regulatory settings.	Delivery against strategic milestones and commitments, and strong financial performance which provides sustainable value for our suppliers and farmer shareholders. Comprehensive activity focused on winning and retaining milk, and supporting our farmers to maximise high-quality sustainable New Zealand milk. Flexible capital structure, farmer-focused risk/cashflow management tools, and targeted engagement and support which attract the next generation of farmers to supply Fonterra.
People	The risk that leadership, organisational culture, behaviour and people management practices are inadequate or insufficiently agile.	Continued delivery of programmes to strengthen organisational culture, talent, leadership development, future capabilities, and strategic workforce planning. Clear roadmap to simplify People and Culture (P&C) processes and technology systems. Leveraging the P&C operating model to improve strategic business partnering and support high priority initiative deployment. Continued provision of tools and training to upskill people leaders, improve decision making, and leadership effectiveness. Embedding diversity, equity and inclusion across all relevant facets of our high priority initiatives.
Regulatory	Failure to manage or respond to changes in the regulatory environment in which Fonterra and its farmers operate.	Proactive engagement with local and central government officials and regulators, and monitoring of policy and regulatory changes. Support and advice from Legal, Government Affairs, Regulatory and Trade Strategy teams across Fonterra, and supplemented by specialist external support as required.
Strategic Decision	Sub-optimal strategy that does not empower Fonterra's innovation and sustainability ambitions, enable opportunity, leverage its competitive advantage and/or provide improved business performance.	Organisational strategy system generates continuous insights and provides regular reviews of the beliefs and assumptions which underpin the strategy for consideration by the FMT and the Board.
Strategic Execution	Sub-optimal execution of strategic initiatives, and/or failure to adapt to changes in the Co-operative's operating environment.	Strategic deployment milestones and decision points are integrated into management systems and business planning. Annual review and reconciliation of business activity and results against strategic expectations and targets.
Supply Chain and Manufacturing	The risk that Fonterra's ability to maintain or operate the assets within its end-to-end supply chain is disrupted, delayed or reduced.	Reliable and efficient collection, treatment and distribution of milk. Strong focus on global supply chain management: implementing resilience strategies to mitigate impacts of global shipping and local supply chain disruption. Established, robust business continuity plans to address identified manufacturing and supply chain risks.

Principle 7: Auditors

External auditor framework

The Audit, Finance and Risk Committee is responsible for making recommendations to the Board regarding the appointment of the external auditor. It reviews the independence of the auditor, external audit fees, terms of engagement and the annual audit plan.

The external auditor is appointed by our farmer shareholders at the Annual Meeting. KPMG has been appointed as Fonterra's external auditor for five consecutive years, and the fees paid to KPMG for FY24 are detailed in Note 3 of the Financial Statements (page 54 of this report). The lead external audit partner must be rotated at least every five years, and this rotation will occur in FY25.

Our Group Audit Independence Policy and Standard enable the auditor to carry out its statutory audit role in a manner where its independence is not impaired or could be perceived to be impaired. This Policy and Standard set out the types of services that the auditor may undertake, those the auditor may only undertake with the approval of the Audit, Finance and Risk Committee, and those that are not permitted.

All non-audit services to be undertaken by the auditor require pre-approval by the Chief Financial Officer or the Director Group Finance. Regardless of the nature of the services proposed, any engagements exceeding a total of NZD200,000 must be approved by the Audit, Finance and Risk Committee.

The external auditor attends all Audit, Finance and Risk Committee meetings, and meets with the Committee without Fonterra management at least twice a year. The Chair of the Committee also communicates regularly with the external auditor.

Annual Meeting

The external auditor attends our Annual Meeting and is available to answer questions from farmer shareholders in relation to the audit.

Internal audit

Our Internal Audit function provides independent and objective assurance to the Audit, Finance and Risk Committee and management on the adequacy of risk management, control and governance processes.

Our internal audit approach is based on the principle that Fonterra's management is responsible for implementing, operating, and monitoring the internal controls to manage risk and achieve business objectives.

Fonterra's Internal Audit team is responsible for:

- delivering a reasonable degree of assurance, as determined by the Audit, Finance and Risk Committee, over business risk and the effectiveness of internal controls;
- assisting the business with special reviews or investigations; and
- complying with the internal audit methodology.

The appointment and removal of the Chief Internal Auditor (CIA) is subject to the approval of the Audit, Finance and Risk Committee. The CIA is responsible for developing the annual internal audit plan and is accountable for its implementation. The Audit, Finance and Risk Committee endorses the internal audit plan and regularly monitors the progress of its implementation.

Principle 8: Shareholder Rights and Relations

Website and disclosure

Our website (fonterra.com) provides investors and interested stakeholders access to Fonterra's financial, operational, and key corporate governance information.

Information regarding our performance, annual and half-year financial results, Director changes, and other significant matters, is disclosed to the market through the NZX and ASX in accordance with relevant laws and listing rules. All media and market releases are also available on fonterra.com.

Co-operative Council

One of the Board's most important relationships is with the Co-operative Council, an independent body consisting of farmer shareholders elected to represent the interests of Fonterra's farmers. The Council is established under the Constitution, and its functions are set out in clause 16.4. As at 31 July 2024, the Council consisted of 25 elected Councillors from each of the 25 wards across New Zealand, and two appointed Councillors. The Council publishes an annual report, outlining its activities and the Board's response to the Council's Letter of Members' Expectations. The Council's annual report is emailed to all members of the Co-operative and made available on the Farm Source website.

The Council, Board and Fonterra's management have a working interface document which sets out the principles to facilitate the working partnership and the way operational issues will be addressed. The working interface document is available on the Farm Source website.

The Council and the Board meet regularly, as do the Chairs of the Board and the Council.

Engaging with farmer shareholders

We are looking to continuously improve the way we engage with our farmer shareholders with the aim of keeping them well informed about key topics that are relevant to them. There's a sense of belonging and connection that comes with being part of a Co-op, and fostering that is an important part of what we do.

We have a team responsible for evolving and implementing our farmer engagement plan. They oversee a diverse range of communications channels such as the Farm Source website, which enables farmer shareholders, their employees and business partners to connect with Fonterra and access information and tools on milk production and quality, online statements and relevant news. Farmer shareholders are given the option to receive communications from us electronically.

The My Co-op app provides up-to-date news and information from across the Co-operative and the industry, including Milk Price announcements, upcoming events, Farm Source Rewards balance and updates from the Chair and Chief Executive Officer. Meanwhile, the On Farm app provides daily milk production and quality information, comparisons against last season volumes, tanker movements, and summary reports of key milk performance information for the last 30 days. Local Farm Source teams are in regular contact with farmers in their area, and there's also the Farmer Support Team available 24/7 on 0800 65 65 68.

We arrange face-to-face and online meetings throughout the year with farmer shareholders as well as other key groups such as sharemilkers, contract milkers, farm lessors, farm workers and rural professionals to have two-way communication on relevant topics.

Regular emails from the Chair, Chief Executive Officer, Group Director Farm Source and Regional Heads are also used to keep our farmers informed, and we issue a monthly Global Dairy Update to provide an overview of the global dairy market and our performance.

Annual and Special Meetings

Our Annual Meeting, held at a different venue around New Zealand each year, is an opportunity to communicate directly with our farmer shareholders. The meetings are designed to encourage participation from our farmers, with appropriate time provided for farmer shareholders to raise issues or ask questions from the floor. The Chief Executive Officer attends the Annual Meeting.

Our Constitution describes the process for a farmer shareholder to raise a proposal for discussion or resolution at the next meeting of farmer shareholders at which the farmer shareholder is entitled to vote.

Fonterra endeavours to send notices of annual or special meetings to farmer shareholders at least 20 working days prior to the relevant meeting. Due to the need to consider and include the details of shareholder proposals received by Fonterra this is not always possible, however at a minimum, notices are sent to farmer shareholders and published on fonterra.com at least 10 working days before the meeting in line with Fonterra's Constitution and the Companies Act. For Fonterra's 2023 Annual Meeting held on 9 November 2023, the notice of meeting was made available on 16 October 2023.

Our 2024 Annual Meeting will be hybrid, allowing farmer shareholders to join either online or in person.

Voting

Shareholders have the right to vote on major transactions (as defined in the Companies Act) as well as other major decisions that may change the nature of Fonterra as prescribed by the FSM Rules. In particular, FSM Rule 4.1.1 restricts Fonterra from entering into any transaction (or series of related transactions) which would significantly change, indirectly or directly, the nature of Fonterra's business or involve a gross value above 50% of the average market capitalisation of Fonterra, unless the transaction(s) is approved by (or is conditional on the approval of) Fonterra's shareholders.

In accordance with the co-operative nature of Fonterra, voting is based on the quantity of milk solids supplied to Fonterra, backed by shares, and is not on the principle of one vote per share.

Equity offers

Fonterra has not sought additional equity capital for the year ended 31 July 2024.

Remuneration report

Message from the People, Culture & Safety Committee Chair – Holly Kramer

Dear Shareholders

On behalf of the Board, I am pleased to present Fonterra's remuneration report for the financial year ended 31 July 2024.

FY24 performance and remuneration outcomes

Short-term Incentive (STI)

Our senior leaders' STI is aimed at delivering exceptional results against our annual goals, which are aligned with our three strategic choices. For FY24 we incorporated a customer measure of delivered in full, on time (DIFOT) and our Innovation measure was evolved to better align with our Innovation Blueprint and to focus on commercialisation of innovations.

Positive outcomes were achieved across seven of the eight measures including Group Return on Capital (ROC) and Farmgate Milk Price (FGMP), both of which support alignment with our farmer shareholders. We saw substantial progress against our Sustainability measures of Greenhouse Gas Emissions (GHG), and Water Improvement Plans (WIPs), and good performance against our People and Innovation measures. Whilst significant improvements were made in DIFOT through the year, this was the only measure not to meet the respective targets, and therefore resulted in a zero payout on this measure.

DIFOT will remain in the STI for FY25 ensuring continued focus. The resulting achievement for the FY24 STI plan is 99.8%.

The Chair of the Board reviews the CEO's performance each year, and recommends to the Board the STI payment to be made to the CEO. The CEO's FY24 STI outcome as approved by the Board is provided in the CEO Remuneration section of this Report.

Long-term Incentive (LTI)

The LTI plan introduced in FY23, called Alignment Rights, is aimed at rewarding the delivery of sustainable outcomes for all shareholders. The second grant of Alignment Rights was made in FY24 to senior leaders, further supporting attraction and retention and alignment to farmer outcomes.

Fifty percent of the value of Alignment Rights is based on the performance of a Co-operative share on the Fonterra Shareholders' Market (FSM) over a six-year period (called Co-op Unit).

The remaining 50% is based on the change in on-farm profitability per hectare over the six-year period as measured through the DairyNZ Economic Survey (called Farm Unit).

The value of the Co-op Unit as at 31 July 2024, is $2.55. This is a decrease from $2.82 for the FY23 grant, and an increase from $2.38 for the FY24 grant. Participants of the FY23 grant also received dividend equivalent payments and a cash distribution equivalent to the value of the interim and final dividends, and the capital return per share provided to farmer shareholders resulting in a total shareholder return over the period of 25.9% for participants.

The value of the Farm Unit as at 31 July 2024, is $3,454. This is an increase from $2,700 for the FY23 grant and from $3,365 for the FY24 grant. We expect to see the value of the Farm Unit adjust downwards as a result of more recent inflation and higher on-farm costs. No payments are made to participants relating to the Farm Unit until the end of the performance period (generally six years).

Looking ahead

Each year we review our STI plan with the objective of it driving the right outcomes for the Co-operative and confirming that it continues to align with our long-term strategy. We have seen great progress against our Health and Safety measure over the last few years, and for FY25, we will be further strengthening our focus on Health, Safety and Wellbeing (HSW) with the introduction of an additional measure linked to our long-term Global HSW plan. We will also be introducing a measure linked to milk supply, recognising the importance of securing milk for the long-term performance of the Co-op. We have also further strengthened alignment of remuneration outcomes with that of our farmer shareholders, by increasing the weighting of the ROC and FGMP measures in the STI plan.

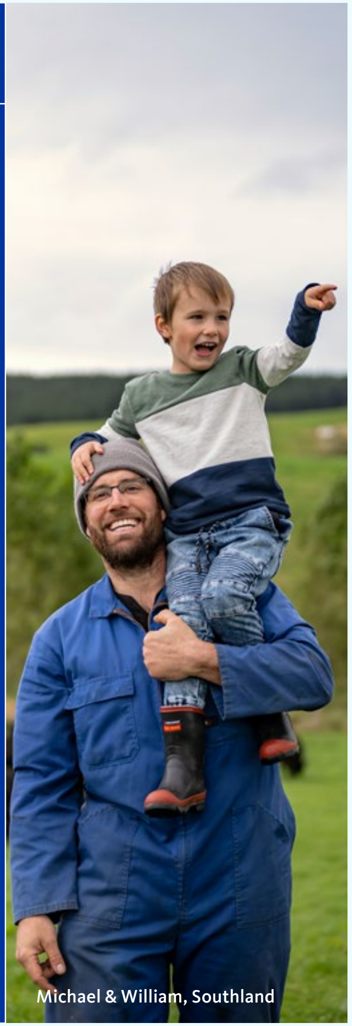
Gender diversity has been included in our STI plan for the past 3 years, and we are delighted to have reached our target of >40% female representation in global senior leadership. We have also completed all WIPs, a measure introduced in FY23, which has resulted in significant improvement in actual water performance. Both measures will come out of our STI for FY25.

In FY25, we will continue to maintain our LTI plan and make the third grant of Alignment Rights to our senior leaders, further supporting attraction and retention and alignment to farmer outcomes.

Holly Kramer
People, Culture & Safety Committee Chair

Employee remuneration

Remuneration strategy	Our purpose	Our values	Our strategic choices	Our remuneration principles
Fonterra's remuneration strategy has been designed to align to and support our purpose, values, and the delivery of our three strategic choices. These are the foundation of the Co-operative and the lens through which all behaviours, decisions and choices are made.	Our Co-operative, Empowering people To create goodness for generations. You, me, us together Tātou, tātou	Good Together Better Every Day Every Drop Counts	Focus on New Zealand milk Be a leader in sustainability Be a leader in dairy innovation & science	Attract and retain key experience, expertise and knowledge Reflect individual contribution Align employees with sustainable prosperity for farmers via Co-op returns and Farmgate Milk Price; and strength and value of the Co-op Reward collaboration to deliver the most value from each litre of milk for dollar of capital invested Support Fonterra values Be simple and transparent Have robust governance


Michael & William, Southland

Remuneration framework FY24

The details included in this section relate to the remuneration framework in place for FY24.

Employee remuneration

The Co-operative's remuneration framework is designed to attract and retain talent, and motivate and recognise the role our people play in the success of Fonterra. It is aimed at supporting our strategy, purpose, and values.

Fonterra's remuneration framework for salaried staff includes base salary, benefits (KiwiSaver, superannuation and insurance where applicable), and variable remuneration (incentives).

Fonterra's remuneration packages are benchmarked against comparable companies in relevant markets, using information obtained from independent remuneration consultants. Adjustments to remuneration packages may occur on a cyclical basis, such as an annual salary review, or on an as-needed basis, for example to recognise promotions, or address internal relativity (including gender pay).

The framework is designed to take into account budget targets and restraints, market conditions, internal equity (including gender pay), and governance factors such as local legislation, as well as individual performance.

Enterprise Leader remuneration

Senior employees, who are deemed to have the greatest ability to have a long-term impact on the Co-operative's performance, are defined as Enterprise Leaders. This group generally includes the CEO, FMT, and their senior direct reports.

The components of the remuneration package of Enterprise Leaders are set out in the table to the right and includes the LTI plan called Alignment Rights introduced in FY23.

The remuneration package and any incentive payments made following the completion of the financial year, to the CEO and eligible FMT, are approved by the People, Culture and Safety Committee (PCSC) (and in the case of the CEO, the Board) at its discretion. The PCSC retains absolute discretion in respect of payments for all incentive schemes.

Total Remuneration

	Fixed Remuneration	Short-term Incentive	Alignment Rights
How it works	Consists of base salary and benefits (KiwiSaver, superannuation and insurance where applicable). Reviewed annually based on performance and behaviours. Set based on capability, experience, performance, internal relativity (including gender pay), and external relativity with the applicable country or region.	Calculated based on achievement against a Fonterra Group Scorecard which aligns to our three strategic choices and key people measures. It is comprised of financial and non- financial ESG measures. In FY23, an individual multiplier was introduced (in the range of 0.8x to 1.2x) for the CEO and FMT to be applied to the STI outcome of each individual to recognise and reward individual performance and contribution. Achievement is determined over a one-year performance period (1 August – 31 July, aligned to Fonterra's financial year). The Group Scorecard is capped at 125% of on-target opportunity. For the CEO and FMT with the individual multiplier, total incentive opportunity is capped at 150%. CEO on-target opportunity is 72% of Base Remuneration. Eligible FMT and other Enterprise Leaders on-target opportunity is between 25% and 60% of Base Remuneration.	The value of the Alignment Rights will increase or decrease in value relative to sustainable farmer prosperity and Co-operative value over a six-year period. 50% of the Alignment Rights is based on the performance of a Co-operative share on the Fonterra Shareholders' Market (FSM) over the six-year period. The remaining 50% is based on the change in on-farm profitability per hectare over the six-year period as measured through the DairyNZ Economic Survey. CEO grant value is 48% of Base Remuneration. Eligible FMT and other Enterprise Leaders grant value is between 20% and 40% of Base Remuneration.
What it does	Attracts and retains key talent in the markets in which Fonterra operates.	Aligns Enterprise Leaders on delivering exceptional results over both the short and long term for farmer shareholders.	Aligns Enterprise Leaders with the financial interests of Fonterra's farmer shareholders.
Benchmarking & market positioning	The remuneration packages of Enterprise Leaders are benchmarked against the external market using comparable companies in the applicable country or region. Benchmarking of the CEO and FMT's remuneration packages is conducted using an independent remuneration consultant appointed by the PCSC and is based on a comparator group of companies similar in size, complexity and operational scope. Fonterra aims to pay Fixed Remuneration and Total Remuneration of the CEO and FMT in the range of the 50th to 65th percentile of the comparator benchmark peer group.		

Short-term Incentive FY24

The STI is a critical component of our remuneration framework. It is aimed at motivating, aligning and rewarding performance over a 12-month business performance cycle and comprises financial and non-financial ESG measures.

The measures included in the scheme align with Fonterra's three strategic choices – focus on New Zealand milk, be a leader in sustainability, and be a leader in dairy innovation and science, as well as key people-related measures. Each year these measures are reviewed to align with our longer-term strategic targets.

The FY24 measures include:

- Group Return on Capital, Farmgate Milk Price, Delivery in full, on time
- Greenhouse gas emissions, and Water Improvement Plans
- Value from innovation
- Health and safety, and leadership gender diversity

Achievement against these for FY24 is provided in the CEO Remuneration section of this report.

Long-term Incentive FY24

The LTI called Alignment Rights was introduced in FY23 and is aimed at aligning the financial interests of Fonterra's Enterprise Leaders with that of the Co-operative's farmer shareholders.

Those eligible for Alignment Rights are our Enterprise Leaders which includes the CEO, FMT and their senior direct reports who are deemed to have the greatest ability to have a long-term impact on the Co-operative's performance.

Alignment Rights are comprised of two separate measures, each equally weighted at 50%. The first measure is called the Co-operative Unit and the second is the Farm Unit. Further detail on these respective measures and the rationale for inclusion in the scheme is provided in the table below.

The performance period of the plan is typically six years. After completion of the performance period, a cash payment will be made based on the performance of the Co-operative Unit and the Farm Unit. The first grant of Alignment Rights, including the value of the Co-operative Unit and Farm Unit at grant, was approved by the PCSC and awarded in FY23. The second grant of Alignment Rights was approved by the PCSC and awarded in FY24.

Prior to the introduction of Alignment Rights, the CEO and certain members of the FMT participated in the Executive Incentive Plan (EIP). This plan included a deferred component payable three years after grant subject to a performance hurdle. The last grant made under the EIP was for FY22 performance. Recognising the longer performance period of six years under the Alignment Rights plan, those transitioning from the EIP plan (including the CEO) have shorter performance periods for the first two grants. These shorter performance periods are no less than four years.

Measure	Weighting	Further detail and rationale for measure
Co-operative Unit	50%	The value of the Co-operative Unit will go up or down based on the performance of a Co-operative share. Dividend equivalent payments and other cash distributions will be made during the performance period to replicate the returns received for a Co-operative share. The Co-operative Unit is designed to replicate the returns a farmer shareholder receives and incentivises Enterprise Leaders to focus on the long-term performance of a Co-operative share.
Farm Unit	50%	The Farm Unit is based on the three year average of on-farm profitability per hectare as measured through the DairyNZ Economic Survey. The value of the Farm Unit will go up or down based on on-farm profitability. No dividend equivalent payments or other cash distributions are made on the Farm Unit. The Farm Unit is designed to replicate the change in on-farm profitability over the performance period and incentivises Enterprise Leaders to focus on those factors that influence on-farm profitability for our farmer shareholders.

Chief Executive Officer remuneration

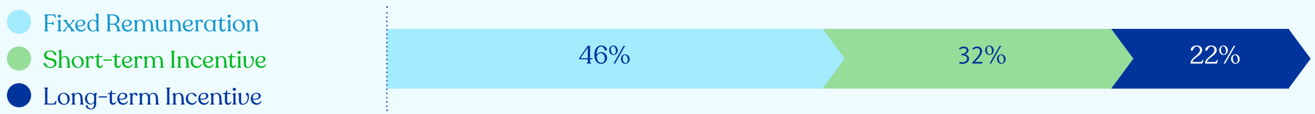
The following section of the remuneration report sets out the remuneration structure, pay mix, and remuneration earned and received by the CEO for FY24.

CEO remuneration components and performance period

The diagram below sets out the remuneration structure and delivery timing for the CEO. The same performance periods apply for all Enterprise Leaders.

CEO pay-mix

The remuneration pay-mix graph below shows the percentage of each remuneration element that makes up the CEO's on-target remuneration opportunity for FY24.



1 Eligible for dividend equivalent payments and other cash distributions during the performance period. These would be paid annually to support alignment though the performance period.

2 Recognising the longer performance period of six years under the Alignment Rights plan, those transitioning from the EIP plan (including the CEO) have shorter performance periods for the first two grants. The first grant made to the CEO in FY23 comprised two equally weighted tranches. The first tranche had a performance period of four years, and the second tranche had a performance period of five years. The second grant made to the CEO in FY24 comprised of two equally weighted tranches. The first tranche had a performance period of five years, and the second tranche had a performance period of six years.

Total CEO remuneration paid

Total remuneration paid reflects the remuneration in the period it is received, rather than the performance period to which payment relates.

Miles Hurrell has held the role of CEO for the full financial year.

His annual salary as at 31 July 2024 is $2,463,818. The pay for performance component paid in FY24 includes the FY23 STI, the deferred component of the FY20 EIP which was subject to a performance hurdle being met, and the dividend equivalent payments and cash distributions made on the Co-op Units of the FY23 Alignment Rights grant.

Further information on Alignment Rights can be found on page 109 of this report. The remuneration earned by Mr Hurrell in FY24 for the Alignment Rights plan is set out in the section to the right.

The total remuneration received by Mr Hurrell in FY24 was $5,924,782 as shown in the table below.

Fixed remuneration		Pay for performance		Total remuneration paid in FY24
Salary	Benefits[1]	Short-term Incentives[2]	Long-term Incentives[3]	
$2,459,310	$172,566	$1,666,655	$1,626,251	$5,924,782

1 Employee Superannuation contribution on salary, Short-term and Long-term Incentive.
2 The value of the Short-term Incentive represents the FY23 Short-term Incentive Plan.
3 The value of the Long-term Incentive represents the deferred component of the FY20 EIP which was subject to a performance hurdle being met and the dividend equivalent payments and cash distributions on the Co-op Units of the Alignment Rights granted 1 October 2022.

Total CEO remuneration earned

Total remuneration earned aligns remuneration outcomes with the performance period in which the remuneration is earned, providing what Fonterra believes is a more transparent indication of pay for performance.

The FY24 STI achievement for Mr Hurrell was $1,947,441, based on a Group Scorecard outcome of 99.8% and an individual multiplier of 1.1. Achievement of the Group Scorecard measures is provided on the next page of this report.

Alignment Rights awarded to Mr Hurrell during FY24 were comprised of two tranches equally weighted at a total value at allocation of $1,182,633 (48% of Base Remuneration), which will be recognised over the service period to 30 September 2026 (adjusted for movements in fair value). The first tranche has a payment date of 30 September 2028, and the second tranche has a payment date of 30 September 2029. The amounts in the table below represent the fair value of the pro-rata amounts earned by Mr Hurrell in FY24.

The number of Alignment Rights granted to Mr Hurrell during FY24 is also provided on the next page.

Fonterra believes its reporting approach to total CEO remuneration earned provides the right balance of transparency and disclosure while accurately reflecting the outcomes for FY24.

	FY24
Fixed remuneration	
Salary	$2,459,310
KiwiSaver on salary[1]	$73,779
Pay for performance	
Short-term Incentive	$1,947,441
Long-term Incentive	
Alignment Rights granted payable as cash in future periods[2]	$621,228
Dividend Equivalent Payments and cash distributions[3]	$148,695
FY21 and FY22 EIP Performance Multiplier adjustment[4]	$867,195
KiwiSaver on Incentives[1]	$107,537
Total remuneration earned in FY24	**$6,225,185**

1 Employer Superannuation contribution on salary, Short-term and Long-term Incentive.
2 The service period for the FY23 and FY24 grants ends on 30 September 2025 and 30 September 2026 respectively. Amounts recognised in the above table represent the pro-rata amounts earned in FY24, adjusted for movements in fair value of the equivalent units. Further information on grants – including grant date, number of units and payment dates can be found on page 112.
3 Dividend equivalent payments and cash distributions on Co-op Units will be made on an annual basis during the performance period, based on the returns received by FSM shareholders. No dividend payments or cash distributions are made on Farm Units. Amount above is exclusive of the final dividend for FY24 which will appear in FY25 earnings.
4 The deferred component of the EIP shown above is subject to a performance hurdle of Group ROC over Milk Price Weighted Average Cost of Capital (WACC). Based on achievement against the performance hurdle, maximum payment was achieved for the FY21 EIP, resulting in a modifier of 150% on the value accrued in FY21 ($831,870). Forecast performance of the FY22 EIP modifier is 150% on the value accrued in FY22 ($902,520). The amount shown above represents the modifier amount recognised for the FY21 and FY22 EIP during FY24.

Group Scorecard achievement

Achievement against the FY24 STI measures is provided in the below table. This Scorecard achievement applies to the CEO, FMT and their senior direct reports.

Strategic choice / pillar	Measures	STI weighting	Weighted outcome
Focus on NZ Milk	Group ROC, FGMP and DIFOT	60%	54.1%
Be a leader in sustainability	GHG Emissions and WIPs	15%	18.8%
Be a leader in dairy innovation	Value from innovation	10%	10.0%
People	Health and Safety and Leadership Gender Diversity	15%	16.9%
TOTAL SCORECARD OUTCOME			**99.8%**

Alignment Rights held by the CEO as at 31 July 2024

Mr Hurrell has been awarded two grants under the Alignment Rights Plan. The tables below summarise the number of Co-op Units and Farm Units held at the end of FY23, the number granted during FY24 and the resulting balance at the end of FY24. No payments have been made relating to the Co-op Units and Farm Units included in the below table, other than the dividend equivalent payments as set out in the CEO Remuneration Paid and Earned sections of this report. The value of these units increases or decreases relative to performance of a Co-operative Share (in the case of the Co-op Unit) and relative to on-farm profitability per hectare (in the case of the Farm Unit).

Co-op Unit

Grant date	Payment date	Balance as at 31 July 2023	Units granted during FY24	Units paid during FY24	Balance as at 31 July 2024	Unit value[1]	
						At grant	At payment
1 October 2022 (Tranche 1)	30-Sep-26	101,298	–	–	101,298	2.82	–
1 October 2022 (Tranche 2)	30-Sep-27	101,298	–	–	101,298	2.82	–
1 October 2023 (Tranche 1)	30-Sep-28	–	124,226	–	124,226	2.38	–
1 October 2023 (Tranche 2)	30-Sep-29	–	124,226	–	124,226	2.38	–
TOTAL[2]		**202,595**	**248,452**	**–**	**451,047**		

1 Co-op Unit value is based on the 12-month Volume Weighted Average Price of a Co-operative Share.
2 The figures in this table may not sum to the total due to rounding.

Farm Unit

Grant date	Payment date	Balance as at 31 July 2023	Units granted during FY24	Units paid during FY24	Balance as at 31 July 2024	Unit value[3]	
						At grant	At payment
1 October 2022 (Tranche 1)	30-Sep-26	106	–	–	106	2,700	–
1 October 2022 (Tranche 2)	30-Sep-27	106	–	–	106	2,700	–
1 October 2023 (Tranche 1)	30-Sep-28	–	88	–	88	3,365	–
1 October 2023 (Tranche 2)	30-Sep-29	–	88	–	88	3,365	
TOTAL[4]		**211**	**176**		**387**		

3 Farm Unit value is based on the 3-year average Owner Operator Dairy Operating Profit/ha as published by the DairyNZ Economic Survey.
4 The figures in this table may not sum to the total due to rounding.

Employee remuneration over $100,000

Fonterra operates in a number of countries where remuneration market levels differ widely. During the year ended 31 July 2024, the number of employees, not being Directors of Fonterra, who received remuneration, incentives, and other benefits (including superannuation and allowances etc) exceeding $100,000 was as follows:

Karla, Northland

Remuneration range (NZD)		New Zealand head office[1]	Regional New Zealand[1]	Offshore[2]	Cessations[3]	Total
$100,000	$110,000	75	1,602	151	78	1,906
$110,000	$120,000	61	2,106	174	55	2,396
$120,000	$130,000	71	1,235	183	48	1,537
$130,000	$140,000	58	684	224	50	1,016
$140,000	$150,000	53	557	209	31	850
$150,000	$160,000	51	662	149	29	891
$160,000	$170,000	43	303	126	24	496
$170,000	$180,000	37	179	140	14	370
$180,000	$190,000	58	125	82	16	281
$190,000	$200,000	39	98	74	15	226
$200,000	$210,000	42	70	61	9	182
$210,000	$220,000	34	59	52	10	155
$220,000	$230,000	29	49	44	8	130
$230,000	$240,000	31	27	34	9	101
$240,000	$250,000	27	22	26	8	83
$250,000	$260,000	25	18	33	5	81
$260,000	$270,000	21	21	20	9	71
$270,000	$280,000	16	13	11	4	44
$280,000	$290,000	18	6	18	7	49
$290,000	$300,000	7	11	21	8	47
$300,000	$310,000	10	7	16	3	36
$310,000	$320,000	7	4	13	5	29
$320,000	$330,000	6	8	9	5	28
$330,000	$340,000	6	3	13	2	24
$340,000	$350,000	4	6	15	6	31
$350,000	$360,000	7	7	12	3	29
$360,000	$370,000	7	3	11	3	24
$370,000	$380,000	2	4	6	1	13
$380,000	$390,000	3	1	7	4	15
$390,000	$400,000	1	5	11	3	20
$400,000	$410,000	4	1	8	0	13
$410,000	$420,000	3	2	7	4	16

Remuneration range (NZD)		New Zealand head office[1]	Regional New Zealand[1]	Offshore[2]	Cessations[3]	Total
$420,000	$430,000	3	2	5	2	12
$430,000	$440,000	2	1	9	1	13
$440,000	$450,000	3	1	4	2	10
$450,000	$460,000	3	3	2	1	9
$460,000	$470,000	2	0	6	2	10
$470,000	$480,000	1	2	6	2	11
$480,000	$490,000	6	0	1	1	8
$490,000	$500,000	1	0	2	1	4
$500,000	$510,000	2	0	2	0	4
$510,000	$520,000	0	0	0	2	2
$520,000	$530,000	2	0	4	1	7
$530,000	$540,000	0	0	1	4	5
$540,000	$550,000	6	0	3	0	9
$550,000	$560,000	1	0	2	0	3
$560,000	$570,000	1	0	3	0	4
$570,000	$580,000	0	2	4	0	6
$580,000	$590,000	3	1	0	1	5
$600,000	$610,000	1	0	0	0	1
$610,000	$620,000	1	0	3	0	4
$620,000	$630,000	0	0	1	1	2
$630,000	$640,000	1	0	4	0	5
$640,000	$650,000	1	0	2	0	3
$650,000	$660,000	0	1	1	1	3
$660,000	$670,000	0	0	2	1	3
$680,000	$690,000	1	0	1	1	3
$690,000	$700,000	1	0	2	1	4
$710,000	$720,000	0	0	1	0	1
$720,000	$730,000	0	0	1	0	1
$750,000	$760,000	0	0	2	0	2
$760,000	$770,000	1	0	1	1	3
$770,000	$780,000	0	0	1	1	2
$790,000	$800,000	1	1	0	0	2
$810,000	$820,000	0	0	1	1	2
$820,000	$830,000	0	0	1	1	2
$900,000	$910,000	0	0	0	1	1
$930,000	$940,000	1	0	0	1	2
$950,000	$960,000	0	0	1	0	1
$960,000	$970,000	1	0	0	0	1
$990,000	$1,000,000	0	0	1	0	1
$1,020,000	$1,030,000	1	0	0	1	2
$1,030,000	$1,040,000	0	0	1	0	1
$1,060,000	$1,070,000	1	0	0	0	1
$1,130,000	$1,140,000	0	0	2	0	2
$1,140,000	$1,150,000	1	0	0	0	1
$1,210,000	$1,220,000	1	0	0	0	1
$1,250,000	$1,260,000	0	0	1	0	1
$1,260,000	$1,270,000	0	0	1	0	1
$1,290,000	$1,300,000	0	0	1	0	1
$1,320,000	$1,330,000	0	0	1	0	1
$1,500,000	$1,510,000	0	0	0	1	1
$1,590,000	$1,600,000	0	0	1	0	1
$1,860,000	$1,870,000	1	0	0	0	1
$2,080,000	$2,090,000	0	0	0	1	1
$2,320,000	$2,330,000	1	0	0	0	1
$2,830,000	$2,840,000	0	0	1	0	1
$3,680,000	$3,690,000	0	0	1	0	1
$5,920,000	$5,930,000	1	0	0	0	1
Totals		**909**	**7,912**	**2,050**	**510**	**11,381**

The number of employees who received remuneration, incentives, and other benefits exceeding $100,000 varies from year to year. This number is impacted by a variety of factors including incentive payments, overtime paid, termination entitlements, and remuneration increases provided in each respective year.

Exchange rates for those employees paid in currencies other than New Zealand dollar can also impact employees either meeting or missing the threshold of $100,000.

1 Includes employees employed in New Zealand during the reporting period.

2 Includes employees employed in an offshore operation during the reporting period. Amounts paid in foreign currency have been converted at the average conversion rate for the period. As Fonterra has a significant offshore population, the number of offshore employees exceeding the fixed figure of $100,000 increases if the New Zealand dollar currency weakens significantly. Should the New Zealand dollar strengthen against those markets' currencies, these same individuals may not be reported in future lists.

3 Cessations include employees that have been terminated or retired during the reporting period, this includes employees in businesses divested part way through the financial year. The amounts paid to former employees include salary and bonuses for the current period, prior period bonuses that have been paid in the current period and termination entitlements including those arising from employment arrangements entered into by legacy companies prior to the formation of Fonterra.

Within New Zealand, employees who received remuneration, incentives, and other benefits (including superannuation and allowances etc) exceeding $100,000 were based throughout the country as follows:

	Total
Auckland	1,410
Bay of Plenty	317
Canterbury	1,278
Manawatu-Wanganui	551
Northland	387
Rest of New Zealand	193
Southland	576
Taranaki	1,221
Waikato	2,888
New Zealand total	**8,821**

In addition to being a significant employer in New Zealand, Fonterra also has employees in markets around the world. Those who received remuneration, incentives, and other benefits (including superannuation and allowances etc) exceeding $100,000 were based in markets around the world as follows:

	Total
Australia	1,154
Europe	117
Greater China	325
Latin America	10
New Zealand	8,821
Rest of Asia	294
Rest of World	72
United States	78
Cessations	510
Global total	**11,381**

Onuku Farm, Bay of Plenty

Director remuneration

Our Constitution modifies the Board's discretion to set remuneration of Elected Directors. The Directors' Remuneration Committee, comprising six shareholders elected in accordance with the Constitution, makes recommendations for shareholder approval as to the level of Elected Directors' fees.

The members of the Directors' Remuneration Committee as at 31 July 2024 were Conall Buchanan (Chair), Ellen Bartlett, Simon Couper, Stephen Silcock, Richard Stalker and Shirley Trumper.

Directors and employees only attend Directors' Remuneration Committee meetings at the invitation of the Committee.

Given the arrangements outlined above, we do not have a specific policy for remuneration of Directors.

At the Annual Meeting on 9 November 2023, shareholders approved, on the recommendation of the Directors' Remuneration Committee, the following amounts of remuneration to apply from that date onwards:

	NZD
Chair	484,000 per annum
Elected Directors	196,500 per annum
Discretionary additional payments to the Chair of permanent Board Committees (except when that person is the Chair of the Board, the Chair of the Audit, Finance and Risk Committee, or is already in receipt of a Committee Chair allowance)	37,000 per annum
Discretionary additional payment to the Chair of the Audit, Finance and Risk Committee	51,500 per annum

The Board has approved payment of the discretionary additional payments, at the rates outlined above.

The Board has discretion to set the remuneration of Appointed Directors, with such remuneration not required to be approved at the Annual Meeting. The Board has historically remunerated Appointed Directors at the same level as Elected Directors, in line with Directors' Remuneration Committee recommendations. This approach was taken by the Board for FY24.

The People, Culture and Safety Committee and the Chair of the Board have the discretion to allocate a discretionary pool of up to $150,000 per annum to remunerate Directors for additional duties, workload, and responsibilities. In FY24, the People, Culture and Safety Committee and the Chair of the Board approved a payment of $12,000 per Director from the discretionary pool to recognise the additional workload undertaken by those Directors who were members of more than three Board Committees during that period (including non-permanent Committees but excluding Board Committees they collected a Chair fee for).

Fees paid by subsidiary or associate companies in respect of Fonterra Directors or employees appointed by Fonterra as Directors of those companies are payable directly to Fonterra.

The total remuneration and value of other benefits (not including superannuation contributions, if applicable) received by each Director in FY24 are below:

	NZD			
	Board fees	**Committee Chair fees**	**Discretionary pool**	**Total remuneration**
Clinton Dines	194,984		12,000	206,984
Brent Goldsack	194,984		12,000	206,984
Leonie Guiney	194,984		12,000	206,984
Bruce Hassall (Chair of the Audit, Finance and Risk Committee)	194,984	51,087	12,000	258,071
Holly Kramer (Chair of the People, Culture and Safety Committee)[1]	194,526	36,641		231,167
Andy Macfarlane[2]	194,984	24,391	12,000	231,375
Peter McBride (Chair of the Board of Directors)	480,141		12,000	492,141
John Nicholls (Chair of the Co-operative Relations Committee)[3]	194,984	12,333		207,317
Cathy Quinn (Chair of the Disclosure Committee)	194,984	36,724		231,708
Scott St John[4]	129,484			129,484
Alison Watters (Chair of the Sustainability and Innovation Committee)	194,984	36,724		231,708

1 Ms Kramer's fees vary for this period due to her remuneration being received a month in arrears.
2 Mr Macfarlane ceased to be Chair of the Co-operative Relations Committee on 30 April 2024.
3 Mr Nicholls became Chair of the Co-operative Relations Committee on 1 May 2024.
4 Mr St John ceased to be a Director in March 2024.

Bronte, Auckland

Directors' disclosures

Disclosures of Directors' interests

The Directors have made the following general disclosures of interest during FY24.

Director	Interest
Clinton Dines	
Griffith University Council (ceased April 2024)	*Council Member*
Bruce Hassall	
Vector Limited	Director
Fletcher Building Industries Limited (ceased March 2024)	*Chair and Director*
Fletcher Building Limited (ceased March 2024)	*Chair and Director*
Holly Kramer	
Australian Government – Remuneration Tribunal	President
Susan McKinnon Foundation	Chair, Advisory Board
Goodes O'Loughlin Foundation (ceased March 2024)	*Independent Non-Executive Director*
Western Sydney University (ceased March 2024)	*Pro-Chancellor*
Peter McBride	
Sydney Markets Limited	Chair
Trinity Lands Limited	Director
Ian Elliott Family Trust (ceased May 2023)	*Trustee*
Kennedy Farm Limited (ceased May 2023)	*Shareholder*
MA Elliott Family Trust (ceased May 2023)	*Trustee*
Pokai Farm Limited (ceased May 2023)	*Shareholder*
Trinity Lands Limited (ceased March 2024)	*Chief Executive Officer*
John Nicholls	
MC Water Limited (ceased October 2023)	*Director*
MHV Water Limited (ceased October 2023)	*Chair*
Scott St John	
ANZ Group Holdings Limited	Independent Non-Executive Director
Australia and New Zealand Banking Group Limited	Independent Non-Executive Director
Mercury NZ Limited	Chair
Alison Watters	
Figured Limited	Shareholder through shareholding interest in AgInvest Holdings Limited
Totally Vets Limited	Chair
Meteorological Service of New Zealand Limited (ceased July 2024)	*Director*
National Science Challenge – High Value Nutrition (ceased July 2024)	*Board member*

Use of information by Directors

During FY24, there were no notices from Directors requesting to disclose or use information received in their capacity as Directors which would not otherwise have been available to them.

Indemnity and insurance

Fonterra has given indemnities to, and has effected insurance for, the Directors and executives of Fonterra and its related companies, in accordance with section 162 of the Companies Act and clause 35 of Fonterra's Constitution. Except for specific matters that are expressly excluded (such as the incurring of penalties and fines that may be imposed for breaches of law), Directors and executives are indemnified and insured against monetary losses as a result of actions undertaken by them in the course of their duties.

New disclosures of Directors' interests in securities

There were no new disclosures of holdings of Fonterra securities made by Directors during FY24.

Disclosure of Directors' interests in securities transactions

Directors disclosed that they (or their associated persons) acquired or disposed of a relevant interest in financial products during FY24 as follows:

Director	Type of transaction	Number of securities acquired / (disposed)	Consideration (NZD)	Date of transaction
Leonie Guiney	Co-operative Shares	50,000	113,500	10 October 2023
Peter McBride	Co-operative Shares	(479,875)[1]	–	31 May 2023
Peter McBride	Co-operative Shares	(350,329)[1]	–	31 May 2023
Peter McBride	Co-operative Shares	(7,970,000)[1]	–	1 March 2024

1 Effective disposal through ceasing to hold a relevant interest in shareholding entity.

There were no transactions by Directors (or their associated persons) in Retail Bonds or Wholesale Bonds reported during FY24.

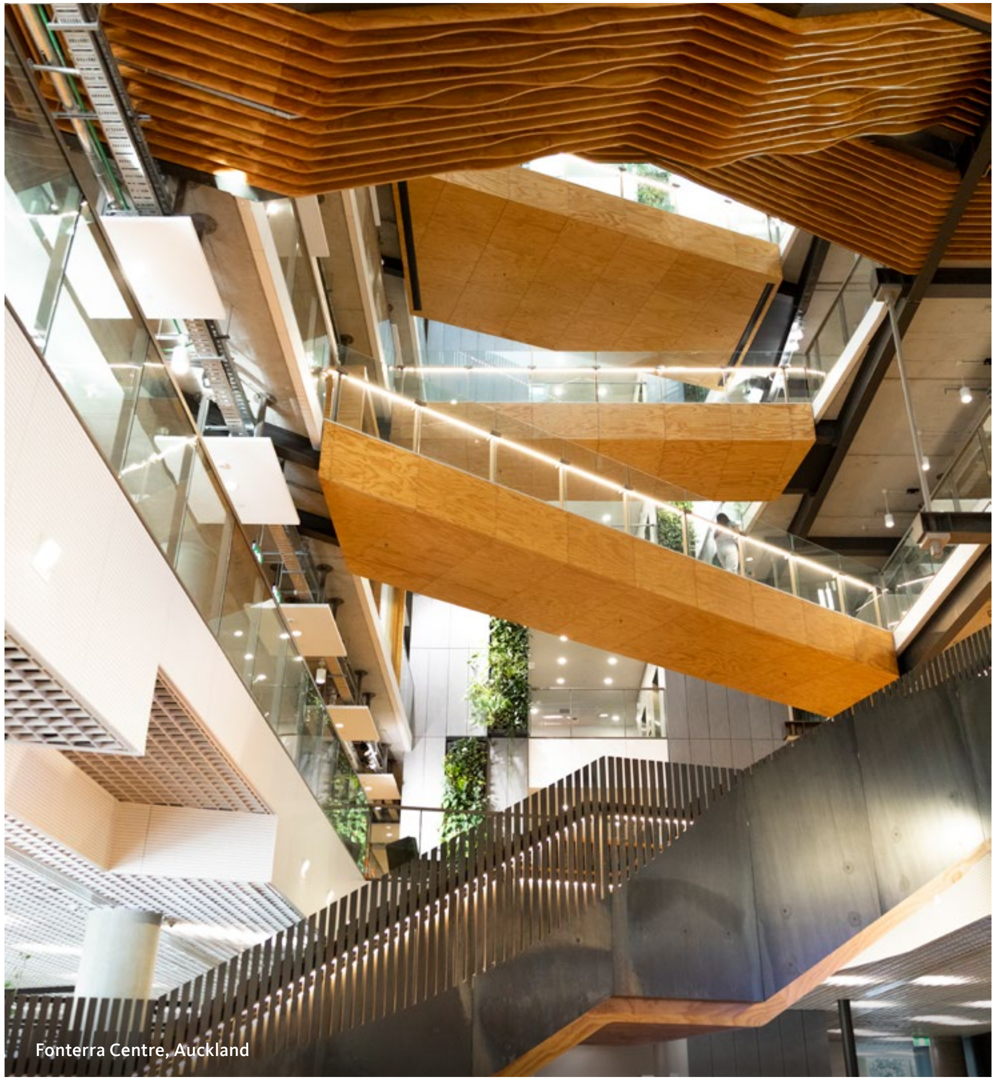
Quoted Financial Products

The following table identifies the Quoted Financial Products in which each Director has a relevant interest (defined in the Financial Markets Conduct Act 2013) as at 31 July 2024:

	FSF units	Co-operative shares
Brent Goldsack	3,493	409,843
Leonie Guiney	–	1,404,024
Andy Macfarlane	147,041	2,093,019
Peter McBride	129,713	509,730
John Nicholls	–	2,083,000
Cathy Quinn	–	444,280
Alison Watters	9,317	234,737

To qualify as an Elected Director under the Fonterra Constitution, a person must be a shareholder, a shareholder of a company that is a shareholder, a member of a partnership that is a shareholder, or have a legal or beneficial interest in, or a right or entitlement to participate directly in the distributions of, a body corporate that is a shareholder of Fonterra. All current Elected Directors have relevant interests in Co-operative shares.

Given the variety of ways that farmer shareholders can organise their interests, it is possible for Fonterra Elected Directors to have an interest in Co-operative shares without this being a relevant interest as defined in the Financial Markets Conduct Act 2013, and those interests are not disclosed above.



Fonterra Centre, Auckland

Statutory information

Twenty largest registered shareholders as at 31 July 2024[1]

Registered name	Number of shares	%
Fonterra Farmer Custodian Limited – Fund[2]	107,410,984	6.67
Fonterra Farmer Custodian Limited – Market Makers[2]	3,019,726[3]	0.19
Premier Dairies Limited	2,131,483	0.13
Fortuna Group Limited	2,040,606	0.12
NZ Rural Property Trust Nominees Limited – Shenstone	1,600,761	0.09
Woodstock Farming Limited	1,453,577	0.09
Trinity Lands Limited	1,420,614	0.08
Twin Terraces Ltd	1,273,850	0.07
Raymond Ford Seebeck	1,235,378	0.07
Align Farms Limited	1,211,968	0.07
Anne Maureen Janson & Carrol Garth Janson	1,150,000	0.07
Theland Tahi Farm Group Limited	1,057,218	0.06
Singletree Dairies 2013 Limited	1,012,776	0.06
Coringa Park Dairies Limited	988,450	0.06
Cumberland Dairy Farm Limited	980,258	0.06
NZ Rural Property Trust Nominees Limited – Penshurst	927,606	0.05
Stewart Partnership Ltd	922,500	0.05
Arlanda Limited	920,033	0.05
Moffitt Dairy Ltd	910,713	0.05
Rangitata Dairies Limited Partnership T/A Rangitata Dairies	902,623	0.05

1 The FSM Rules, which reflect the rules of the NZX Main Board, require that Fonterra's annual report contain the names and holdings of the registered holders having the 20 largest holdings of Co-operative shares as at a date not earlier than two months before publication of the annual report. There is a separate requirement in the Financial Markets Conduct Act 2013 to disclose in the annual report those persons who have a relevant interest in Co-operative shares in excess of five per cent (a 'substantial holding'), where this information has been provided to Fonterra. Accordingly, the list of the 20 largest holdings of Co-operative shares is not required to show, and does not purport to show, the top 20 holdings of relevant interests in Co-operative shares which may be owned or controlled by a person or entity and their associated entities. Other people or entities may have relevant interests in a greater number of Co-operative shares than those listed above. However, it is not possible for Fonterra to accurately determine those interests, nor is it a requirement of the FSM Rules for those interests to be reported in the annual report.

2 Fonterra Farmer Custodian Limited holds Co-operative shares for the Fonterra Shareholders' Fund, and for the Registered Volume Providers (Market Makers) in respect of the Fund.

3 Aggregated holdings of all shares held by Market Makers.

Distribution of shareholders and holdings as at 31 July 2024

Size of holding	Number of shareholders	%	Number of shares	%
1 – 50,000	1,338	14.26	35,174,497	2.19
50,001 – 100,000	2,375	25.32	182,410,788	11.34
100,001 – 200,000	3,126	33.33	443,889,809	27.58
200,001 – 400,000	2,011	21.44	552,048,845	34.30
400,001 and over	530	5.65	395,666,616	24.59
Total	**9,380**[4]	**100**	**1,609,190,555**	**100**

4 The total number of shareholders includes all shareholders on the share register (including non-supplying shareholders e.g. ceased shareholders and market makers).

Substantial product holders as at 31 July 2024

According to notices given under the Financial Markets Conduct Act 2013, the following were substantial product holders in Fonterra through having a relevant interest in Co-operative shares:

Substantial product holder	Number of voting securities	Date of most recent notice
Fonterra Farmer Custodian Limited	111,816,183	30 July 2018
FSF Management Company Limited	111,735,183	30 July 2018

The total number of Co-operative shares on issue as at 31 July 2024 was 1,609,190,555.

More than one relevant interest can exist in the same voting financial products. Fonterra Farmer Custodian Limited holds Co-operative shares for the Fonterra Shareholders' Fund (Fund), of which FSF Management Company Limited is the Manager. These two notices therefore refer to substantially the same Co-operative shares. Fonterra Farmer Custodian Limited also holds some Co-operative shares for the Registered Volume Providers (market makers) in respect of the Fund.

The substantial product holders listed above and the Registered Volume Providers do not have voting rights (as set out in the Constitution).

Twenty largest registered holders of FCG050 $100 million retail bonds as at 8 August 2024

Registered name	Number of bonds	%
New Zealand Central Securities Depository Limited	50,595,000	50.59
FNZ Custodians Limited	15,936,000	15.93
Custodial Services Limited	13,329,000	13.32
Public Trust	4,404,000	4.40
Forsyth Barr Custodians Limited	2,165,000	2.16
FNZ Custodians Limited	1,826,000	1.82
NZX WT Nominees Limited	1,036,000	1.03
Dunedin City Council	1,000,000	1.00
RGTKMT Investments Limited	1,000,000	1.00
JBWere (NZ) Nominees Limited	924,000	0.92
Forsyth Barr Custodians Limited	825,000	0.82
Custodial Services Limited	760,000	0.76
FNZ Custodians Limited	330,000	0.33
Leveraged Equities Finance Limited	213,000	0.21
Forsyth Barr Custodians Limited	200,000	0.20
Jacobus Johannes Maria Van Bergen & Ruth Marie Van Bergen & KFS Trustees Limited	185,000	0.18
Investment Custodial Services Limited	178,000	0.17
Peace & Disarmament Education Trust Incorporated	150,000	0.15
Somsmith Nominees Limited	150,000	0.15
JBWere (NZ) Nominees Limited	120,000	0.12

Distribution of FCG050 $100 million retail bond holders as at 8 August 2024

Size of holding	Number of bondholders	%	Number of bonds	%
5,000 – 9,999	6	3.05	38,000	0.04
10,000 – 49,999	131	66.50	2,925,000	2.93
50,000 – 99,999	22	11.17	1,245,000	1.25
100,000 – 999,999	24	12.18	7,165,000	7.17
1,000,000 and over	14	7.11	88,627,000	88.63
Total	**197**	**100**	**100,000,000**	**100**

Co-operative status

In accordance with section 10 of the Co-operative Companies Act 1996 (the Co-operative Companies Act), the Directors of Fonterra unanimously resolved on 22 August 2024 that Fonterra was, for FY24, a co-operative company. The opinion was based upon the fact that:

- Throughout that period the principal activities of Fonterra have been the activities stated in clause 1.3 of Fonterra's constitution:
  - the manufacture and sale of butter, cheese, dried milk, casein, or any other product derived from milk or milk solids supplied to Fonterra by its shareholders;
  - the sale to any person of milk or milk solids supplied to Fonterra by its shareholders;
  - the collection, treatment, and distribution for human consumption of milk or cream supplied to Fonterra by its shareholders.
- Each of Fonterra's principal activities are co-operative activities (as defined in section 3 of the Co-operative Companies Act).
- Throughout that period, not less than 60% of the voting rights attaching to shares in Fonterra have been held by transacting shareholders (as defined in section 4 of the Co-operative Companies Act).

Current credit rating status

S&P Global Ratings' long-term rating for Fonterra is A- with a stable rating outlook. Fitch Ratings' long-term rating is A with a stable rating outlook. Retail Bonds have been rated the same as Fonterra's long-term rating by both S&P Global Ratings and Fitch Ratings.

Exchange rulings and waivers

There were no rulings or waivers granted by NZX or relied on by Fonterra in the 12 months preceding 31 July 2024.

NZX trading halts

From market open on 15 August 2023 until market close on 17 August 2023, an administrative trading halt was applied to Fonterra's securities on the FSM. The trading halt was required to implement the capital return to Fonterra shareholders.

Stock exchange listings

Fonterra's Co-operative shares are listed and quoted on the FSM (operated by NZX Limited for Fonterra) under the code 'FCG'. Fonterra has one retail bond listed and quoted on the NZDX under the code 'FCG050'. Fonterra also has a Euro Medium Term Note Programme listed on the Singapore Stock Exchange.

As at 31 July 2024, there were 1,609,190,555 Co-operative shares on issue.

Donations

Donations of $1,069,363 were made by Fonterra and its subsidiaries during FY24. This does not include other amounts paid in relation to sponsorship or partnership arrangements.

For further information regarding our Doing Good Together programme and our community partnerships, refer to page 26 in the Annual Review section of this report.

Subsidiary company directors

The following companies were subsidiaries of Fonterra as at 31 July 2024. Directors as of this date are listed below. Those who resigned during the year are denoted with an (R), and alternate Directors are denoted with an (A).

New Zealand	
Assessment Labs Limited[1]	B K Connolly (R), G A Duncan, J Swales
Canpac International Limited	B Morar, B M Ryan (R), P D Wynen
Dairy Industry Superannuation Scheme Trustee Limited	M A Apiata-Wade, B J Kerr, T P McGuinness, S E Pinny, R Price, D W C Scott (R), A K Williams, P D Wynen
Fonterra (Delegated Compliance Trading Services) Limited	G A Duncan, S Reid, S D T Till (R)
Fonterra (International) Limited	G A Duncan, C E Rowe (R), R Whiteman
Fonterra (Kotahi) Limited	M R Cronin, A L Palairet
Fonterra (Middle East) Limited	G A Duncan, C E Rowe (R), R Whiteman
Fonterra (New Zealand) Limited	G A Duncan, C E Rowe (R), R Whiteman
Fonterra (North Asia) Limited	G A Duncan, S Reid, S D T Till (R)
Fonterra Brands (New Zealand) Limited	M R Cronin, B Henshaw (R), A B Murray, J Swales (R)
Fonterra Commodities Limited	G A Duncan, B M Turner
Fonterra Dairy Solutions Limited[1]	G A Duncan, R McNickle
Fonterra Equities Limited	G A Duncan, S Reid, S D T Till (R)
Fonterra Finance Corporation Limited	G A Duncan, S Reid, S D T Till (R)
Fonterra Ingredients Limited	G A Duncan, B Morar, B M Ryan (R)
Fonterra LATAM Brands Limited	A J Cordner (R), G A Duncan, J B Nichols
Fonterra Limited	M R Cronin, A van der Nagel
Fonterra PGGRC Limited	G A Duncan, J P Hill
Fonterra TM Limited	G A Duncan, S Reid, S D T Till (R)
Glencoal Energy Limited	G A Duncan, P D Wynen

1 Assessment Labs Limited, Fonterra Dairy Solutions Limited and Fonterra Limited were amalgamated into Fonterra Limited on 6 August 2024.

Ki Tua Fund GP Limited (previously Fonterra Nutrition Science GP Limited)	R Barrangou, M R Cronin, W F Liao, K Mistry-Mehta
Kotahi GP Limited	D G Boulton (R), D J Courtney, M R Cronin, A L Palairet, B M Ryan (R), R Whiteman
Kowbucha Limited	P J Hill, K Mistry-Mehta
Lactanol Limited	G A Duncan, B Morar, B M Ryan (R)
Milktest GP Limited	P J van Boheemen, P G Brown, G B McCullough (R), C J Rutherford, R G Townshend, A Wicks, T A Winter
MyMilk Limited	M R Cronin, K F Shaw
New Zealand Dairy Board	G A Duncan, C E Rowe (R), H L Moore
New Zealand Milk (International) Limited	G A Duncan, C E Rowe (R), H L Moore
New Zealand Milk Brands Limited	G A Duncan, S D T Till (R), S Reid
NZAgbiz Limited	A Douglas, G A Duncan
RD1 Limited	A Douglas, G A Duncan
SAITL Limited	G B McCullough (R), A Wicks, T A Winter
Whareroa Co-Generation Limited	G A Duncan, P D Wynen
Overseas	
Anchor Insurance Pte. Limited [Singapore]	G A Duncan, C E Rowe (R), H N Toh (A), N Weerasooriya, A Wicks
Anmum (Malaysia) Sdn. Bhd. [Malaysia]	A B Murray, F Quak, G Thiagarajan, S W Yeo
Australasian Food Holdings Pty. Limited [Australia]	R J Dedoncker, G A Duncan
Bonland Cheese Trading Pty. Limited. [Australia]	R J Dedoncker, G A Duncan
Dairymas (Malaysia) Sdn Bhd [Malaysia]	A B Murray, F Quak, G Thiagarajan, S W Yeo
Darnum Park Pty. Limited. [Australia]	R J Dedoncker, G A Duncan
Fonterra (Brasil) Limitada [Brazil]	R F Aracil Filho, B de Luca Zanatta
Fonterra (Canada), Inc. [Canada]	R J Allen, G A Duncan, B Kipping, A Geraghty
Fonterra (China) Limited [Hong Kong]	M R Cronin, G A Duncan
Fonterra (Europe) Coöperatie U.A. [Netherlands]	M Bones, G A Duncan, D Krabbe
Fonterra (France) SAS [France]	M Bones
Fonterra (Ing.) Limited [Mauritius]	A Aggarwal, T Chow, C Lee, G Lee, K Lee, C Thomas
Fonterra (Japan) Limited [Japan]	R Allen, K Kumagai, K Kumagai, T Kunimoto, A Okuyama, Y Saito (R), J Swales (R), R Whiteman,
Fonterra (Korea) Limited Liability Company [Korea]	G A Duncan, T Kunimoto, Y Saito (R)
Fonterra (Logistics) Limited [United Kingdom]	M Bones, G A Duncan, T Mackett
Fonterra (Mexico) S.A. de C.V. [Mexico]	L Barona Mariscal (A), F R Camacho (A), G A Duncan, J A Del Rio
Fonterra (SEA) Pte. Ltd. [Singapore]	R Lawn, J Mueller-Leiendecker
Fonterra (Thailand) Limited [Thailand]	R Lawn, K Vunthanadit
Fonterra (USA) Inc. [United States]	R J Allen, N R Christiansen, G A Duncan, A Geraghty
Fonterra Australia Pty. Ltd. [Australia]	R J Dedoncker, G A Duncan
Fonterra Brands (Asia Holdings) Pte. Ltd. [Singapore]	B K Connolly, D Luo (R), C Y Nee, V Sivaraja, J Swales (R)
Fonterra Brands (Australia) Pty. Ltd. [Australia]	R J Dedoncker, G A Duncan
Fonterra Brands (Far East) Limited [Hong Kong]	A Aggarwal, G A Duncan
Fonterra Brands (Guangzhou) Ltd. [China] (in liquidation)	T T Lye, P A Turner, K A Wickham
Fonterra Brands (Hong Kong) Limited [Hong Kong]	A Aggarwal, G A Duncan, S T Y Lam
Fonterra Brands (Malaysia) Sdn Bhd [Malaysia]	A B Murray, F Quak, G Thiagarajan, S W Yeo
Fonterra Brands (New Young) Pte. Ltd. [Singapore]	A Aggarwal, L Dan (R), Y Li, C Lin, Y Lin, J Ling, S Mantry
Fonterra Brands (Singapore) Pte. Ltd. [Singapore]	B K Connolly, D Luo (R), C Y Nee (R), C C Pheng (R), V Siviraja, J Swales (R)

Fonterra Brands (Thailand) Ltd. [Thailand]	G A Duncan, G Julcampa, S Nitkitjatorn, G Tucker
Fonterra Brands (Viet Nam) Company Limited [Vietnam]	A B Murray, V Sivaraja
Fonterra Brands Indonesia, PT [Indonesia]	R Budiyanti, D M Irfani, C A Salinas Robeson (R), A J T Punongbayan, Y Wigneswaran
Fonterra Brands Lanka (Private) Limited [Sri Lanka]	M F Faizal, A B Murray, T Salpitikorala, V Sivaraja
Fonterra Brands Manufacturing Indonesia, PT [Indonesia]	A B Murray (R), R Budiyanti, M A Nasution, C A Salinas Robeson (R), T A B Siswanto, Y Wigneswaran
Fonterra Brands Myanmar Co. Ltd. [Myanmar]	G A Duncan, S Nitkitjatorn, C D Wickramanayake
Fonterra Brands Phils. Inc. [Philippines]	F K Cillo, J M D Concepcion, B K Connolly, R Cook (R), R L Ibit (R), M J S Magsajo, R A Mendoza, A B Murray, G Santiago (R), P S Tan
Fonterra Chile SpA [Chile]	A J Cordner (R), G A Duncan, J P Egaña Bertoglia (A), R Lavados McKenzie (A), J B Nichols, R Sepúlveda Seminario, A Saffie Vega
Fonterra Commercial Trading (Shanghai) Company Limited [China]	A Aggarwal, J Dai, G A Duncan, L Han (R)
Fonterra Egypt Limited [Egypt] (in liquidation)	G A Duncan
Fonterra Europe Manufacturing B.V. [Netherlands]	D Krabbe, B Morar, B M Ryan (R)
Fonterra Foodservices (USA), Inc. [United States]	R J Allen, N R Christiansen, G A Duncan
Fonterra Global Business Services Asia Sdn Bhd [Malaysia] (in liquidation)	M B Suzari, G Thiagarajan
Fonterra India Private Limited [India]	A Aggarwal, H D Gowans, S G Mathews
Fonterra Ingredients Australia Pty. Ltd. [Australia]	R J Dedoncker, G A Duncan
Fonterra Investments Pty Ltd [Australia]	R J Dedoncker, G A Duncan
Fonterra Microbiome Research Centre (Ireland) Limited [Ireland]	S Allan, M A J Birken, D Krabbe

Fonterra Milk Australia Pty. Ltd. [Australia]	R J Dedoncker, G A Duncan
Fonterra Tangshan Dairy Farm (HK) Limited [Hong Kong]	G A Duncan, G Yuan
Key Ingredients, Inc. [United States]	R J Allen, N R Christiansen, G A Duncan, A Geraghty
Ki Tua Fund (US) Limited (previously Fonterra Nutrition Science (US) Limited)	N R Christiansen, G A Duncan
Kotahi Logistics Australia Pty Limited [Australia]	D Ross, S Allan (R), R Howell, K Paddy
Milk Products Holdings (North America) Inc. [United States]	R J Allen, N R Christiansen, A Geraghty
New Tai Milk Products Co. Ltd. [Taiwan]	A Aggarwal, T Chow, C Lee, G Lee, K Lee, C Thomas
New Zealand Milk (Australasia) Pty. Ltd. [Australia]	R J Dedoncker, G A Duncan
New Zealand Milk (Barbados) Ltd. [Barbados]	N R Christiansen, G A Duncan
New Zealand Milk Products (Ethiopia) SC [Ethiopia]	A B Abubeker, M B Abubeker, G Amade, M Boyd (R), M Woodward
Newdale Dairies (Private) Limited [Sri Lanka]	M F Faizal, A B Murray, T Salpitikorala, V Sivaraja
NZMP Fonterra Nigeria Limited [Nigeria] (in liquidation)	G A Duncan, G Amade
United Milk Tasmania Pty. Limited [Australia]	R J Dedoncker, G A Duncan

In this section

Ismail & Neil, Te Rapa

Climate-related Disclosures

Introduction

This is Fonterra Co-operative Group Limited's first mandatory climate-related disclosure for the period 1 August 2023 – 31 July 2024 (CRD). It follows a voluntary disclosure released in November 2023. These climate statements have been prepared in compliance with the Aotearoa New Zealand Climate Standards (NZ CS 1, NZ CS 2 and NZ CS 3) published by Te Kāwai Ārahi Pūrongo Mōwaho External Reporting Board (XRB) in December 2022.

We have elected to use the following NZ CS 2 first-year adoption provisions:

- Adoption provision 1: Current financial impacts
- Adoption provision 2: Anticipated financial impacts
- Adoption provision 3: Transition planning

A table mapping our climate-related disclosures to the NZ CS is provided on page 192.

This report was approved on behalf of Fonterra on 24 September 2024.

Peter McBride
Chairman

Bruce Hassall
Director

Important notice

This CRD sets out our understanding of Fonterra's climate-related risks and opportunities, our approach to scenario analysis, our understanding of the current and anticipated impacts of climate change on our business and our strategy to respond to these risks and opportunities. This report reflects our current understanding as at 24 September 2024, in respect of our financial year ending 31 July 2024.

This CRD contains forward-looking statements, including climate-related metrics, climate scenarios, estimated climate projections, targets, assumptions, judgements, forecasts and statements of Fonterra's future intentions. Fonterra has sought to provide accurate disclosures as at publication, but we caution reliance being placed on representations that are necessarily subject to significant risks, uncertainties and/or assumptions, including those described more fully in our Climate Roadmap, the Sustainability Reporting Data Pack, or the Fonterra Group Financial Statements.

In particular, forward-looking statements are not facts, but rather estimates and judgements regarding future results that are based on current estimates and are necessarily subject to risks, uncertainties and/or assumptions. These estimates may prove to be incorrect due to unforeseen risks and general uncertainties of the business and environment we operate in, as well as due to the inherent uncertainty in the future impacts of climate change on our business and markets. Fonterra has sought to provide a reasonable basis for forward-looking statements but is constrained by the novel and developing nature of this subject matter. Fonterra is committed to progressing our response to climate-related risks and opportunities over time, and to reporting our progress annually, but we caution reliance on aspects of this report that are necessarily less reliable than other aspects of our annual reporting. Readers are advised not to place undue reliance on forward-looking information contained in this document.

Descriptions of the qualitative and quantitative current and anticipated impacts and financial impacts of climate change, including vulnerability metrics draw on and/or represent estimated figures only. In particular, the risks and opportunities described in this CRD, and the forecast emissions reductions, may not eventuate or may be more or less significant than anticipated. There are many factors that could cause Fonterra's actual results, performance, or achievement of climate-related metrics (including targets) to differ materially from that described, including economic and technological viability, as well as climatic, government, consumer, and market factors outside of Fonterra's control. Nothing in this report should be interpreted as capital growth, earnings or any other legal, financial tax or other advice or guidance. To the fullest extent possible, Fonterra disclaims liability for any loss suffered as a result of reliance on this report.

Materiality

How we define what is material for climate-related disclosures

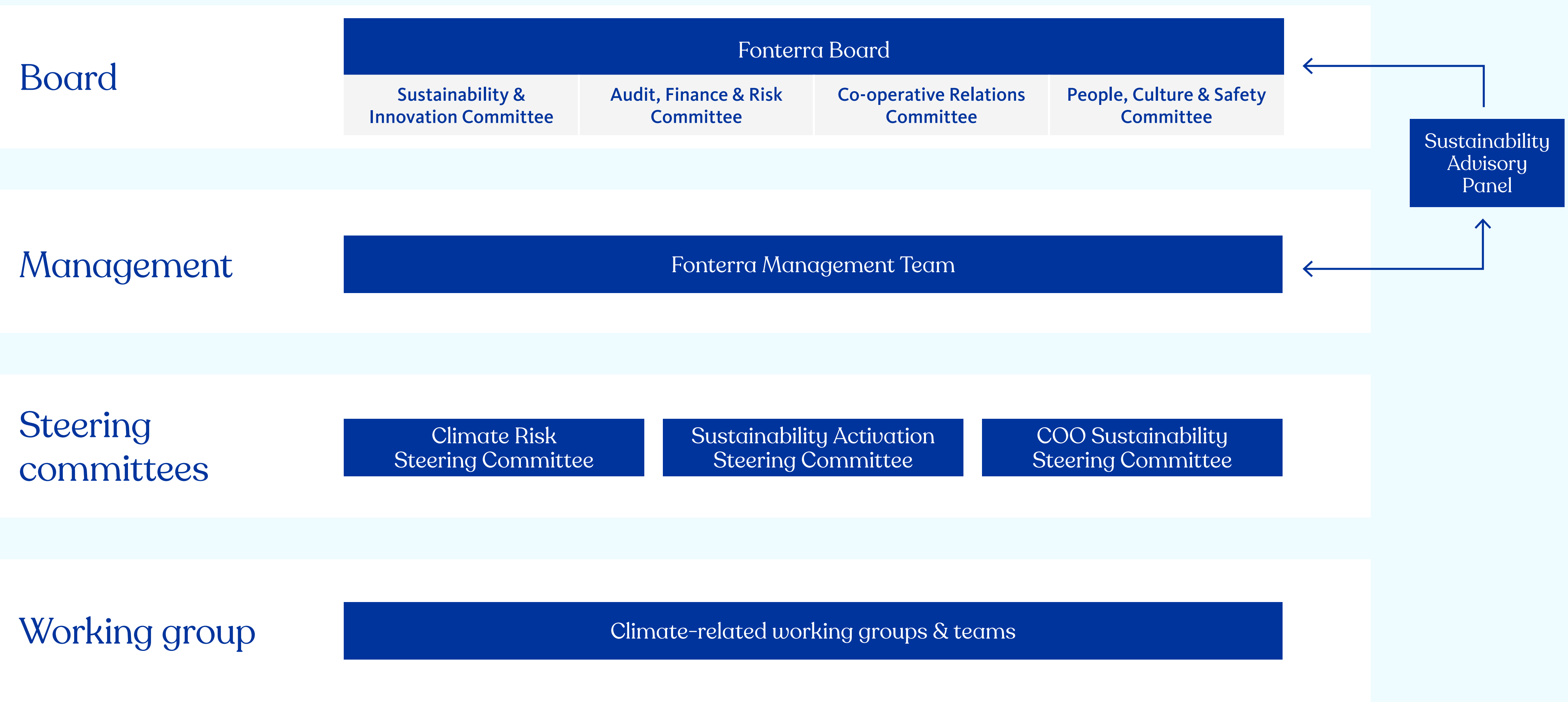
This disclosure follows the definition of material in NZ CS 3, which mandates that climate-related information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users make on the basis of our climate-related disclosures. Primary users are defined as our existing and potential investors (including farmer shareholders and unitholders), lenders and other creditors.

Given the nature of climate-related information, we recognise that a single uniform quantitative threshold for determining materiality is not appropriate and therefore have applied judgement using qualitative and quantitative factors to identify, assess, organise and review whether climate-related information is material to our primary users.

Please see the Risk management section to learn more about the scope of reporting.

Governance

Climate Governance at Fonterra



Fonterra Board of Directors

As part of its governance duties, our Board of Directors has visibility and oversight of sustainability and climate-related risks and opportunities.

The Board approves, and is ultimately responsible for, our overall sustainability (including climate) strategy, initiatives, investments, frameworks, targets, metrics and policies.

The Board monitors progress against and oversees delivery of broader sustainability metrics and targets, which includes climate-related achievements. In FY24, the Board met 17 times. The Board considers climate-related risks and opportunities where they are relevant in its strategic decision-making processes, noting that climate considerations emerge in many different areas of the business. For example, in FY24 the Board approved our 2030 emissions reduction targets, our Climate Roadmap, which incorporates our 2050 ambition to be net zero as well as our 2030 emissions reduction targets, the publication of our voluntary CRD in November 2023, and further work on our operational decarbonisation programme (such as new wood biomass boilers at our Waitoa and Stirling sites).

The Board receives a monthly report from the Chief Executive Officer (CEO) that includes reporting on 'Climate Change' as part of our Group Risk Appetite and Tolerance Position and performance against our climate targets, sustainability-related Group Short Term Incentives (STI), value generated from sustainability initiatives, as well as performance updates on key decarbonisation projects. The Board Sustainability and Innovation Committee also receives a quarterly sustainability performance report that includes detail on our key climate-related milestones and our progress in achieving each milestone. Various Board Committees take on governance responsibility for elements of climate-related risks and opportunities that align to particular areas of oversight, as set out in Table 1.

The Board Committees are accountable to the Board. To support oversight of Board Committee activities, all Board members have access to Board Committee meeting papers and are provided with the minutes of meetings for their review, which are then an agenda item at each full Board meeting. More information on our Board and Board Committees can be found in our Governance Disclosures on page 89 of this Annual Report and on our website.

Table 1 – Relevant Board Committees

Sustainability & Innovation Committee (SIC)	The SIC oversees the sustainability and innovation aspects of our strategy. This includes reviewing our sustainability and climate-related initiatives and investments, frameworks, targets, metrics and policies before recommending them to the Board for approval, and once approved, monitoring their strategic integration into the business and our performance against them. The SIC, along with AFRC, is responsible for reviewing CRD and recommending these to the Board for approval. The SIC met five times in FY24. In addition, the SIC joined two AFRC meetings in FY24 to discuss CRD.
Audit, Finance & Risk Committee (AFRC)	The AFRC has responsibility for overseeing and monitoring climate risk and other sustainability-related risks, as well as the preparation of our CRD, together with the SIC. Group Risk Reporting is an agenda item at each meeting of the AFRC and includes 'Climate Change' as a Group Risk. The AFRC met seven times in FY24. In addition, the AFRC joined two SIC meetings in FY24 to discuss CRD.
Co-operative Relations Committee (CRC)	The CRC provides oversight and monitoring of climate-related risk and sustainability initiatives in relation to on-farm practices, associated change management and regional community initiatives, working in conjunction with the SIC. The CRC regularly considers on-farm greenhouse gas (GHG) emissions innovations and investments, as well as overseeing engagement plans related to on-farm emissions reduction. The CRC met five times in FY24.
People, Culture & Safety Committee (PCSC)	The PCSC is responsible for the review and approval of our global remuneration strategy, including the base pay structure and design of incentive plan components such as the measures and weightings in respect of climate and sustainability. The PCSC met nine times in FY24 and considered climate as part of STI discussions in eight meetings.

Directors' climate capability and understanding

As part of our annual Fonterra Director election process, the Board prepares a skills matrix that shows:

- the aggregate skills of the current Board
- the required and desired level of skills across the whole Board
- targeted skills based on the present composition of the Board and the future strategic needs of the business.

We evaluate our Board members against eleven skills as part of the annual Director election process. At our most recent evaluation, Directors who were not retiring in 2024 had "effective leadership" as their top aggregate skill, closely followed by "sustainability", "global experience", and "risk management". We consider three of these top skills, namely "effective leadership", "sustainability", and "risk management" to be particularly relevant for the effective governance of climate-related risks and opportunities.

Our Board continues to expand climate capability, including through external governance courses, engagement with internal subject matter experts, and relevant readings provided by the Sustainability team as part of the monthly Board reading pack.

Sustainability Advisory Panel

In 2018, we appointed an external Sustainability Advisory Panel (SAP) to provide us with independent sustainability insights. This includes perspectives on our climate strategy, targets, initiatives, risks, and opportunities. In FY24 the SAP terms of reference were updated to shift its primary audience from the Board to FMT. The SAP met three times and provided feedback on climate-related risks and scenarios in FY24. To understand more about the SAP, please visit our website.

Fonterra Management Team

Day-to-day management of risks and opportunities within our Co-operative is delegated to members of our FMT via the CEO and to relevant steering committees comprising of other senior leaders, as shown in Tables 2 and 3.

The wider FMT monitors and discusses sustainability and climate-related risks, opportunities and performance through budget, business planning, strategy, capital planning, and other management decision-making processes. The FMT also endorses content and makes recommendations to go to the Board at monthly meetings. The members identified in Table 2 have specific responsibilities related to climate-related risks and opportunities.

The FMT reviews performance against climate-related targets as part of integrated monthly reporting. The report considers progress on our sustainability objectives including GHG emissions reductions, Farm Environment Plans (FEPs) and water use. 12 such reports were provided to the Board in FY24.

Climate metrics and remuneration

Executive remuneration is used to incentivise management accountability for the implementation of climate strategies, policies and targets. Our FMT and wider senior level employees have an STI scorecard, of which 10% was allocated in FY24 to GHG emissions Scope 1 and 2 intensity reduction, and 5% was allocated to delivering Water Improvement Plans for all our manufacturing sites (with a stretch target of achieving water intensity reduction for our New Zealand manufacturing sites). The overall sustainability weighting had been lifted from 10 per cent in FY22 to 15 per cent in FY23 when the STI was extended to include water.

Refer to the Sustainability Reporting Data Pack for information on the Scope 1 and 2 data reporting methods and uncertainties associated with the GHG emissions element of this STI measure and to the Remuneration report for further information on our approach to remuneration.

Table 2 – FMT members with specific climate responsibilities

Chief Executive Officer (CEO)	– Responsible for managing and delivering our Co-op's strategy and performance including sustainability elements. – Responsible for management of climate-related risks and opportunities, including delivery of the Climate Roadmap. – Attends Board meetings and some Committee items.
Managing Director Co-operative Affairs (MD CA)	– Responsible for our farmer-facing strategy and management of climate-related governance and risk, including oversight of risk reporting to the AFRC and the delivery of the CRD. – Responsible for delivery of our on-farm emissions intensity target including on-farm efficiency practices and farmer engagement. – Attends CRC and SIC meetings.
Chief Financial Officer (CFO)	– Responsible for considering the financial implications of climate-related risks and opportunities in financial planning, capital allocation and financial reporting as well as aligning reporting on climate-related risks and opportunities with standards. – Responsible for assessing and monitoring climate-related targets as part of integrated monthly reporting. – Attends AFRC meetings.
Chief Operating Officer (COO)	– Responsible for delivery of our New Zealand ingredients manufacturing operations decarbonisation programme and considers climate-related risks and opportunities in relation to COO business decision making. – Responsible for assessing and monitoring progress against Scope 1 and 2 climate-related targets in the Climate Roadmap. – Member of the COO Sustainability Steering Committee. – Attends relevant AFRC meetings.
Managing Director Strategy & Optimisation (MD S&O)[1]	– Responsible for integrating climate-related risks and opportunities into strategic processes. – Attends Board and Committee meetings as required, including for strategy and budget and business planning.
Managing Director People & Culture (MD P&C)	– Responsible for including climate-related remuneration metrics and targets in the annual STI scorecard and presenting to FMT for endorsement and PCSC for approval. – Attends PCSC meetings.

1 Emma Parsons (MD S&O) will be leaving Fonterra to start her new role as CEO for Kotahi, a joint venture between Fonterra and Silver Fern Farms, on 1 October 2024.

Group climate leaders

Our management-level climate-related steering committees are comprised of key senior leaders who report directly to an FMT member. These senior leaders' roles include day-to-day responsibility for the oversight of key programmes, analysing and managing climate-related risks and opportunities, and implementing climate-related elements of our strategy.

Table 3 – Steering committees

Steering committees	
Climate Risk Steering Committee	The Climate Risk Steering Committee manages the strategic implementation of our climate-related risk programme and the preparation of CRD. This Steering Committee reports regularly to the AFRC, the SIC and the Board, as well as to FMT on our climate-related risk programme. This Steering Committee also provides oversight on our annual climate-related materiality assessment. This Steering Committee typically meets monthly, with additional meetings as needed (15 meetings in FY24).
Sustainability Activation Steering Committee	The Sustainability Activation Steering Committee provides oversight of key workstreams responsible for executing sustainability initiatives across our Co-operative, focusing on climate change, animal wellbeing, water quality and sustainable value. This Steering Committee provides updates to the SIC five times a year, including progress against our GHG emissions targets. This Steering Committee typically meets monthly (10 meetings in FY24).
COO Sustainability Steering Committee	The COO Sustainability Steering Committee focuses on sustainability and environmental licence to operate requirements at our direct operations. It provides support, challenge, and direction for strategic portfolios and projects, and gating for projects to move to the COO Investment Committee. Its scope includes wastewater, water use, waste, energy, and Scope 1 and 2 emissions reductions. This Steering Committee typically meets every four to six weeks (nine meetings in FY24).

Climate-related working groups and teams regularly report progress of key deliverables to the relevant Steering Committees.

Strategy

Current climate-related impacts[1]

We are monitoring the effects that all physical climate events have on our business, including both acute (often discrete, individual) and chronic (ongoing, multifaceted) events. Internal review indicated that we did not experience any material climate-related physical events in FY24, including no material impact on milk supply, no material disruption to our manufacturing operations and no material supply chain issues from identifiable climate-related events. In FY23 a severe tropical cyclone occurred in February 2023 on the North Island of New Zealand (Cyclone Gabrielle). Cyclone Gabrielle affected our supply chain, milk supply and on-farm operations. Despite the widespread nature of this event, our geographic diversity and scale enabled us to manage the impact. Costs associated with the cyclone were equivalent to approximately 1 cent of earnings per share.

In FY24, we saw continuing customer demand for dairy products supported by Fonterra emissions data as customers seek to achieve their own emissions reductions targets. In response to this demand, we received a premium for dairy supplied via a virtual milk pool based on mass balance chain of custody principles,[2] generating revenue which is passed on to farmers through The Co-operative Difference Programme (with the first payments expected to be made in early October 2024). We have continued to partner with customers on emissions-reduction projects, receiving customer funding for projects like the Nestlé Net Zero Dairy Farm Pilot in FY24.

The election of a new government in October 2023 resulted in a shift in New Zealand's climate policy in certain areas, including agricultural emissions pricing. Internationally, we are observing an increase in sustainability and climate-related regulations in many of our export markets. Some of these regulations have direct implications for our Co-op, such as the European Corporate Sustainability Reporting Directive, European Corporate Sustainability Due Diligence Directive, and Californian Climate Accountability Package. We are monitoring changes in policy to assess any impacts to our business and to position the Co-op to navigate the uncertainty associated with changing climate regulations and, where applicable, meet our compliance obligations.

The risk of climate-related litigation remains real, with the Supreme Court of New Zealand determining in February 2024 that litigation brought against Fonterra and five other New Zealand companies will proceed to trial. While this has not had a material financial impact on our business in FY24, the claim is notable because it is targeted at all New Zealand businesses beyond the named defendants.

In line with our science-aligned commitment to reduce Scope 1 and 2 GHG emissions by 50.4 per cent by 2030 from a 2018 base year, we have continued to focus on energy efficiency and fuel switching projects and invested a further $40 million in FY24. Included in this was work toward the installation of an electrode boiler at our Edendale site ($25 million), and a new boiler biomass pellet conversion at our Waitoa site ($10 million) and a wood pellet conversion at our Hautapu site ($3.4 million). The New Zealand natural gas market has recently signalled a significant decline in upstream reserves, due to several factors including numerous drilling programs in the existing older fields being unsuccessful in bringing additional gas volume to market. In addition there has been a substantial reduction in investment in the sector for new fields since the 2018 ban on new offshore exploration and drilling. As a result, there is an imbalance between forecast demand and likely production. In response to this increased risk to future security and cost of supply, we continue to review our decarbonisation plans and how we manage our gas security of supply concerns. These potential changes are not expected to compromise our ability to achieve our 2030 emissions targets or our transition out of coal by 2037.

In FY23, we announced our commitment to contributing up to $50 million in AgriZero^NZ, a joint venture between Government and major agri-business companies who, together, are committed to developing solutions to reduce agricultural emissions. We have continued to fund AgriZero^NZ contributing $19.1 million in FY24 as part of our overall $50 million commitment. In addition to this, during the year we spent $6 million on research and development (R&D) for other initiatives targeting on-farm GHG emissions reduction, such as Kowbucha™.

Time horizons

In FY24, we considered three time horizons when identifying and assessing climate-related risks and opportunities, in our climate scenarios and scenario analysis:

- Short-term: 2025-2027, in line with the Co-op's budget and business planning cycle (three-year duration)
- Medium-term: 2028-2034, in line with the ten-year outlook considered in a number of the Co-op's key strategic and financial processes (seven-year duration)
- Long-term: 2035-2050, extending to the Co-op's ambition to be net zero by 2050 (15-year duration).

1 We have elected to use Adoption Provision 1: Current financial impacts as set out in NZ CS 2 in relation to NZ CS 1 disclosures 12(b) and 12(c).
2 More information on chain of custody models is available via Toitū.

Scenario analysis

Our climate scenarios provide us with a set of challenging and plausible hypotheticals against which to test our strategy and explore climate-related risks and opportunities. Climate scenarios do not reflect our most likely view of the future. Rather, they are theoretical descriptions of how the future may unfold. Our scenarios have been determined by the interaction of key social, technological, economic, environmental and political 'drivers of change' that may influence our operating environment.

Our climate scenarios use The Aotearoa Circle's Agriculture Sector Climate Change Scenarios as a foundation, which themselves draw on IPCC scenarios. The Orderly and Hothouse scenarios meet the NZ CS requirement to analyse a 1.5°C scenario and a 3°C or greater scenario, and the Disorderly scenario meets the NZ CS requirement for a third climate-related scenario (in this case, temperature rise is limited to 2°C above pre-industrial levels).

In FY23, we worked with PwC to iterate The Aotearoa Circle's Agriculture Sector Climate Change Scenarios to incorporate elements relevant to the New Zealand dairy industry and our global operations and markets, noting that the sector scenarios were domestically focused and not specific to dairy. In FY24 we built on this work without the support of external consultants. Our Sustainability team held workshops with internal sustainability and business unit subject matter experts to iterate the drivers of change initially identified by The Aotearoa Circle in light of changes in the New Zealand context and emerging global macrotrends, so that the scenarios remained plausible for a dairy company of our international reach.

Key changes made in FY24, versus the sector scenarios, include:

- Removing references to He Waka Eke Noa and pricing of agricultural emissions in the short term (no longer plausible due to Government policy).
- Adding references to climate-related litigation (an emerging risk).
- Adding details specific to the dairy industry.
- Adjusting the presentation of the scenarios to make them more accessible to business stakeholders.

Care was taken to maintain the challenge level of the original scenarios and a variety of demand-side potential outcomes for dairy. The variation between sector scenarios and our additions can be seen in the narrative descriptions on pages 134 - 135 indicated by bolded text and an asterisk. In FY24, we did not undertake any further modelling of our climate scenario narratives beyond that reflected in the sector scenarios. Our scenarios are shown in Table 4.

The process of scenario analysis was standalone in FY24, but nevertheless engaged a wide range of business stakeholders. To explore our strategic resilience to climate change, our Group Strategy team facilitated a workshop with senior leaders from across the value chain to test the Co-op's strategic and business resilience to three climate scenarios. The climate scenarios were also referenced in the process of identifying and assessing the anticipated impacts of climate-related risks and opportunities.

The FY24 scenario analysis process was approved by the Climate Risk Steering Committee, and the Climate Risk Steering Committee, FMT, AFRC, and SIC were given opportunities to review and discuss the scenarios themselves and the outputs of scenario analysis engagements. Except for our engagement with the SAP as set out on page 129, external partners and stakeholders were not involved in the scenario analysis process in FY24.

We expect that the findings of scenario analysis will be an important input as we continue to develop transition plan elements of the Co-op's strategy.

Table 4 – Climate-related scenarios

Note: These scenarios are intended to challenge, they do not reflect our strategic beliefs or anticipated view of the future.

	Orderly (Net zero 2050)	Disorderly (Delayed transition)	Hothouse (Current policies)
Summary	The Orderly scenario depicts a world that smoothly transitions to net zero emissions by 2050, limiting global warming to 1.5°C through progressively more stringent climate policies and innovation. Global emissions peak due to international efforts in the 2020s and physical climate risks are minimised. Achieving net zero by 2050 reflects an ambitious mitigation scenario.	The Disorderly scenario depicts a future where policy action on climate is delayed until after 2030, followed by a swift and robust response to limit global warming to 2°C by 2050. Climate impacts worsen, crossing critical tipping points. Global recovery from Covid-19 is driven by fossil fuel-heavy policies, leading to increased emissions and failure to meet nationally determined contributions. This is a costly, disruptive transition.	The Hothouse scenario depicts a world where unchecked emissions and lack of climate policies lead to a rise in global temperatures of 3°C above pre-industrial levels by 2050, and a continued increase thereafter. Globalisation remains high and markets connected as decarbonisation is not prioritised. The physical impacts of climate change are severe and irreversible. Adaptation to climate change is the priority, not mitigation.
Pathways Scenario architecture	**The Aotearoa Circle Tū-ā-pae** IPCC SSP1 NGFS 'Net Zero Emissions' RCP 1.9/2.6, SPANZ F, CCC Tailwinds	**The Aotearoa Circle Tū-ā-hopo** IPCC SSP2 NGFS 'Delayed Transition' RCP 4.5, SPANZ B, CCC Headwinds	**The Aotearoa Circle Tū-ā-tapape** IPCC SSP5 NGFS 'Current Policies' RCP 8.5, SPANZ D, CCC Current Policy
Temperature outcome by 2050	**~1.5°C***	**2°C**	**3°C**
Physical risk severity	**Low-Moderate**	**Moderate**	**Extreme**
Transition risk severity	**Moderate**	**Low then high**	**Low**
– Policy reaction	Immediate & smooth	Delayed & blunt	No new policies to drive emissions reductions
– Technology advancements	Fast advancement	Slow then fast advancement	Little technology advancement
– Customer/consumer behaviour change	Fast changes	Slow then fast changes	Slow changes
– Socio-political instability	Low-Moderate	Moderate	High

* Due to the limited number of scenarios available and the nature of temperature projections being based on probabilities and ranges, this has led our 1.5°C scenario to have overshoot at 2050 before coming back down to 1.5°C by 2100 (which is the closest available IPCC scenario to 1.5°C).

Note: Scenarios draw on Climate Change Commission and The Aotearoa Circle's Agriculture Sector Climate Change Scenarios with regard implications for the New Zealand dairy herd, but also consider potential physical impacts of climate change on dairy farming (noting that transition impacts are often not directionally aligned to physical impacts).

Table 4 – Climate-related scenarios (continued)

Note: These scenarios are intended to challenge, they do not reflect our strategic beliefs or anticipated view of the future.

	Orderly	Disorderly	Hothouse
Drivers of change	Limited temperature rise to 1.5°C (with overshoot)	Limit temperature rise to 2°C	Temperature rise increase past 3°C
Social	– **Consumer preference moves strongly toward sustainable, healthy products, and proteins from alternative sources predominate. There is low demand for dairy due to increased market share of low-cost dairy alternative. A reduced market for sustainable, low-emissions dairy remains.*** – The agriculture sector is seen as attractive, but urbanisation reduces the supply of agricultural labour.	– Global demand for affordable protein rises alongside preference for local, fresh or lab-grown products. – **Consumers are primarily driven by cost and preference, but from 2030, developed nations increasingly prefer sustainable, low-carbon alternatives to dairy. Dairy demand declines sharply from the 2030s.*** – **From the 2030s, migration from climate-affected Pacific nations boosts NZ's labour force. Many immigrants settle in urban centres and lack skills useful to the dairy industry.***	– High consumer demand for dairy remains, especially more affordable dairy products, as most people prioritise being fed over sustainability concerns. – Plant-based food preferences are driven by health and wellbeing concerns rather than climate. – The younger generation is unwilling to work in the dairy sector, but there is an increased supply of low-skilled migrant workers.
Technological	– Technology innovation and adoption takes off in the mid-2020s, fuelled by policy, funding, and incentives. – **Methane inhibitors are cost effective and accessible by 2030.*** – **Energy efficient technologies accelerate, with demand outstripping supply.*** – **Dairy proteins produced through precision fermentation gain price parity.***	– Methane and energy emissions reduction tools become more commonplace from the 2030s. – Diversified proteins emerge, becoming cheaper than dairy.	– Technology innovation focuses on productivity and adaptation, rather than reducing dairy's environmental footprint.
Environmental	– Physical climate change is less severe than in other scenarios but there are still increases in intensity of weather events. – **There are limited physical impacts to pasture-based dairying.***	– Critical climate tipping points have been crossed, and severity and frequency of physical climate impacts (e.g., warming, drought, extreme weather events) increase considerably post-2030. – **Moderate physical impacts to pasture-based dairying, increasing out to 2050.***	– Increasingly devastating climate impacts. Storms, flooding, droughts increase dramatically. Sea levels rise. – **Physical impacts of climate seriously affect the viability of pasture-based farming, and many dairy operations consolidate to create efficiencies.***

* Additions to The Aotearoa Circle's Agriculture Sector Climate Change Scenarios

Table 4 – Climate-related scenarios (continued)

Note: These scenarios are intended to challenge, they do not reflect our strategic beliefs or anticipated view of the future.

	Orderly	Disorderly	Hothouse
Drivers of change	Limited temperature rise to 1.5°C (with overshoot)	Limit temperature rise to 2°C	Temperature rise increase past 3°C
Economic/Market	– **Financial services are increasingly linked to sustainability credentials, regenerative and/or indigenous farming practices, diversification, and climate resilience.*** – **Insurance costs become prohibitively expensive in high-risk coastal and flood prone areas.*** – Countries not playing their part in the transition face higher trade barriers and shrinking export markets.	– **In the 2020s, dairy remains cheaper than alternatives. After failing to meet 2030 targets, customers pressure suppliers to decarbonise, provide support to farmers to reduce emissions, and invest in dairy alternatives.*** A market for premium, sustainable dairy emerges in the 2030s and increasingly only premium, low-carbon dairy products are viable on the global market. – Banks and insurers increase costs for those highly exposed to climate risks. From the 2030s, innovate financial products emerge that drive sustainability outcomes. – **Strict climate-related trade barriers emerge in the 2030s, many now including agricultural and food products.*** – **The EU and US rapidly scale up to support farmers in the transition, putting Australasia at a disadvantage.***	– Consumption of animal products is high and there is increased demand for cheap protein. There is little consumer demand for sustainability and most dairy products are undifferentiated. NZ's competitive edge has dwindled. – **Sustainability action is not part of lending decisions***, but banks and insurers are no longer willing to lend to or insure operations and assets highly exposed to physical climate impacts. – Increased geopolitical tension and weather-related hazards cause costs of exporting and fuel to increase.
Policy	– **Government prioritises climate change mitigation with inclusive and ambitious policy.*** – **Farmers are incentivised to adopt sustainable practices and technology, however smaller operations and those with low adaptive capacity struggle to keep up with the pace of change.*** – **Climate-related litigation risk increases as climate impacts become more prevalent. Litigation is focused on non-compliance and perceived non-compliance with strict regulatory and policy settings. Greenwashing claims become commonplace.***	– From the 2030s, on-farm sustainability compliance costs increase and drive land use changes. Some agricultural land is converted to forestry and solar or wind farms, while urbanisation increases. – The New Zealand Government is a "follower" in climate policy in the 2020s, but blunt and rapid policy interventions occur after 2030 creating inequalities. – **Agricultural emissions are priced in the 2030s, making the transition for those who did not act early costly and difficult.*** – NZ policy changes enable gene editing and methane inhibitor use from the 2030s, but these are prohibitively expensive. – **Climate-related litigation becomes more prevalent from the 2030s.***	– No additional climate policies have been implemented since the 2020s with mitigation policy centred around the emissions trading scheme. Agriculture is not included. – **Pastoral dairy farming continues in New Zealand but has become unviable in high drought regions, driving some dairy farms to consolidate and switch to indoor systems, or change land use. Urban expansion has also appropriated productive land.*** – **Policy development is centred around development, free markets, human capital, and climate adaptation.*** There is little focus on emissions reductions. There are global food security concerns and some geopolitical tensions. – **Litigation targeting high-emitting organisations is minimal.***

* Additions to The Aotearoa Circle's Agriculture Sector Climate Change Scenarios

Table 4 – Climate-related scenarios (continued)

Note: These scenarios are intended to challenge, they do not reflect our strategic beliefs or anticipated view of the future.

	Orderly	Disorderly	Hothouse
Global temp increase[1] Best estimate relative to pre-industrial levels by 2050	1.6°C[7]	2°C	3°C
Global population increase[2] For 2050 relative to 2020	7%	16%	8%
NZ carbon price[4] For 2050, per tonne	$277	$369	$35[6]
NZ sea level rise[5] For 2050 relative to 2005	0.20m	0.22m	0.32m
NZ extreme rainfall[5] For 2040 relative to 1990	+15%	+18%	+22%
NZ extreme heat[5] For 2040 relative to 1990	+15 days	+20 days	+30 days
NZ emissions[6] For 2050 relative to 2005	6 $MtCO_2e$	24 $MtCO_2e$	40 $MtCO_2e$
Electricity from renewable sources[6] By 2050	98%	96%	92%
Global oil price/barrel[3] NZD in 2050	$43	$89	$157
NZ native forestry[6] For 2050 relative to 2020	0.8Mha	0.5Mha	0.2Mha

Data sources:

1 Intergovernmental Panel on Climate Change (IPCC) – RCP 2.6, 4.5, 8.5 from SSP Database (Shared Socioeconomic Pathways) Scenario Explorer.
2 SSP – 1,2,5 RCP 2.6, 4.5, 8.5 from SSP Database (Shared Socioeconomic Pathways) Scenario Explorer.
3 International Energy Agency. (2022). Global energy and climate model.
4 New Zealand Treasury. (2021). CBAx tool user guidance. Central pathway, High pathway.
5 Ministry for the Environment – (2022). Interim guidance on the use of new sea-level rise projections, (2018). Climate change projections for New Zealand.
6 He Pou a Rangi, Climate Change Commission. (2021). Scenarios dataset for the Commission's 2021 Final Advice (output from ENZ model). Current Policy Reference, Headwinds, Tailwinds.
7 "Overshoot", expected to return to 1.5 degrees above pre-industrial levels beyond 2050.

Climate-related risks and opportunities and anticipated impacts[1]

The Aotearoa New Zealand Climate Standards require the identification of material climate-related risks and opportunities, and the reasonably anticipated impacts of those risks and opportunities (i.e. prior to any mitigation by our Co-op). We set out our material climate-related risks and opportunities and impacts on our business in Tables 5 and 6.

As set out in the Risk management section of this report, we identified climate-related risks and opportunities through a series of workshops with internal risk, sustainability, and business unit subject matter experts. We then identified anticipated impacts for each of these risks and opportunities, using the insights gleaned from scenario analysis as considerations. The anticipated impacts were informed by engagement with Co-op employees with expertise in the relevant risk areas, external reports and literature, and indicative modelling. They are described qualitatively and linked to a series of specific risk responses and strategic mitigations.

Table 5 – Climate-related risks

Type	Risk	Risk description	Location	Time horizons	Anticipated impacts	Specific mitigations
Physical	Reduced milk supply	Temperature increases, coastal inundation, water availability, soil quality, disease prevalence, and acute weather events leading to a decrease in critical farming inputs (eg. feed, fertiliser) and productivity of land to maintain viable farming.	New Zealand	Short, medium, long	Anticipated impacts have been assessed across animal stress, changing pasture growth, severe events (flooding) and farmer wellbeing, with flooding considered the acute climate hazard with the greatest potential negative impact on milk volumes.[2] A reduction in milk volumes could in turn impact utilisation of manufacturing plants and could ultimately result in plant closures.	– Continue to make strategic plans to maintain stable milk supply. – Continue to support research and development that supports on-farm emissions reduction while maintaining productivity and profitability. – Continue to support on-farm preparedness through 1:1 advice, tools and services and industry partnerships such as Farm Environment Plans. – Continue to partner with local government and industry groups for disaster response. – Continue to provide financial support mechanisms for disrupted milk collection.
Physical	Supply chain disruption	Increasing frequency and severity of extreme weather events impacting our supply chain.	New Zealand Global	Short, medium, long	Impacts could include uncollected milk, decreased production, delays getting product to market, increased operating costs, and potentially difficulty meeting customer requirements.[2] The severity of disruption, its location, timing, and specific supply chain aspects affected determine the scale of impact. We anticipate that disruption may increase over time as extreme weather events become more frequent.	– Continue to partner with freight and logistics providers (eg. Kotahi) and local councils/other stakeholders. – Continue to access and place insurance products aligned to Board appetite for such climate-related risks. – Maintain Operational Business Continuity Plans.
Physical	Manufacturing disruption	Damage or disruption to manufacturing sites caused by extreme weather (eg. flooding bushfire event).	New Zealand	Short, medium, long	Impacts could include unplanned downtime for repairs, capacity issues at unimpacted sites due to redirected milk, and, in the most significant cases over the long term, unmet contracts or customer loss.[1] The severity of impact may vary depending on the site's purpose and the event's timing within the season. The cost of insuring these risks may increase and/or the ability to secure insurance may decrease.	– Maintain Operational Business Continuity Planning. – Retain additional capacity to process milk to help maintain business continuity through disruption. – Continue to access and place insurance products aligned to Board appetite for such climate-related risks.

1 We have elected to use Adoption Provision 2: Anticipated financial impacts as set out in NZ CS 2 in relation to NZ CS 1 disclosures 15(b), 15(c) and 15(d).
2 These acute climate events are expected to occur with low frequency but high impact. This implies that in most years there can be expected to be no or little impact, but there may be a large impact in some years.
* indicates a new reported risk for FY24.

Table 5 – Climate-related risks (continued)

Type	Risk	Risk description	Location	Time horizons	Anticipated impacts	Specific mitigations
Transition	Restricted access to financial & insurance products	Reduction in the availability of financial and insurance products for our Co-op, supplying farmers and other key suppliers due to potential non-compliance with institutions' increasing climate-related requirements (eg. targets, performance, standards) or withdrawal of offerings, or increased cost of capital or premiums.	New Zealand Global	Medium, long	We anticipate financial institutions and insurance providers will continue to consider sustainability and climate in decision-making, and expect continued demand for transparent reporting and science-based targets to be influential in unlocking access to, and reducing cost of capital. Over time, potential changes in debt and insurance markets may impact the ability to access financial and insurance products, if our Co-op or our farmer shareholders are unable to meet market expectations. This could result in increased operating costs and financial exposure.	– Pursue engagement with financial institutions. – Deliver on our Climate Roadmap, including emissions reduction targets. – Continue to deliver on-farm support (eg. Farm Environment Plans and Co-operative Difference). – Continue to report on sustainability performance.
	Changing customer & consumer preferences	Shift in customer and/or consumer preferences away from our products due to our environmental credentials falling behind those of competitors or due to consumers moving away from dairy.	New Zealand Global	Medium, long	We anticipate there may be increased consumer interest in dairy alternatives such as plant-based or lab-derived options over time, but that global demand for bovine dairy will remain strong. Our exposure to this risk includes from strategic ingredient customers and managed accounts, as well as consumers who prioritise sustainability and may perceive dairy to be a higher-emissions source of nutrition than alternatives. Impacts could include decreased demand, decreased margins, and at the extreme end, a decrease in milk supply if milk price is impacted.	– Deliver on our Climate Roadmap, including emissions reduction targets. – Continue to develop sustainability initiatives with customers. – Continue to deliver on-farm support (eg. Farm Environment Plans and Co-operative Difference). – Continue to educate market on nutritional benefits of dairy vis-a-vis alternatives. – Continue to provide the market with data and information to support our sustainability credentials. – Pursue research and development around novel uses for dairy.

* indicates a new reported risk for FY24.

Table 5 – Climate-related risks (continued)

Type	Risk	Risk description	Location	Time horizons	Anticipated impacts	Specific mitigations
Transition	Changing regulations	Changes in local and global regulations may lead to our Co-op and supplying farmers facing increased compliance requirements, customer requirements and possibly inability to access markets.	New Zealand Global	Medium, long	Impacts of this risk could include the introduction of trade barriers, changing compliance obligations, and indirect exposure to farm compliance changes. This exposure is expected to increase as regulations increasingly consider climate change and more markets transition to a low carbon economy. Increased monitoring and compliance costs are likely even if market access is retained. Milk supply could potentially be impacted if regulations change swiftly and harshly.	– Monitor domestic and global regulatory landscape. – Continue to participate in policy consultations. – Advocate for our sustainability credentials to maintain market access. – Continue to deliver on-farm support (eg. Farm Environment Plans and the Co-operative Difference). – Deliver on our Climate Roadmap, including emissions reduction targets.
	Cost of carbon	Implementation and expansion of regulatory requirements relating to emissions pricing results in an increase in emissions-linked operating costs for our Co-op and supplying farmers and/or volatility in cost of carbon.	New Zealand Global	Medium, long	We anticipate there will continue to be ongoing developments with carbon pricing mechanisms. As we deliver our Climate Roadmap, we anticipate a significant decrease in exposure as emissions reduce. We acknowledge that, if agriculture is introduced into the New Zealand Emissions Trading Scheme, this could be expected to present significant financial and compliance costs to farmers which may in turn impact milk supply.	– Monitor carbon pricing developments. – Continue to participate in policy consultations. – Continue to engage in policy development through sector collaboration. – Implement hedging strategies to manage volatility. – Ongoing forecasting and budgeting to manage carbon costs associated with manufacturing and operation emissions.

* indicates a new reported risk for FY24.

Table 5 – Climate-related risks (continued)

Type	Risk	Risk description	Location	Time horizons	Anticipated impacts	Specific mitigations
Transition	Climate litigation*	Potential for increased frequency and scope of legal claims by third parties and novel approaches developed by courts, where large-emitting organisations are perceived or held to be at fault for GHG emissions and/or climate-related damage. Increased scrutiny of environmental claims (product/brand specific claims, corporate sustainability positions, targets and plans).	New Zealand Global	Medium, long	We anticipate continuing external interest in our GHG emissions profile, and an ongoing potential for legal challenge or regulator enquiry in this area. We also anticipate increased scrutiny of our products and customer facing tools and initiatives, and how we describe product provenance and sustainability in communications and marketing. The spectrum of impacts relating to this risk range from unfavourable customer feedback, complaints to regulators, to regulatory investigations, and/or legal claims by third parties. Regulatory action may result in fines, and litigation may result in legal cost and declarations of non-compliance or fault. We may experience associated business operations disruption, resource diversion and reputational impacts.	– Deliver on our Climate Roadmap, including emissions reduction targets. – Continuing to robustly review products, customer-facing tools and initiatives, marketing and communications for accuracy and substantiation.
	Constraints to non-ingredient manufacturing inputs*	Increased limitations on access to manufacturing inputs, marked by low availability and high cost of lower carbon fuel, stringent water usage regulations and regulatory barriers.	New Zealand Global	Medium, long	We anticipate impacts could include potential changes in prices and availability of lower carbon fuel sources as the world decarbonises and demand for these fuel sources increases, potentially undermining energy security, heightening operational costs, and/or disrupting site throughput and asset management. In addition, we could be exposed to regulatory imposed water usage limitations due to within-season drought-related reduced water availability. Impacts could include increased manufacturing and/or transport costs, potentially resulting in lower margins, and/or reduced availability of inputs.	– Continue internal work necessary to deliver on our Climate Roadmap, including developing strategic relationships/partner with lower carbon fuel suppliers. – Continue development of water improvement plans.

* indicates a new reported risk for FY24.

Table 6 – Climate-related opportunities

Type	Opportunity	Opportunity description	Location	Time horizons	Anticipated impact	Actions
Transition	Value creation from sustainability-linked products & services	As consumer and customer preferences shift toward lower emissions products, and as regulation makes lower emissions options more attractive, demand for sustainability-linked products and services is expected to increase.	Global	Short, medium, long	Impacts would include increasing proportion of total category spend with customers as they prioritise suppliers with aligned climate goals, increasing availability of premiums for sustainability credentials and climate-related product propositions, increasing value from climate-related solutions, and/or customer co-investment in climate-related initiatives. Some sustainable value propositions may eventually become baseline requirements rather than tools for incremental value creation.	– Deliver our Climate Roadmap, including emissions reduction targets, to maintain credibility as a dairy supplier with sustainability ambitions. – Continue to collect sustainability data on farm to support farmers and inform efficiency improvements and support customer claims. – Continue to partner with customers on sustainability initiatives. – Continue to monitor and respond to consumer and customer needs.
	Innovation to reduce emissions	As the world transitions to a lower-carbon economy, we expect to see an increasing focus on reducing agricultural emissions and particularly methane emissions, alongside ongoing focus on decarbonisation of manufacturing. Our investment in innovative emissions reduction solutions sets us up to play a role in shaping this global trend.	New Zealand	Short, medium, long	We anticipate that we can contribute to the development of solutions to the methane challenge, including through AgriZero[NZ] and Kowbucha™. We also anticipate contributing to the development of innovative lower-emissions technologies for use in manufacturing environments.	– Continue to fund AgriZero[NZ]. – Continue research and development on priority methane emission reduction innovations. – Continue internal work necessary to deliver on our Climate Roadmap, including entering into strategic partnerships to develop innovative solutions where appropriate.
	Access to broader diversified funding markets	Increased focus on driving emissions reductions through financial mechanisms may result in the creation of new financial products, new sources of finance, and/or favourable terms for lending related to sustainability projects or to sustainable businesses.	Mainly New Zealand	Short, medium, long	Despite much commentary about green finance, we anticipate that the impact of sustainability-linked finance options will be limited. Over time the range of products and the incentive level may increase, with delivery of our Climate Roadmap enabling access. In particular, sustainability-linked loans may help farmers access emissions reduction tools and help our Co-op manage borrowing costs associated with the COO decarbonisation programme.	– Deliver our Climate Roadmap, including emissions reduction targets. – Continue to communicate emissions reductions and other sustainability commitments publicly and engage with banks and lenders as appropriate.

Current business model and strategy, including transition plan progress[1]

Our Co-operative is owned and supplied by New Zealand dairy farmers. It creates value by collecting milk, processing it into a wide range of dairy products, and selling those products to local and global customers and consumers.

We published Our Path to 2030/Te Huanui ki 2030 in September 2021, setting out three strategic choices: focus on New Zealand milk, be a leader in sustainability, and be a leader in dairy innovation and science. This strategy continued to guide business operations in FY24 while a strategic review was conducted. In May 2024 we announced a step change in strategic direction and the potential divestment of our global consumer business, Fonterra Oceania and Fonterra Sri Lanka. As a consequence of that update, we formally withdrew the financial targets out to 2030 that were set in 2021. The strategic review reiterates the strategic importance of sustainability, innovation, and New Zealand milk supply for our Co-operative, and further details on our revised strategy are expected to be released in the coming month.

The Co-op's 2021 ambition to be net zero by 2050 remains in place, as do the 2030 emissions reduction targets released in 2023. We explain these targets on page 147. In 2024, we added a Scope 3 Energy & Industrial emissions engagement target to complement our 2030 Scope 1 & 3 FLAG emissions reduction target. Our suite of emissions reduction targets were developed in line with the Paris Agreement goal of limiting global temperature increase to 1.5˚C above pre-industrial levels, and these targets have been validated by the Science-Based Targets initiative (SBTi). Our Climate Roadmap, published in November 2023, outlines our plans to reduce emissions across our value chain and the challenges we know we will face in doing so. We anticipate publishing a refreshed Climate Roadmap in FY25 that will update these plans. The following paragraphs describe progress toward our transition plan.

We are committed to achieving our 2030 climate targets. Our decarbonisation programme across our New Zealand operations is a priority and we have committed $445.5 million to exiting from coal as a fuel source in our operations by 2037. For example, we have entered into a strategic partnership with MAN Energy Solutions to trial the design and implementation of industrial-scale heat pump technology to replace non-renewable energy with electricity in raising steam for milk powder production. By the end of FY24, our manufacturing sites used 19% renewable energy, up from 15% in FY23.

On farm, we recognise that innovative methane solutions will be an important part of reducing emissions. We've committed up to $50 million funding over four years to AgriZero[NZ], which has invested in a range of companies developing innovative agricultural emissions solutions including Hoofprint Biome and Ruminant Biotech. We've also been trialling our proprietary probiotic-based methane inhibitor, Kowbucha™. In parallel, we seek to help farmers increase productivity, reduce emissions intensity, and make running their business easier. In FY24, our Farm Source team has engaged with over 90% of supplying farms on the emissions target and what it means for the Co-operative and farmers.

In the customer space, we are already seeing benefits of climate-related value propositions. Our commitment to sustainability and lowering the carbon footprint of our products has enabled us to deepen our relationships with customers who prioritise sustainability. The NZMP Carbon Footprinter tool is an example of a unique climate-related proposition that meets a customer need, protecting ingredients revenue sourced from customers who have an interest in climate, and allows for further discussions on emissions reductions or SBTi targets. Other propositions enable the Co-op to fund on-farm sustainability projects, such as the Nestlé Net Zero Farm pilot, and invest in activities that support farmers.

Work is underway to embed climate considerations in key business processes. For example, the Co-op's Group Business Case document, used to evaluate investment proposals, was updated in FY24 to prompt project owners to include potential climate-related risks, resilience benefits and the project's implications on the Co-op's emissions footprint. Climate change remains a standalone enterprise level risk within our Group Risk Appetite Statement and is regularly assessed by the Group Risk team and overseen by AFRC.

We set out our material climate-related risks and opportunities on pages 137-141.

1 We have elected to use Adoption Provision 3: Transition planning as set out in NZ CS 2 in relation to NZ CS 1 disclosures 16(b) and 16(c).

Risk management

Our approach to climate-related risk is informed by the long-term investment the Co-op has made in its manufacturing footprint, its connection to the communities in which it operates and the intergenerational focus of its farmer shareholders.

As a pasture-based dairy Co-op, we have long recognised the importance of identifying and managing variabilities in weather patterns and changes in climate that have the potential to drive financial and strategic impacts on our business. Regular assessment of climate-related risk across our value chain is integral to informing strategic forecasting, resiliency planning on and off farm and ongoing sustainability of our operations.

Identification, assessment and management of climate-related risks and opportunities

We use a wide range of integrated risk management tools and methodologies to address and monitor risk across our Co-operative's strategic environment, including climate-related risks. Root cause analysis and impact assessments are used at a group level and within individual business units to regularly assess and prioritise risk management activities, with specialist functions supporting a consistent cross-functional approach.

The Global Risk Management Framework sets out our approach to support risk-adjusted decision-making, allowing risks and opportunities across our Co-operative to be managed effectively in line with our risk appetite and strategic objectives. Once identified, risks are managed by appropriate business functions, with oversight and monitoring at a group level as highlighted in the Governance section of this document.

This consistent global framework informs our overall approach of seeking to minimise risk to people and the natural, financial, intellectual, infrastructure and relationship capital associated with the business, while accepting and managing an increased degree of risk in areas where it is appropriate.

Specific consideration of climate-related risk aligns with the time horizons of our strategic planning cycles. The extended timeframes and interconnected nature of climate-related risks across our value chain means Co-op wide scenario analysis is required alongside individual business units' management activities informing both short-term operational planning and long-term strategy development. Refer to the Strategy section for specific detail on the time horizons and their duration.

In 2024, we carried out a climate risk assessment across the Co-op's value chain with an outlook through to 2050. The scope of the assessment included climate-related risks and opportunities across our footprint and entire value chain, with a focus on physical risks within New Zealand, as opposed to globally given the materiality of our physical exposure in New Zealand. For physical risks, the scope consisted of our New Zealand milk pool and manufacturing facilities, as these represent over 90% of our milk supply and revenue and are most relevant to our primary users. The step-change in strategic direction announced in May 2024, to explore divesting the Co-op's global consumer business, Fonterra Oceania and Fonterra Sri Lanka, is a further reason to focus on New Zealand milk and assets. For transitional risks and opportunities, a global scope was taken across our channels and markets reflecting our multi-national business model.

When assessing climate-related risks through to 2050, a range of tools and methodologies were used as part of the end-to-end assessment process, including a scenario-based approach that explored plausible future scenarios and potential impacts on the Co-op over short, medium and long-time horizons. Refer to the Strategy section for details of this assessment.

Climate-related risk identification, assessment and management process

Table 7 – Climate-related risk identification, assessment and management process

Climate-related risk identification	Impact pathways	Risk impact assessment	Risk reporting and outputs
Climate-related risk identification workshops were held with subject matter experts to understand the breadth of risks across our value chain. The process considered risks identified through the FY23 disclosure, and emerging risks and observed changes within FY24 for review. Breaking down the risks further allowed an initial screening by the risk owners to prioritise the risks for further impact assessment.	Impact pathways were used to understand causality to help assess each risk. They articulate how climate risks and drivers translate into business impacts across operational, financial and non-financial categories and were workshopped with subject matter experts.	We undertook a structured approach to assessing the impacts across the three scenarios and to determine the anticipated impact. The impact was analysed based on an understanding of the exposure, sensitivity and adaptive capacity for each risk. The methods used involved subject matter expert input (predominantly for the transitional risks), stochastic models and statistical analysis. The analysis was informed based on relevant climate variables/hazards, literature review and in consultation with industry experts.	The output is a consolidated evaluation of the risk impact for our Co-operative across the scenarios selected, and our anticipated impact.

We complete our risk assessment process annually. In coming years, we intend to expand our annual assessment process as our underpinning data improves.

Integration of climate-related risk within our overall Risk Management Framework

Table 8 – Integration of climate-related risk within our Risk Management Framework

Fonterra strategy	Our strategic direction is set by the Board and implemented by the FMT, including consideration and management of climate-related risks and opportunities built into the Co-op's long-term strategy and business plans.
Group Risk Appetite Statement	Alongside the Co-op's strategy, the Board sets and monitors our Group Risk Appetite Statement, articulating its overall propensity to take and/or avoid risk in pursuit of strategic objectives. This includes our low appetite for the interconnected impacts of climate-related risk and across our strategic risk profile.
Global Risk Management Framework	Underpinning execution of our strategy and alignment of business activities to our risk appetite, the Global Risk Management Framework embeds a consistent approach to identification, management and cross-functional communication of strategic and operational risks, including climate-related risk.
Specialist Risk Management Frameworks	In key risk areas where specialist approaches to risk are required, our technical risk functions establish specialist risk frameworks and methodologies in line with the Co-op's consistent approach. Our approach to managing climate risk is provided in Table 7.
Integrated business planning process	In line with the Global Risk Management Framework, continuous monitoring of our risk environment occurs via our integrated business planning process. Management and the Board receive regular reports on the position of our operating activity against the Co-op's risk appetite and the measures in place to identify and manage the impact of emerging risks, including climate-related risk.

Our climate-related risks form part of our strategic group-level risks within our Global Risk Management Framework and are prioritised consistently with other group-level risks. Components of our Framework are outlined in Table 8.

Our Global Risk Management Framework is aligned to the Australian/New Zealand Risk Management Standard "AS/NZS ISO31000:2018 Risk management – Principles and Guidelines". We are working to embed this across the business to underpin a positive risk culture, cross-functional risk management capabilities and effective execution of our Co-operative's strategy.

The risk management principles and accountabilities set out in the Framework include our commitment to a consistent approach to identify, manage and communicate the potential impacts of strategic risks across the Co-operative's business functions. Global key and emerging risks are monitored on an ongoing basis as part of our integrated business planning process. They are managed within the appropriate business functions, in line with potential impacts.

Metrics and targets

Milk is nutritious but perishable, and our natural pasture-based farming system means the volumes produced are highly seasonal.

Pasteurising milk and producing dairy ingredients and products adds significant value to raw milk, producing safe, long-life nutrition that is efficient to store and transport. These manufacturing processes require significant amounts of reliable energy. While we are decarbonising our manufacturing sites and carrying out energy efficiency measures, 81% of the energy we used in FY24 comes from fossil fuels, which result in greenhouse gas (GHG) emissions. Our manufacturing activities account for about 8% of our reported emissions.

On-farm, the GHG emissions associated with dairy products come mostly from the methane cows produce, and while New Zealand's dairy farmers are currently among the most emissions-efficient dairy producers in the world, we are committed to helping reduce this further[1].

New Zealand is a long way geographically from many of our markets and about 2% of our reported emissions are currently associated with distribution to destination countries.

The Co-op has measured its GHG emissions since 2014. We include emissions from sources across our value chain attributed to manufacturing our products. Outside this primary activity, we also own and operate a small number of farms in New Zealand that result in GHG emissions. For a list of inclusions in Scope 3 see the Sustainability Reporting Data Pack.

When we started voluntarily measuring and managing our GHG emissions in 2014 we adopted the operational control consolidation approach to account for the organisational boundary of our emissions. This approach enables us to consider and actively manage those emissions sources we have most control over and to influence across our value chain to reduce emissions. We continue to use this approach to assess, manage and report on emissions by Scope and by value chain segment.

In categorising our emissions profile, we follow the GHG Protocol Corporate Accounting and Reporting Standard (GHG Protocol), and the Corporate Value Chain (Scope 3) Accounting and Reporting Standards. We also follow the guidance provided by the GHG Protocol for Scope 2 emissions and for the Land Sector and Removals (draft guidance).

We are also guided by the Science Based Target initiative (SBTi)'s guidance on the Forest, Land and Agriculture (FLAG) sector for categorising emissions across our value chain as either FLAG or Energy and Industrial emissions.

Our base year for emissions reporting is FY18 (1 August 2017 – 31 July 2018) and our emissions reduction target baseline year is aligned with this. For information on the emission factors and rates of global warming potential (GWP) applied, see the Sustainability Reporting Data Pack.

Our science-based targets

As part of communicating our long-term strategy in 2021, we announced our ambition to be net zero by 2050. Our 2030 targets have been validated by SBTi as consistent with the science to limit global temperature increase to 1.5˚C and are detailed in Table 9 on page 147.

For our manufacturing operations, our approach is to use less and emit less. Improving energy efficiency not only uses less energy, it also reduces emissions, and will help with our transition to lower carbon energy sources. We also emit less by continuing to transition to lower carbon energy sources. As part of our journey to eliminate coal as a fuel source from our operations by 2037, this year:

- was the first season that Waitoa and Stirling sites' biomass boilers were operational, and we have seen a >70,000tCO_2e reduction in emissions from these sites compared to FY23.
- we officially opened our first 100% renewable thermal energy site at Stirling on 1 March 2024.
- we are preparing our Edendale site for our first electrode boiler. Following the installation of the 20-megawatt boiler we are expecting GHG emissions from the site to reduce by about 20%. This $36 million investment is being co-funded from EECA (see page 153).
- we continued to trial different biomass sources including wood pellets.

We also installed a heat pump and solar thermal system at our Oceania, Palmerston North site, resulting in a decreased reliance on natural gas by the site.

For on-farm, we regularly commission carbon lifecycle assessments (see page 149). In New Zealand, we provide farm-specific GHG reports to farmers so they can understand their current performance and prioritise improvements. Our Farm Environment Planning service includes a GHG emissions module, and we are investigating a wide range of potential breakthrough technologies that may help our farmers reduce on-farm GHG emissions (see page 162).

To deliver on-farm emission reductions we are working with our supplying farmers and are targeting a 30% intensity reduction in Scope 1 and 3 FLAG GHG emissions by 2030 from a base year of 2018, made up of the following components:

- Best practice farming (7%)
- Novel technologies (7%)
- Carbon removals from on-farm vegetation (8%)
- Land use change (8%)

For distribution, our approach is to partner with transportation organisations and other importers/exporters to continuously improve resilience and efficiency and to explore more emissions efficient solutions for heavy goods transportation where feasible.

1 Mazzetto, Falconer, and Ledgard (2022): Mapping the carbon footprint of milk production from cattle: A systematic review

For an update on the business activities, including key initiatives and investments, please refer to the climate-related opportunities disclosed in Table 6 and our disclosures on capital deployment in Table 15. For an overview of our performance on decarbonising our operations and the key actions we have taken at our manufacturing sites and in support of our supplying farms reducing emissions see page 24. For more information on our plans and the assumptions and uncertainties underpinning achievement of our targets please refer to pages 33-38 of our Climate Roadmap.

Offsets

We are prioritising gross emissions reductions. In future we may also pursue carbon removals within our value chain (sometimes referred to as 'insetting'), such as supporting the increase in on-farm tree planting. In alignment with SBTi requirements, we plan to avoid the use of third-party offsets to achieve our 2030 emissions reduction targets. Consistent with this, although we purchased offsets in FY24, we did not use any offsets to support progress toward our targets.

Table 9 – Performance against our targets[1]

	Performance			Comments
Target	**FY24**	**FY23**	**FY22**	
Energy and Industrial absolute reduction and engagement				
Fonterra Co-operative Group Limited commits to reduce its absolute Scope 1 and 2 GHG emissions by 50.4% by FY2030 from a FY2018 base year[2]	18.5%	14.1%	11.2%	This year this target was validated by the SBTi as aligning with climate science. The percentage indicates the reduction achieved between the base year and the named financial year.
Fonterra Co-operative Group Limited also commits that 78.2% of its suppliers and customers by emissions, covering purchased goods and services, capital goods, upstream and downstream transportation and distribution, business travel and processing of sold products will have science-based targets by FY2028.	<5.0%	–	–	This new engagement target was adopted in 2024 and validated by the SBTi. The policies and processes to implement this target are in development. Our FY24 estimate is based on suppliers and customers that have received SBTi certification of their targets; however, this is a proxy and provides a conservative estimate.
Forest, Land and Agriculture specific intensity reduction				
Fonterra Co-operative Group Limited commits to reduce Scope 1 and 3 FLAG GHG emissions from dairy by 30% per tonne of fat-and-protein-corrected milk by FY2030 from a FY2018 base year[3]	3.1%	3.0%	2.1%	Performance has been restated to align with the most recently available carbon lifecycle assessment of each milk pool. The percentage indicates the reduction achieved between the base year and the named financial year. Includes emissions from a small number of Fonterra-owned farms (Scope 1) and emissions from raw milk suppliers. Please refer to 'Energy and GHG emissions reporting notes', Scope 3 Emissions: *Category 1 – Purchased goods and services* for further details.
Zero Deforestation				
Fonterra Co-operative Group Limited commits to no deforestation across its primary deforestation-linked commodities, with a target date of no later than 31st December 2025	>80%	–	–	These commodities include palm oil and palm products, soy, cocoa and timber and wood fibre products such as packaging and biomass. This year we have focused our risk assessment and due diligence on these commodities to understand our potential exposure to deforestation. Our preliminary assessment is that more than 80% of our supply chain by spend for these products is deforestation free. This assessment helps to identify strategies and processes to mitigate risk of deforestation across primary linked commodities. We continue to work to understand exposure to high-risk commodities and sources of harvest. By 31st December 2025, we aim to fully implement our Forest and Agriculture Products Sourcing and Procurement Standard.

1 Achieving our 2030 emissions reduction targets and our net zero 2050 ambition is subject to significant uncertainties and risks and is likely to be non-linear. The achievement of our 2030 Scope 1 and 2 emissions reduction target depends on our ability to successfully transition from coal via energy efficiency and fuel switching to renewable sources. Along the way we will take forecast milk volume and product mix into account along with the feasibility of transitioning from road to rail, reducing energy use through measures such as heat recovery, using biogas instead of natural gas where possible as well as the decarbonisation of our milk collection fleet and other decarbonisation activities. Achievement of our 2030 Scope 1 and 3 FLAG target will require our planned investment and partnerships to come together with the right technological developments, government policy support and the adoption of on-farm practices. We have separated our 2050 ambition from our 2030 targets recognising that achieving net zero over the longer period to 2050 is inherently challenging for the global dairy sector and will require significant action and coordination from our Co-op, government, industry bodies, partners and our farmer shareholders, as well as scientific/technological progress to reduce methane emissions.

2 The target boundary includes land-related emissions and removals from bioenergy feedstocks.

3 The target includes FLAG emissions and removals.

Our climate-related metrics

GHG emissions

The following tables provide a summary of the Co-op's GHG emissions inventory, GHG emission intensities and other key metrics. The emissions presented are those associated with business units under our ownership and operational control in FY24. Emissions from divestments that occurred within the reporting year are included, for completeness, in our Sustainability Reporting Data Pack.

Additional metrics and reporting notes including the changes to our base year emissions, calculation methodology, GWP rates, emission factors, excluded emissions, assumptions and uncertainties are provided in our Sustainability Reporting Data Pack.

Table 10 – GHG emissions inventory

GHG emissions inventory			FY24	FY23	FY22	BY (FY18)
Global consolidated gross emissions						
Total Scope 1 & 2[1]		**'000 tCO_2e**	**1,687**	**1,779**	**1,837**	**2,069**
Scope 1	Direct emissions from owned/controlled operations		1,304	1,311	1,314	1,472
Scope 2[2]	Indirect emissions from the use of purchased electricity, steam, heating and cooling		383	468	523	597
Scope 1 & 2 by sector	FLAG allocation[3]	%	1%	1%	1%	1%
	E&I allocation[4]	%	99%	99%	99%	99%
Total Scope 3		**'000 tCO_2e**	**24,335**	**24,791**	**24,893**	**26,740**
Upstream emissions	Category 1–8		23,272	23,639	23,794	25,599
Purchased goods and services	*Category 1: On-farm related emissions*		*20,912*	*21,073*	*21,204*	*22,841*
	Category 1: Manufacturing related emissions		*1,475*	*1,685*	*1,743*	*1,778*
Other upstream emissions	*Category 2–8*		*885*	*881*	*847*	*980*
Downstream emissions	Category 9–15		1,063	1,151	1,099	1,141
Total Scope 1, 2 & 3		**'000 tCO_2e**	**26,022**	**26,570**	**26,730**	**28,809**
Scope 1, 2 & 3 by sector	FLAG allocation[3]	%	83%	82%	82%	82%
	E&I allocation[4]	%	17%	18%	18%	18%
Other indirect emissions[2]	Biogenic E&I[4] activity (biofuels)	'000 tCO_2	162	79	73	<1

1 Total Gross Emissions for Scope 1 & 2 includes both FLAG[3] and E&I[4] allocations. This is a different boundary to our SBTi Scope 1 & 2 absolute reduction target, and as such the data in this table should not be used to infer progress on targets. Refer to Table 9 for progress reporting on the SBTi targets.

2 Location-based approach. Information on market-based reporting is available in the Sustainability Reporting Data Pack.

3 FLAG: is the SBTi Forest, Land and Agriculture project, sectors, methodologies, and targets.

4 E&I: refers to emissions associated with energy use and industrial process/activities.

Emissions intensities

In addition to our inventory, we report on a variety of intensity metrics that provide context across our Co-op's value chain. We report global consolidated emissions intensity, categorised by emissions intensity per tonne of finished goods and as an on-farm footprint.

The metrics in the table below provide our average intensities. To meet the needs of our customers that want to understand emissions associated with the different categories of Fonterra New Zealand products they purchase, we have tailored footprints that are independently certified via Toitū Envirocare and we use these in our new NZMP Carbon Footprinter tool that was introduced online this year and is available at NZMP.com.

Changes to our reporting coverage

This year, we have further expanded our coverage of our Scope 3 reporting to include additional categories of emissions under the GHG Protocol. A driving factor has been the SBTi's criteria for the extent of coverage of both Energy and Industrial and FLAG emissions. Achieving this necessitated a hybrid approach to data compilation, including both actual emissions data as well as some financial expenditure-based estimates. Over time, we plan to refine these sources and tailor them more specifically to our company's data in the categories where this applies.

We estimate that our reported Scope 3 emissions now represents more than 98% of our total Scope 3 emissions. The remaining 2% of emissions are not considered materially relevant to the reported inventory.

This year, we announced completion of the sale of our joint venture with Nestlé, Dairy Partners America (DPA) Brazil, which has been in scope for our environmental reporting until the assessed date of sale of 31 October 2023. Emissions data for this business is included in our reporting as presented in the Sustainability Reporting Data Pack for FY24 for the period that business was under our ownership. The results presented in tables 9 and 10 within this section of the report have been adjusted to reflect acquisitions and divestments to show performance on a like-for-like basis.

Table 11 – GHG emissions intensities

Global consolidated emissions intensities[1]			FY24	FY23	FY22	BY (FY18)
Scope 1 & 2	Emissions by finished goods	tCO_2e/t FG	0.51	0.54	0.56	0.61
Scope 1, 2 & 3	Emissions by finished goods	tCO_2e/t FG	7.82	8.02	8.08	8.43
Non-adjusted milk carbon lifecycle assessments (LCAs)[2]						
New Zealand	Average emissions by milk solids	$kgCO_2e$/kg FPCM	1.04	1.04	1.05	1.08
Australia	Average emissions by milk solids	$kgCO_2e$/kg FPCM	0.88	0.88	0.88	0.88
Sri Lanka	Average emissions by milk solids	$kgCO_2e$/kg FPCM	3.48	3.48	3.48	3.48

1 In our 2023 Climate-related Disclosure we also reported an "emissions by revenue" metric. This has been removed because it is not always reflective of our Co-op's emissions reduction progress, due to the impact of global commodity prices and other factors on our year-on-year revenue.
2 Carbon lifecycle assessments for milk are calculated to the farm gate. Information on calculation methodology is available in the Sustainability Reporting Data Pack. Of the total milk pool, 94% of on-farm emissions are from New Zealand, 6% from Australia and <1% are from Sri Lanka.

Renewable energy

Our use of energy dominates our Scope 1 and Scope 2 reporting. Energy is sourced from purchased electricity and other purchased fuels. Achieving our Scope 1 and 2 target relies on energy efficiency improvements and switching fuel to renewable energy sources across our manufacturing sites and milk collection fleet. We are focusing on our exit out of coal as a fuel source.

Our generation of electricity through solar is increasing year-on-year across our sites around the world. Solar PV installations have been commissioned across some manufacturing sites, retail stores, storage and distribution centres.

Based on the proportion of renewables used to generate the electricity and steam we purchase, and including the biofuels we directly use, we estimate that 19% of our total energy used in manufacturing comes from renewable sources.

Table 12 – Energy use

Energy		Unit	FY24	FY23	FY22	BY (FY18)
Energy used in manufacturing						
Total energy used	Energy (Pj)	Pj	26.3	26.5	26.3	27.9
Renewable energy	As a percentage of total energy used	%	19%	15%	13%	9%

Efficient use of energy both delivers emissions reductions and contributes to cost savings. In FY24, we achieved a 3.3% improvement in energy efficiency compared to FY18, down from 8.2 GJ per tonne of finished goods.

Internal carbon pricing

We use different scenarios to create a range of price paths for potential carbon prices for our New Zealand Unit requirements. For FY24 our price forecasts ranged from NZD36 to NZD83 per New Zealand Unit. These price paths are forecast higher than the prior season to reflect the market and regulatory settings.

These price paths show increased price forecasts for 2030 and are informed by our carbon trading activity as well as the Climate Change Commission’s advice on future carbon projections. We use our base case price path as inputs into our energy budgets across the business and use the low-base-high price path scenarios within our business case analysis.

Table 13 – Internal carbon pricing

Internal cost of carbon		FY24	FY23
Internal carbon pricing			
Forecast price path range	NZ$ per NZ unit	36–83	32–62

Metrics on vulnerability to climate-related risks

We have assessed the vulnerability of our business activities against three of the climate-related risks that we identified (see Table 5). Our definition of vulnerability reflects whether business activities are sensitive to adverse impacts caused by climate-related risks. It includes the concept of adaptive capacity over time.

We have not quantified adaptive capacity due to the wide range of variables involved in assessing climate-related risks over the short, medium and long-term. Exposure is excluded from this definition of vulnerability.

Table 14 reflects our view on the vulnerability of our business activities to key physical and transition risks.

Table 14 – Climate-related risks vulnerability metrics

Risk	Risk description	Business activity impacted	Vulnerability
Changing customer & consumer preferences	Shift in customer and/or consumer preferences away from our products due to our environmental credentials falling behind those of competitors and/or due to consumers moving away from dairy	The potential for reduced demand from our business to business (B2B) customers over time	Our customers increasingly require more support from us to deliver on their sustainability goals and we anticipate there may be increased consumer interest in dairy alternatives such as plant-based or lab-derived options over time. We have assessed the vulnerability of our business to this risk and estimate that up to 70% of B2B activities could be vulnerable, in some form, if we are unable to achieve our sustainability targets, implement the actions associated with this risk, or do not otherwise deliver on customer sustainability expectations. This vulnerability reflects the potential for changing customer preferences away from our products due to our climate credentials falling behind those of competitors.
Reduced milk supply	Temperature increases, coastal inundation, water availability, soil quality, disease prevalence, and acute weather events leading to a decrease in critical farming inputs (eg. feed, fertiliser) and productivity of land to maintain viable farming	The potential for dairy farming to be temporarily disrupted, and/or become less viable over time resulting in reduced milk supply	We consider that up to 100% of our New Zealand milk supply could be vulnerable to adverse weather events caused by climate change. The vulnerability of our milk supply is due to the risk of adverse weather events causing on-farm disruption and reduced milk production. Adverse weather events may include both short-term acute severe weather events (these may take the form of a one-off regional event) and chronic climatic changes that are expected to occur more gradually over a longer time horizon. Acute and chronic weather events could include temperature increases, coastal inundation, water availability, soil quality issues and disease prevalence. These weather events could lead to a decrease in critical farming inputs and productivity of land to maintain viable farming. Despite this vulnerability, we do not anticipate that any one occurrence of an acute severe weather event would expose all of our milk supply. The diversified portfolio of our manufacturing operations and the regional spread of our milk supply should enable us to minimise disruption and adapt to the event. Likewise, we do not anticipate that all of our milk supply would be exposed to chronic climatic changes over time as regions may experience varied impacts over a different time period. We recognise that there is uncertainty around the extent of disruption caused by adverse weather events, with the impact on-farm and to our business expected to range from minor to severe based on factors such as: – The frequency, severity, length and type of adverse weather event(s) – Timing in the milk season, particularly of relevance for acute weather events – The sensitivity of different regions and individual farms to events or chronic climate changes – On-farm adaptive capacity.

Table 14 – Climate-related risks vulnerability metrics (continued)

Risk	Risk description	Business activity impacted	Vulnerability
Manufacturing disruption	Damage or disruption to manufacturing sites caused by extreme weather (eg. flooding bushfire event)	Potential disruption to our collection, manufacturing and distribution of milk and milk products	We consider that 100% of our New Zealand manufacturing plants are vulnerable to disruption from adverse weather events in New Zealand caused by climate change. The impact to our manufacturing operations as a whole is uncertain but could include: – Adverse weather events directly occurring at manufacturing plant(s) causing damage or disruption. This could result in major business continuity issues, product quality failure, increased operating costs and an inability to fulfil customer orders or meet wider customer requirements. – Disruption to our supply chain due to adverse weather events, such as global or regional impacts to the transportation network. This could result in major business disruption, reduced milk supply, restrictions in non-milk inputs, increased operating costs and/or an inability to meet customer requirements. – Reduced milk supply due to adverse weather events caused by disruption on-farm. This could result in manufacturing plant(s) being underutilised, particularly if the disruption occurred during the peak of the season. Our adaptive capacity will differ according to the weather event. We operate a geographically and technologically diverse network of manufacturing plants in New Zealand, with a significant majority of our operations situated outside 100-year flood zones, and so we could be able to minimise the disruption caused by adverse weather event(s) by redirecting milk within our network.

Metrics on climate-related opportunities

In the strategy section ‘Climate-related risks and opportunities and anticipated impacts’, Table 6 sets out the business activities that we have identified as climate-related opportunities. NZ CS 1 requires disclosure of the percentage of business activities that are aligned to climate related opportunities. Given the complexity and scale of our organisation, it is difficult to accurately determine a percentage. However, on the basis that we have an integrated approach to delivering our strategic choices, potentially 100% of our business activities are in some way aligned to climate-related opportunities.

Capital deployment

In support of our emissions reduction targets we take a forward-looking view of our capital deployment through an annual integrated budget and business planning process. We have aligned our short-term planning horizon for CRD to this wider planning cycle and present the following table on the deployment of capital towards climate-related risks and opportunities. In addition to the spend detailed in this table, capital has been deployed to a programme of work across our New Zealand manufacturing sites related to water use reduction and wastewater treatment since 2018. These projects support resilience to climate-related risks relating to water supply (such as drought or regulated restrictions on water use).

Table 15 – Capital deployment

Activity or investment	Alignment to target, opportunity or risk	Description of capital deployment
Decarbonisation of our operations	Target: Reducing Scope 1 and 2 emissions by 50.4% by FY30 from an FY18 base year. Opportunity: A leading role in innovation to reduce emissions. Risk: Changing customer and consumer preferences.	We have deployed capital of approximately $40 million including the contributions from EECA in FY24 on energy efficiency and fuel switching costs, taking our total spend to-date to $250 million. We are forecasting further spend of approximately $523 million to FY30. The group financial statements include consideration of our decarbonisation plan on the useful lives of existing assets. Further information is contained in the Basis of Preparation 'Climate-related uncertainties' section and Note 11 *Property, Plant and Equipment* of the group financial statements. In July 2023, our Co-operative entered into an agreement with the Energy Efficiency and Conservation Authority (EECA) to receive up to $90 million through the Government Investment in Decarbonising Industry (GIDI) fund to support delivery of this target. This funding will be allocated to replacing our coal boilers with biomass boilers or other alternatives. The funding will be allocated across qualifying projects in the short- and medium-terms to support achievement of our Scope 1 and 2 target. Given we currently expect to meet the conditions of the EECA funding, any funding received is expected to be applied as a reduction in the cost of the plant and equipment purchases in Note 11 of the group financial statements.
AgriZero[NZ]	Target: Reducing Scope 1 and 3 FLAG GHG emissions from dairy by 30% per tonne of fat-and-protein-corrected milk by 2030 from a FY18 base year. Opportunity: A leading role in innovation to reduce emissions.	In FY23, we announced our commitment to provide up to $50 million funding for AgriZero[NZ], a joint venture between Government and major agri-business companies. In FY24 we continued to fund AgriZero[NZ], contributing $19.1 million as part of our overall $50 million commitment. Our commitment to fund AgriZero[NZ] is included in the related party Note 17 of the group financial statements. AgriZero[NZ] is a partnership established to undertake targeted investment and action to accelerate the development of novel technology solutions for agricultural emissions.

Independent assurance

This is our eighth year of seeking independent limited assurance over our sustainability disclosures against the Global Reporting Initiative (GRI) standards (our first was 2017).

This year we have sought limited assurance with reference to the GRI Standards including appropriate consideration of the reporting principles and requirements as listed in GRI 1: Foundation 2021. This includes assurance over the GRI climate change and energy topic standards and testing of source documentation and a review of our process for identification, aggregation, analysis of relevant information, report content and performance data for Scope 1, 2 and 3 GHG emissions.

See page 197 for an index of the disclosures and page 195 for the Assurance Statement provided by Bureau Veritas.

Sustainability Reporting

In this section

Tomika & Tawhiorangi, Bay of Plenty

This section of the report provides stakeholders with information about our policies, targets and actions taken to support sustainable development in the reporting year commencing 1 August 2023 and ending 31 July 2024 – Fonterra's FY24 financial year. It is supplemented with a Sustainability Reporting Data Pack providing detail on the Co-op's sustainability performance data.

This reporting continues our sustainability reporting (our first public report was in 2017) and by consolidating it into the Annual Report it better reflects the integration of Fonterra's governance of and approach to sustainability.

We know the importance of understanding stakeholder perspectives, so we'd appreciate your feedback on this report and our performance. Please email us at sustainability@fonterra.com

Approach

Fonterra's commitment and approach to sustainability is embedded through our strategy, policies and targets.

We have a Global Sustainability Policy that reflects the importance of sustainability as a key strategic priority to create long-term value for our stakeholders and future generations. Our approach involves responsibility towards people and planet, and managing our economic performance, guided by the principles of manaakitanga (respect for others) and kaitiakitanga (care for the environment).

As a global food producer, we recognise the importance of addressing long-term challenges and transitional changes by planning with a forward-looking perspective, managing risks and making opportunities to deliver sustainable outcomes. Through collaboration and connection (whanaungatanga), Fonterra seeks to contribute to a healthier planet and better lifestyles for people around the world.

Our approach is informed by international ethical standards and globally recognised sustainability frameworks and we take action to drive continuous improvement. Our commitment to transparency includes this annual sustainability reporting on our performance.

Ethical business

Fonterra has a wide range of policies, standards and supporting documents that detail our commitment to ethical and responsible practices throughout our global operations and business relationships. These documents are crucial elements of the Co-op's risk framework and support our business activities.

Our Global Ethical Behaviour Policy underscores the importance we place in trust and credibility through ethical, honourable, and honest behaviour. The policy commits to conducting business with integrity, adhering to legislative, regulatory, and contractual obligations, and maintaining the highest standards of integrity and professionalism. It supports robust and transparent business practices, including managing conflicts of interest and reporting fraudulent or unlawful activity.

In addition, our Group Legal and Compliance Policy requires all of Fonterra's business units to clearly assign roles and responsibilities for compliance, with all applicable laws and regulations applying to our operations. We are committed to embedding a culture of compliance into our operations, including appropriate monitoring, assurance, reporting and continuous improvement with all applicable laws, regulations and Fonterra global policies.

These commitments are brought-to-life for our people in The Way We Work - our Code of Business Conduct – through detailed guidelines and specific behaviours expected in various business contexts. This is made available in a range of languages to our employees and stakeholders.

Together, these policies and our business code provide the framework for Fonterra to operate with integrity and to adhere to legal and regulatory requirements. They also encourage open and honest communication, empowering employees, business partners and others to speak up by using mechanisms like The Way We Work Hotline. All concerns raised are addressed seriously and sensitively, reinforcing our integrity and commitment to our ethical business practices.

This year, we launched an updated version of our Sustainability Supplier Code of Practice. The Code sets out our expectations for suppliers to align with our values and policies, including our commitments to social and environmental responsibility.

Our publicly available policies are accessible on our website.

Training on our policy framework

Annual training on our global framework of policies, standards and supporting documents underscores our expectation that our people understand and apply our policies to decision-making and daily activities.

This year, our annual policy commitments and conflict of interest declaration e-learning campaign was a good way for our teams to stay updated with these essential global policies and fulfil the requirement for senior leaders to make an annual conflict of interest declaration.

This learning module in My Fonterra Learning, is a requirement for all people managers, employees with 'manager' in their title, employees from levels one to five in the Co-op's organisational structure, and level six and below employees who work in sensitive business areas or functions. These areas include Procurement, Sales, Communications, Internal Audit, Finance, Environmental, areas managing or influencing a budget with an external third party, and areas with access to information that could influence our share price or reputation. More than 99% of those assigned this learning successfully completed it.

Legal compliance

In addition to providing training, we seek to protect Fonterra's reputation by implementing robust practices in the areas of actual and potential conflicts of interest, bribery and corruption, gifts and corporate hospitality and the disclosure of fraudulent and unlawful activity.

Over the past year we have not identified any material incidents of non-compliance with laws and regulations in the social and economic area. There were also no legal actions, fines or non-financial sanctions related to anti-competitive behaviour, anti-trust, and monopoly practices over this period.

Each year our group-wide Internal Audit team assesses all Fonterra businesses for potential fraud risk. This risk assessment helps prioritise audits across our global operations.

During FY24, 67% of the internal audits completed across our global business included either a direct or indirect assessment of corruption-related risks. Focus areas included the segregation of duties, delegated authorities, procurement practices, and sensitive inventory management. As part of these audits, three manufacturing sites where we have management control were subject to an anti-corruption check.

The Internal Audit team was referred to investigate six potential cases of corruption or fraud identified through our whistle-blowing hotline in FY24. Five claims were not substantiated and one was inconclusive, no further action was taken.

We received one abatement notice for non-compliance with environmental regulations in relation to an unplanned discharge to a stream in Eltham, New Zealand. The issue was addressed immediately, and an automated stormwater diversion upgrade project has been initiated.

Responsible political behaviour

Fonterra does not make corporate contributions of any kind to a candidate or political party in connection with political elections. No corporate political contributions were made by Fonterra in the past year. Fonterra does not, and does not allow its employees to offer money or anything of material value to government officials, parties or candidates for the purpose of influencing the acts or decisions of officials.

Stakeholder engagement

Taking into account the views and perspectives of our stakeholders, and building relationships, is critical to the long-term success of our Co-op.

We are committed to operating in a manner that builds trust and lasting relationships by behaving with honesty, integrity and transparency. Maintaining open dialogue with key stakeholders is important to better identify and understand the Co-op's impact on people and the planet.

We consider our stakeholders to be those individuals or entities that are significantly impacted by our products and the activities required to source, make and distribute these or whose actions affect our ability to deliver our strategy. They include farmer shareholders, unit holders, debt investors, joint venture partners, employees, customers, governments, NGOs, suppliers and the communities we operate within.

Recognising that our stakeholders are diverse and have different expectations, our engagement is based on structured and informal interaction on a variety of topics. The Fonterra Sustainability Advisory Panel of external experts, established in 2018, is an example of a structured mechanism. This Panel provides independent expertise and guidance to the Fonterra leadership on our strategy, targets and initiatives and issues or opportunities that relate to economic, social and environmental sustainability that may affect the Co-op.

Further examples of stakeholder engagement are provided in the respective sections of this report and on Fonterra.com.

Key memberships in industry associations and other organisations

Fonterra collaborates in several dairy industry associations and other membership organisations within and outside of New Zealand.

Examples of voluntary memberships and initiatives supported in 2024 are shown below.

Voluntary memberships:	Voluntary initiatives:
– Australian Alliance for Energy Productivity – Bioenergy Association of New Zealand – Business New Zealand – Dairy Womens' Network – Global Dairy Platform – International Dairy Federation – Roundtable for Sustainable Palm Oil – Sustainable Agriculture Initiative Platform – Sustainable Dairy Partnership – Sustainable Business Council – The Aotearoa Circle – U.S. Dairy Sustainability Alliance	– Australian Packaging Covenant – CDP – Dairy Sustainability Framework – New Zealand Climate Leaders Coalition – Science Based Targets initiative (SBTi) – Safer Farms

Responding to what's important

By understanding the Co-op's impacts, we can best prioritise our actions on our sustainability journey.

In 2024, we refreshed the assessment of material issues that shape our sustainability agenda and help us to prioritise areas for improvement. These material issues are used to frame our sustainability reporting in alignment with the Global Reporting Initiative (GRI).

Starting from the results of our previous assessment in 2021, we identified potential impacts across the Co-op's value chain based on industry guidance and reports including the Agriculture, Aquaculture and Fishing Sectors guidance from the Global Reporting Initiative (GRI 13), the European Sustainability Reporting Standards and the Dairy Sustainability Framework (DSF)[1]. As a founding and implementing member of the DSF we are committed to address all 11 DSF criteria within our supply chain through a process of continuous improvement prioritised in conjunction with the findings of our materiality assessment.

We also drew on other data sources, including customer and consumer insights, research reports, risk assessments, media coverage and engagement with stakeholders. We then prioritised six impact areas for engagement through internal workshops and stakeholder interviews around: on-farm, people and employment, customer and consumer, Māori engagement, packaging and nature.

To maintain impartiality and encourage open dialogue an external consultancy facilitated the workshops and carried out the interviews with external stakeholders and experts who included representatives of customers, farmer shareholders, local, regional and national government, iwi, NGOs and universities.

We then assessed the significance of our impact by considering the potential and actual positive and negative impact of our activities on the economy, environment and people, including human rights across the Co-op's activities and business relationships. Our assessment was against four criteria: scale of our impact (i.e. severity), scope of our impact, irremediability and the likelihood of the impact occurring . Mitigating activities were assessed as reducing negative impacts but were not considered to be positive impacts. If a topic was identified as having both positive and negative impact, the primary impact was included.

The final findings were reviewed by our executive leadership – the Fonterra Management Team – and the Sustainability and Innovation Committee of the Board for adoption prior to informing this sustainability reporting.

Our 2024 materiality process

Define	Prioritise	Engage	Assess and validate	Finalise	Report
List of material impacts reflecting the Co-op's sustainability context identified	Assess and prioritise the list of material impacts for stakeholder engagement	Determine the experts and stakeholders to be consulted	Engagement findings and additional insights inform the assessment	Confirm prioritised impacts and consolidate as a list of material topics for review and agreement by the Co-op's leadership team and Board	Refreshed material topics from the basis of external reporting and sharing of results and actions

This process was conducted by sustainability professionals from the Fonterra sustainability team. This team has experience of conducting materiality assessments, the dairy industry and product manufacturing. Support from an external sustainability consultancy with expertise in conducting materiality assessments and meeting the requirements of the Global Reporting Initiative was also sought.

1 For more information see www.dairysustainabilityframework.org and www.saiplatform.org/sdp/

Our material topics

For reporting, we have focused our disclosures on those issues rated as significant, as listed in the table below. For each topic we have assessed and defined our key impacts and linkages to the United Nations Sustainable Development Goals (SDG), as informed by the GRI Agriculture, Aquaculture and Fishing Sectors Standard, 2022.

Material topic	Description of Fonterra's key impacts	Relevant GRI 13 & Topic Standards	Links to the United Nations Sustainable Development Goals
Climate	The generation of GHG emissions from farming, manufacturing and distribution contributes to a changing climate and its associated impacts.	Topic 13.1 Emissions (GRI 305) Topic 13.2 Climate adaptation and resilience (GRI 201)	1, 2, 3, 7, 12, 13, 14, 15
Biodiversity and land	Biodiversity loss, poor soil health and reduced ecosystem and community resilience caused by dairying farming, sourcing of raw materials and Fonterra's operational activities.	Topic 13.3 Biodiversity (GRI 304) Topic 13.4 Natural ecosystem conversion	2, 6, 12, 13, 14, 15
Water	Impacts to the health of freshwater and marine systems from farm run-off and wastewater discharge. Potential water availability impacts where the Co-op draws from catchments that are over-allocated or where water is scarce.	Topic 13.7 Water and effluents (GRI 303)	6, 12, 14
Food safety and quality	The safety, quality and traceability of our products, and the risk of contaminants or non-compliant substances with the potential to cause harm to human health or to negatively impact customer supply chains.	Topic 13.10 Food safety (GRI 416) Topic 13.23 Supply chain traceability	2, 3, 12, 14, 16

Key: United Nations Sustainable Development Goals

Material topic	Description of Fonterra's key impacts	Relevant GRI 13 & Topic Standards	Links to the United Nations Sustainable Development Goals
Health, safety and wellbeing	Our employees, contractors and farmers and others within our supply chain can be exposed to hazards that impact their physical health. In addition, their mental health and wellbeing can be impacted if they experience excessive working hours, stress, bullying and harassment or a lack of cultural safety in the workplace.	Topic 13.15 Non-discrimination and equal opportunity (GRI 405 & 406) Topic 13.19 Occupational health and safety (GRI 403)	3, 5, 8, 10, 16
Animal health and wellbeing	Adverse impact to animal wellbeing on dairy farms could occur through weather exposure, their mistreatment, including during transportation, and separation.	Topic 13.11 Animal health and welfare	15
Nutrition and health	The benefits for consumers of our products that are derived from key macro- and micro-nutrients present in dairy products. Fonterra's role in alleviating food insecurity in Aotearoa, New Zealand and other markets through food donations.	Topic 13.10 Food safety (GRI 416)	2, 3
Economic impact and employment	The positive long-term economic impacts created by Fonterra and its farmer shareholders, which include employment opportunities and regional income creation.	Topic 13.20 Employment practices Topic 13.22 Economic inclusion (GRI 201 & 203)	1, 2, 5, 8, 9, 10, 11, 14
Sustainable packaging	The packaging of our products can impact the environment when mismanaged. This includes potential pollution from plastics, fibres and chemicals and from emissions generated through the disposal of packaging materials.		

Key: United Nations Sustainable Development Goals

Changes since our last materiality assessment

The prior assessments considered the relative importance to our stakeholder groups and the significance of our impacts to determine the most material topic to the Co-op. The focus on our impacts in this most recent assessment has resulted in the material topic of biodiversity and soil as assessed in 2022 being extended to biodiversity and land to reflect the integrated nature of these topics.

While the focus of disclosure continues to be on those topics rated significant, four topics identified in our 2021 assessment as of medium importance to stakeholders are no longer the specific focus of this reporting. They are employment rights, ethical business practices, responsible procurement and post-consumption waste. We continue to include some information on these topics in this report for consistency and completeness. The following additions are made to our 2024 significant material topics: economic impact and employment, and sustainable packaging.

Protecting the human rights of individuals and communities impacted by our business actions and relationships, including modern slavery, did not make the materiality threshold for inclusion in this report, but we recognise our responsibility to respect universally recognised human rights of people directly or indirectly impacted by our operations and decisions. Rather than manage human rights as a standalone topic, our approach is to embed our respect of human rights across our range of policies and standards including our Code of Business Conduct. Each year we also release a standalone Modern Slavery Statement setting out our human rights commitments, risk management and due diligence and actions taken in the reporting year.

Nick & Nicky, Hawkes Bay

Material Topics

This section covers our impacts, our responses and progress managing our material topics.

Climate change is a material topic for the Co-op, which is reported on in the Climate-related Disclosures section.


Michael, Southland

Biodiversity and land

Kaitiakitanga (how we care for our environment) is critical to safeguarding opportunities for future generations. We are committed to supporting strong healthy environments by taking an integrated approach to the management of the environmental aspects relevant to our activities. Impacts in the Co-op's supply chain and within our operations have the potential to contribute to biodiversity loss, poor soil health and reduced ecosystem resilience, impacts to the health of freshwater and to community.

Healthy ecosystems and soil are essential to the long-term success of farmers' businesses, the Co-op, and the communities in which we operate.

Our approach

The Global Sustainability Policy and the Global Environmental Policy, along with supporting standards, set out how we manage the impact of our business operations on biodiversity and ecosystems. All business units are required to integrate and prioritise sustainability and environmental outcomes into their planning, execution and management review processes. These polices and standards also require the Co-op to work with key stakeholders in our value chain to adopt similar policies and practices.

We support those farmers directly supplying milk to the Co-op to adapt to changes in regulatory requirements, identify environmental impact risks and prioritise improvement actions specific to their situation. This includes encouraging and supporting the adoption of recognised good farming practices related to water, soil health and biodiversity, including the exclusion of stock from waterways, riparian management, nutrient management and land management that minimises soil disturbance.

In FY23 we introduced our Forest and Agriculture Products Sourcing and Procurement Standard to reflect updates to internationally recognised principles and our commitment to no deforestation across the Co-op's primary deforestation-linked commodities. This commitment has a target date of 31 December 2025 and is an extension to our earlier commitment on working towards only using 100% certified "segregated" (or higher) supply of palm oil.

Our progress

Working with farmers

Helping farmers understand their current areas of strength and opportunities for improvement is a priority for us. It is where we can add value for farmers, our customers and communities.

In New Zealand, our team of 46 Sustainable Dairying Advisors (SDAs) are working with our farmer owners to establish and maintain Farm Environment Plans (FEPs). Each FEP is specific to the individual farm and requires a physical visit to the farm to capture specific environmental characteristics, assess current activities against industry-defined Good Farming Practices (GFP) and agree prioritised improvement actions with the farmer.

This year, we delivered more FEPs than planned, increasing coverage from 85% to 93% of supplying farms in New Zealand. We are working towards all farmers having FEP's by the end of FY25. In addition to establishing new FEPs, our team of SDAs were also revisiting farms with existing FEPs to reassess them against the latest framework and to confirm progress on improvement actions.

The need for updates to our FEP framework and process is assessed on an annual basis, and to date, additional modules have been added nearly every year since we launched the service in 2018. Our goal is for farmers to be prepared for future regulations and the requirements of our customers. Regulatory requirements vary between different regions in New Zealand, and in the majority of cases the topics covered by a Fonterra FEP will go beyond these. Where the local requirement is higher, we will support the farmers to meet that standard.

Topics currently covered in the FEP include water, land and soil health and management, biodiversity, nutrient management, GHG emissions, mahinga kai (the value of natural resources) and whakapapa (recognising the people and their connection to the land over multiple generations). For the farms with irrigation systems (about 19%), our FEPs also build on regulatory requirements for metering and support irrigation efficiency improvements.

In New Zealand, farmers complete an annual Farm Dairy Records update, which is a key input for the Farm Insights Report we provide them. This combines information on nitrogen risk, milk quality, GHG emissions and animal wellbeing, providing the farmer with detailed information on their performance relative to the average farm both regionally and nationally. It also identifies the potential financial benefits that could be achieved by making some of the improvements.

In 2022, Fonterra Australia adopted a similar FEP framework but specific to Australian farming conditions and practices. At the end of FY24, 50% of Fonterra supplying farmers in Australia have a FEP tailored to their farm. Each farm selects the most suitable modules for their circumstances. These include general farm management, GHG emissions, nutrients, animal welfare, effluent management or water efficiency. We continue to develop modules on different topics. This year, we added modules on biosecurity, dairy calf management and water.

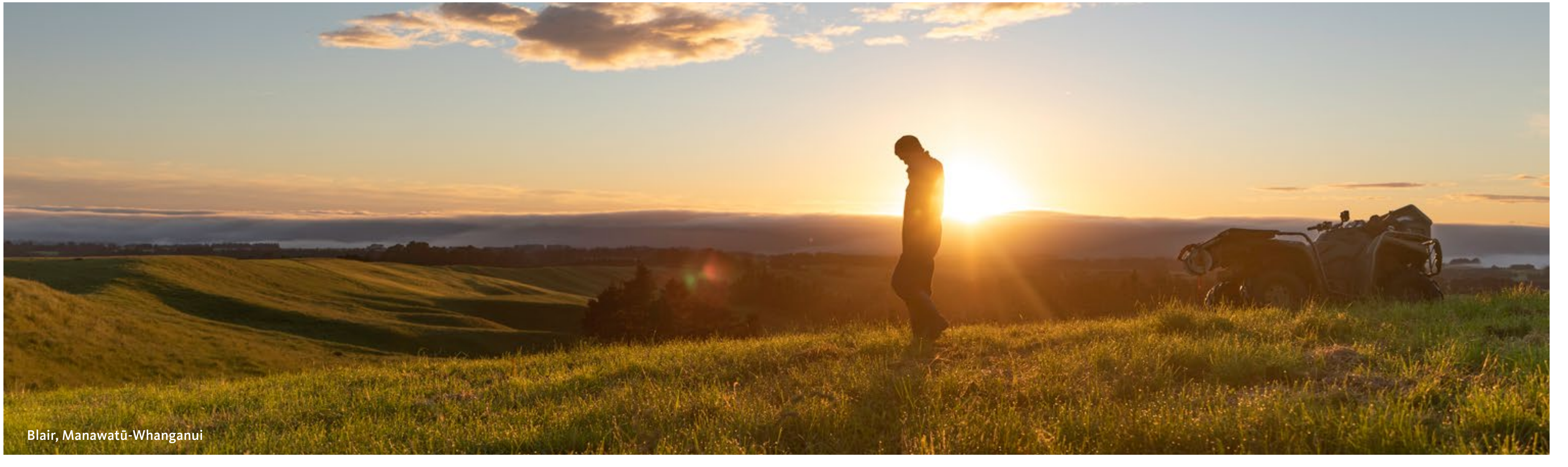
Farms we manage

In New Zealand, we manage 31 farms that are close to our manufacturing sites, including 9 that have dairy herds. These farms are complementary to our manufacturing sites. On-farm activities include forestry, dry stock, cropping and irritation of excess water and nutrients from our manufacturing operations. All the farms we manage have a FEP in place.

Sustainable catchments

Our Living Water partnership with the New Zealand Department of Conservation was completed this year. Over the past 10 years we have worked with stakeholders in five catchments across 35,000 hectares (see page 166). This year, 100% of the Fonterra farmers operating in the five catchments have engaged with the partnership, up from 98% in FY23. Freshwater improvement actions that go beyond regulatory requirements have been implemented on 50% of these farms.

Beyond the five Living Water catchments we are supporting farmer and community action in other catchments across New Zealand. Working alongside local stakeholders such as regional councils, the Department of Conservation, iwi, farming leaders, scientists and other industry members, our aim is to build on existing community efforts, helping them achieve their priorities and nurturing the national movement on catchment restoration through our Hapori funding programme.



Blair, Manawatū-Whanganui

Some sustainable catchments examples

Auckland

We have partnered with Auckland Council to reduce nitrogen losses from farms through the strategic restoration of 'wet areas' into wetlands. This pilot project in the southern part of the region uses the Council's freshwater management geospatial modelling tool to identify opportunities for improving catchment water quality.

Once priority areas were identified, farmers were provided with the opportunity to apply for funding to restore or enhance wet areas on their properties. Project implementation is now underway and will be completed in 2025. It is estimated that the wetlands developed as part of this partnership will prevent 3,000kg of nitrogen from entering waterways annually.

Tasman

We supported our farmers in the Takaka Catchment by using science to provide insights on how different natural landscapes contribute to variations in water quality at catchment, farm and paddock scales. The knowledge is being used to protect the nationally significant Te Waikoropupū Springs through targeted farm management approaches and collective actions. LandscapeDNA – a new approach to water quality modelling that accounts for the influence of the natural landscape – was used to identify contaminant loss risk areas. This enables farmers to implement actions suitable to the natural risk profile of their farms. It also supports collective action on solutions as part of the Farmers Across Marble Aquifer Catchment Group.

Bay of Plenty

We are supporting the collaborative efforts of Bay of Plenty Regional Council and Te Wahapū o Waihi, a collective formed to represent the interests of five iwi, who are working to restore the health and mahinga kai of the Little Waihi Estuary. Our support is focused on a wetland feasibility assessment and detailed design of a constructed treatment wetland on 10 hectares of recently retired land at the bottom of the catchment. This initiative is one of a series of interventions to improve the health of the estuary and will benefit all landowners in the catchment and the wider community.

Southland

We are a founding partner of Reimagining Mataura, an ambitious long-term catchment transformation project led by Murihiku Rūnaka. The project has built a strong foundation of data and information and has been focusing on engaging with all stakeholder groups and landowners to gain a broad understanding of the values and aspirations the community have for the river. A range of projects are underway related to wetlands establishment including testing and trialling nature-based solutions within the catchment to reduce peak flood flows, enhance biodiversity and improve access to mahinga kai.

Mataura River, Southland

Minimising waste to landfill

This year, we continued to reduce our solid waste sent to landfill, down 11% from last year and down more than 32% since our baseline of FY19[1]. Contributing to this reduction has been a combination of waste reduction and diverting materials from landfill to more beneficial uses.

While we still aspire to achieve 'zero waste' from our sites globally, we no longer have a specific timeframe. We have already made significant progress in this area, with our current intensity being approximately 2kg of solid waste per tonne of product. Aligned with waste management principles, we will continue to seek year-on-year improvements to eliminate the sources of waste. We focus on making products to specification to avoid potential production waste, and we work with vendors to improve the prevention of non-recyclable materials coming onto our sites. We have partnered with others to increase the range of materials that can be economically recovered. See page 178 for our approach to Sustainable Packaging.

Our Forest and Agriculture Products Sourcing and Procurement Standard

Forest and agricultural products that Fonterra sources can pose risks for deforestation and human rights violations. Fonterra is committed to eliminating deforestation and the conversion of all other natural ecosystems across the primary deforestation-linked commodities in our supply chains.

In accordance with our Forest and Agriculture Products Sourcing and Procurement Standard, this year we carried out a risk assessment and due diligence on the primary deforestation-linked commodities in our supply chain, which include palm oil, palm products, soy, cocoa, timber and wood fibre products. The purpose of the risk assessment was to understand our potential exposure to deforestation. Our preliminary assessment is that more than 80% of our supply chain by spend for these products is deforestation free. This assessment helps us to identify strategies and processes to mitigate risk of deforestation across primary linked commodities.

We are a member of the Roundtable for Sustainable Palm Oil (RSPO) and since 2015 all our palm oil purchases have been certified through one of the RSPO supply chain models. During the 2023 calendar year, we purchased 29,120 tonnes of palm-related products as an ingredient. Of this 75% was RSPO certified to at least segregated supply level and 24% was certified as mass balance. By volume, 96% of all palm oil being purchased by our New Zealand business and 100% of all palm oil being purchased by our Australian business is certified as segregated supply.

The Standard requires internal reporting on instances where we do not source 100% certified segregated supply of palm oil. This has contributed to several changes in sourcing as we continue to work with suppliers of direct and indirect palm oil ingredients to work towards 100% certified segregated supply. We continue to assess and mitigate the risk of deforestation across our supply chain.

Our performance

Supplying farms with Farm Environment Plans

93% of New Zealand farms with a Farm Environment Plan.

50% of Australian farms with a Farm Environment Plan.

Zero Solid waste sent to landfill

32% reduction on our FY19 base year.

Sourcing 'segregated supply' palm oil from credible organisations

All palm products we purchase are RSPO certified.

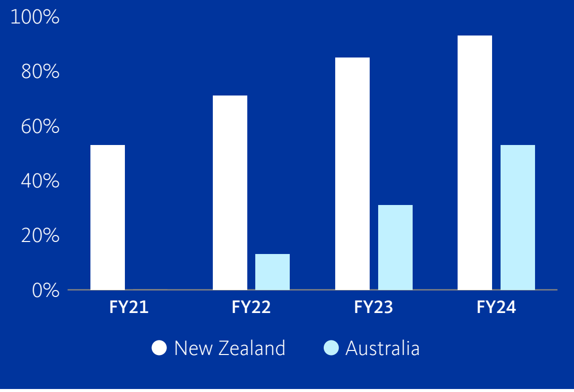
75% RSPO certified to at least segregated supply.

Deforestation commitment by 31 December 2025

Commitment across our primary deforestation-linked commodities.

For further reporting on our performance, please refer to the 'Relationships' tab of the Sustainability Reporting Data Pack.

Supplying Farms with Farm Environment Plans



1 Comparison is on a like-for-like basis, and includes adjustments for acquisitions and divestments.

Water

Healthy freshwater, soil and ecosystems are essential to the long-term success of farmers' businesses, the Co-op, and the wellbeing our people and communities in which we operate. Poor management of water in our manufacturing operations and at supplying farms, can negatively impact the health of freshwater and marine systems. There are also the potential water availability impacts where the Co-op draws from catchments where water is scarce.

When our manufacturing sites withdraw water from the environment to use and subsequently discharge wastewater, this can impact a resource we share with others. We are committed to playing our part to mitigate our impacts on water quality and maintain water security for the communities in which we operate and our operations.

Our approach

Our Global Environmental Policy expresses our commitment to taking an integrated approach to the environmental impacts of our activities. Recognising the importance of effective water stewardship, we take a collaborative planning approach, assessing the health of sourcing and receiving environments as a key outcome for ongoing and long-term improvements.

Recovering water from milk when we make powder products means that most sites discharge more water than they take in. Through process enhancements and the adoption of new technologies, we strive to further reduce water usage and enhance wastewater treatment.

Our progress

We continue to maintain a strong focus on using water responsibly. Water stewardship continues to be a high priority and we are committed to playing our part to improve the environment and maintain water security for our communities and operations. We continue to make progress towards our targets.

This year, we achieved our target to develop bespoke, multi-year Water Improvement Plans for each of our manufacturing sites.

Water Improvement Plans

In FY23 we began the significant piece of work to develop a Water Improvement Plan (WIP) for each manufacturing site. This provides us with a long-term roadmap to enhance water security and quality while reducing our water footprint.

Our WIPs detail the water flow for each manufacturing site from source water, through pre-treatment, use and reuse on to wastewater treatment and discharge. The development process involved in three stages: a comprehensive data-driven assessment of the current state; site level workshops; and then creation and sharing of the plan. Collaboration was required across a wide range of internal subject matter experts and with external stakeholders such as regulatory bodies, local councils, technology providers and suppliers.

By developing WIPs for all manufacturing sites we raised awareness across the Co-op of the challenges and opportunities in water management. We have also established a strong foundation to help us further prioritise our work programmes and futureproof water security.

We are also keeping our focus on the target of a 15% reduction in water take across Fonterra manufacturing sites by FY30 from a FY18 base year.

Reducing water use

This year, we continued to prioritise our efforts to improve water efficiency throughout our operations.

We have achieved a 12.4% reduction in absolute water use compared to our FY18 base year. That means we are using about 5,990,000m^3 less of water this year at our sites than six years ago[1].

This year, we completed the Edendale Evaporator Condensate Recovery project to address water shortages caused by low rainfall in the area. The site installed a new water system and filtration plant, turning the water that is evaporated from milk as it's dried into potable water that can be used on site. This reduces the need to withdraw about 643,000m^3 of fresh water each year from an underground aquifer that is also the local community's water source. The project, with an investment of around $10 million, enhances resilience for the site and community against potential water shortages.

Currently, a new wastewater treatment facility is being installed at our Hautapu site that will enhance the site's resilience to heavy rainfall and improve water discharge quality by reducing the nitrogen and phosphorus levels.

At our Stanhope site in Australia, the wastewater created during cheesemaking is stored in lagoons on our Fonterra-owned neighbouring farm. This wastewater, which contains phosphorus and nitrogen, is used as a fertiliser for the hay and silage crops grown on the farm. As the wastewater also contains sodium, when irrigated it needs to be diluted with fresher water. This year, we have been carrying over lagoon water from previous wet years when irrigation opportunities were limited. While not adversely impacting our overall reduction in water use across our manufacturing sites, irrigation has withdrawn more fresh water than expected for the year. A new membrane technology has been installed at the site to recover cleaning chemicals and to reduce the sodium in the wastewater. As a result of this project, we are expecting to see the level of fresh water required at Stanhope reduce over the coming seasons.

Concluding the Living Water partnership

The Living Water partnership between the Department of Conservation (DOC) and the Co-op concluded this year. It focused on trialling tools and approaches to improve freshwater quality and biodiversity over a 10-year period in New Zealand.

We have worked collaboratively with farmers, scientists, local councils, mana whenua and local communities across five demonstration catchments resulting in 70 completed projects, 44 trails of various tools and approach and engagements with more than 60 groups and organisations.

1 Comparison is on a like-for-like basis, and includes adjustments for acquisitions and divestments.

In the final year of partnership there is much to celebrate, including:

- the inclusion of a specific biodiversity module in the farm-specific Farm Environment Plans (FEPs) that Fonterra uses with farmers
- 100% of farms supplying milk to Fonterra in Living Water catchments have a FEP in place
- 17 identified solutions have been scaled or are being used by others
- tangible improvements to in-stream habitats for native fish have been achieved
- 50% of our farmers located in Living Water catchments are implementing freshwater improvement actions over and above regulatory requirements.

Other highlights of the final year include a national investigation into the costs and benefits of restoring lowland waterway networks, a trial of real time water quality monitoring sensors in the Waikato, and developing a farmer tools and solutions toolkit for our Sustainable Dairying Advisors in support of FEP delivery. Work that started in 2024 on remediating common barriers to fish passage on-farm will continue, with information and guidance being made available for farmers in 2025.

This collaborative project also contributed to a better understanding by all groups involved around collective environmental action and resilience in productive landscapes.

Our performance

Water Improvement Plans in place at manufacturing sites

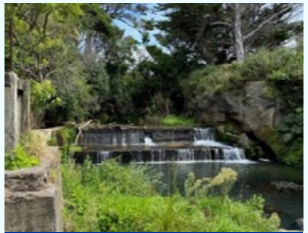
100% of manufacturing sites have a bespoke Water Improvement Plan. This target was achieved this year.

Reduction in absolute water use across manufacturing sites between FY18 and FY30

12.4% reduction in absolute water use.

For further reporting on our performance, please refer to the 'Water' tab of the Sustainability Reporting Data Pack.

Living Water example projects



Pūkorokoro-Miranda, Hauraki

—

- ▲ Predator control strategy
- ▲ CAPTure catchment prioritisation

Wairua River/ Te awa o Wairua, Northland/ Te Tai Tokerau

—

- ● Low cost constructed wetland
- ▲ Detention bunds
- ▲ Catchment condition survey

National projects

- ■ LandscapeDNA
- ■ Economic value of lowland drainage restoration
- ■ Farming with Native Biodiversity
- ■ Fonterra FEP App

Key:

- ■ National projects
- ▲ Catchment scale projects
- ● Farm scale projects

Lake Ruatuna, Waikato

—

- ● Real time water quality monitoring
- ▲ Mangaotama catchment project

Waituna Lagoon/ Waipārera, Southland

—

- ▲ Contaminant intervention approach
- ▲ Peak run-off control trial
- ● Fine Particle Fertiliser Application
- ● In-stream habitat additions

Ararira-LII River/ Te awa o Āraiara, Canterbury

—

- ● In-stream habitat additions
- ▲ Drainage network redesign
- ● In-stream nitrogen bioreactor

Marcus, Auckland

Nutrition and food safety

Good nutrition is essential for people to lead healthy and fulfilling lives. As a naturally nutritious product, milk and dairy products are a unique and valuable source of essential nutrients with proven benefits to support health outcomes across all life stages for our consumers. However, if we do not continue to treat the safety, quality and traceability of our products as a priority, there could be potential for negative impacts to human health and wellbeing.

Milk and dairy products provide a meaningful contribution to our nutrition status and health outcomes, with high quality protein and a wide range of vitamins and minerals for relatively low calories, which makes it both nutrient-rich and nutrient dense. The protein found in milk and dairy products is high quality because it contains all the essential amino acids, in the right amounts, that are both easy to digest and in proportions that meet human needs. Many nutrients that milk provides are also in an easily absorbed form.

As a global food company, we recognise the valuable role nutrient-rich milk and dairy products can play in addressing deficiencies in diets and improving people's health and wellbeing around the world.

Our approach

The Fonterra Global Nutrition Policy sets out our overarching commitments including delivering science-based nutrition and health benefits, products tailored to specific nutritional needs and the importance of marketing responsibly. Supporting the policy is our Nutrition Standard which outlines how we operate regarding nutrition with detailed Nutrition Guidelines that define the nutrition criteria and principles for the composition and marketing of our consumer products and ingredients. We are also committed to supporting communities by developing products tailored to their specific nutritional needs and that contribute to healthy sustainable diets.

Our food products are assessed for health and food safety impacts prior to initial launch and on an ongoing basis. Our Global Food Safety and Quality Policy outlines our commitment to uncompromising food safety and world class quality across every aspect of our supply chain. The food safety and quality system we have in place means that, wherever we are in the world, we have a clear, consistent framework to deliver, safe, quality products.

Our progress

The nutritional profile of our consumer products

The New Zealand Nutrition Foundation has independently reviewed and endorsed our Nutrition Guidelines in 2021 as evidence-based, founded in robust nutritional science and reflecting international directives on nutrition and health. These guidelines comply with national food standards and regulations. We complement these with our own educational and advocacy activities to raise awareness of the value of dairy nutrition in healthy, balanced diets.

We promote our products responsibly and take particular care when marketing to vulnerable populations. This includes our Marketing to Children Standard, which sets out the nutrition criteria and requirements for our products to be marketed to children. We also support and promote the aim and intent of the International Code for the Marketing of Breast Milk Substitutes and are committed to complying with the relevant industry codes and legislation in all countries where our products formulated for infants and young children are sold.

In 2023 we established our Nutrition Expert Panel with a purpose to provide independent and credible external nutrition expertise to support and guide our nutrition identity. This year, we continued to work with the Panel to help shape how we communicate both internally and externally on all aspects of sustainable dairy nutrition. Our experts brought their independent expertise to specific teams and activities within the Fonterra – extending the reach of their insight and impact within the business. For example, they provided nutrition expertise as part of our company-wide nutrition training summit and are consulting on specific nutrition trends and insights across different teams.

We continue to improve the composition of our consumer products, taking into consideration the levels of dairy protein and calcium, while also minimising the addition of free sugars, refined carbohydrates, non-nutritive sweeteners, sodium and saturated fat. Our nutrition guidelines also state our position not to use industrial trans-fat ingredients in our products.

Our target is for 100% of our everyday and advanced nutritional products[1], such as plain milk, natural cheeses, spoonable and drinkable yoghurts and fortified milk powders, to comply with our independently endorsed nutrition guidelines by 2025.

1 Fonterra consumer branded products (Global), excluding indulgent products such as creams, desserts and specialty cheeses.

Since achieving the milestone of more than 90% of our everyday and advanced nutritional products meeting our guidelines last year our aim is to stay above this level as we progress towards our target. This year, on a volume sold basis compliance is 98.5%.

Follow the milk drop

In April this year we launched our Dairy Nutrition Hub, a new platform on our website designed to grow understanding of sustainable dairy nutrition for employees, customers and consumers.

We have made a wide variety of content available, ranging from our nutrition mission to fresh nutrition articles, and more than 20 videos and engaging infographics are available in the Learn and Discover section. In the Nourishing the Planet story we follow the milk drop as it traces the journey of milk and demonstrates it's the nutritional benefit and importance in the global food system.

Traceability of our products

The global Raw Milk Harvesting, Collection and Transport Standard is part of our Global Integrated Management System and set out the minimum requirements that all farmers must meet. It applies to all farmers, collection points, co-operative vats and chilling centres supplying raw milk to Fonterra around the world, building on compliance with local regulations and forming the basis for our on-farm audits.

All our food products are assessed for health and food safety impacts prior to initial launch and on and ongoing basis. This includes detailed processes for new product development, manufacturing and product sampling and testing, including shelf-life studies.

To evaluate our performance, manufacturing sites are subject to an internal audit programme and regular scrutiny through third-party audits by regulators, key account customers and certification bodies. Any areas identified as needing improvement are acted upon.

We are guided on best practice by multiple international food safety and quality standards, and 100% of our manufacturing sites are independently certified to a leading food safety management system (e.g., FSSC22000, BRC).

Assurance & Audit

This year we have focused on deploying our integrated Global Assurance Audit (GAA) globally. This is our 'one-way' of internally assessing food safety risk and compliance across Fonterra-owned sites and warehouses. GAA has now been deployed 100% across New Zealand Manufacturing (NZM), and all regions have undertaken at least one round of audits against the GAA framework.

For milk supply we have set clear expectations in our Terms of Supply for farmers on matters such as regulatory compliance, producing safe, high-quality milk and looking after people, animals and the environment.

Through a combination of our own employees and third parties, we regularly assess farms supplying us. In New Zealand, in addition to regular visits by our team, every supplying farm is visited each year by an independent Farm Dairy Assessor. The assessor validates the accuracy of the data submitted to the Co-op and verifies the farmers' The Co-operative Difference achievements at this time.

This year, 12% of farms were placed into our performance management process at some point during the season to support on farm change. Milk collection suspension notices were issued for eight farms in New Zealand this year: three have been resolved, one is on performance management and four have ceased supply[1].

Where we find mandatory requirements are not being met, our on-farm advisors develop an action plan with the farmer, including target completion dates. We may also suspend the collection of milk until we are satisfied that all minimum requirements are being met and that any actions required to avoid a repeat of the issue have been completed.

In Australia, farms are visited multiple times each year by our employees, and independent assessments are scheduled based on prior compliance levels. Every farm is assessed at least once every two years. In FY24, 46% of farmers were assessed, and 7% of the assessed farms were identified as major or critical for follow-up and resolution by the regulator.

We may also suspend the collection of milk until we are satisfied that all minimum requirements are being met and that any actions required to avoid a repeat of the issue have been completed.

Our performance

Fonterra consumer branded everyday and advanced nutrition products that meet endorsed nutritional guidelines

98.5% meet the endorsed nutritional guidelines. On the way to achieving our target of 100% by 2025.

Manufacturing sites are certified to a leading food safety management system

100% of our manufacturing sites are certified to FSSC22000 or BRC.

Global Manufacturing sites with 100% electronic traceability

95% of our global manufacturing sites have 100% electronic traceability from the farm vat or milk collection centre to the first sale to the customer, meaning we can track the origins of nearly any product within minutes.

For the remaining 5% of our global manufacturing plants, all have some electronic trace capability within their own local systems and some manual steps are required to complete the analysis.

Compliance with regulations

During the year, we have received no fines or market bans for breaches of market regulations. None of our products were restricted for delisted from sale in any country. There were no consumer recalls of product for safety reasons and no legal or regulatory non-compliances related to FSQ.

For further reporting on our performance, please refer to the 'Relationships' tab of the Sustainability Reporting Data Pack.

1 The data presented reflects the New Zealand 2023/24 milking season, which runs from 1 June 2023 to 31 May 2024.

Taylor & Jamie, Waikato

Health, safety and wellbeing

Our ambition is for all our people to return home safely and healthy every day. Continuously improving health, safety, and wellbeing is fundamental to our business and essential to our sustainable success. Our employees, contractors, farmers and others within our supply chain can be exposed to hazards that impact their physical health, safety and wellbeing. In addition, their mental health and wellbeing can be impacted by conditions in the workplace.

Our approach

The Fonterra Global Health, Safety and Wellbeing Policy defines our commitment to providing a safe and healthy work environment where our employees, contractors and visitors can return home from work safely every day, everywhere. Implementation of, and compliance with, the policy is overseen by our Chief Executive Officer and Board.

We are committed to fostering a culture at Fonterra where everyone owns and leads our health, safety and wellbeing.

Our commitment to health, safety and wellbeing is delivered through:

– People, including our employees, contractors and visitors, who believe that harm is avoidable and who support a safe and healthy work environment.

– Processes that always prioritise safe work practices, proactively identify and manage exposure to risk and to support our business activities comply with all statutory and legal requirements specific to the regions where we operate.

– Plant and equipment that considers design, operation, management and maintenance that creates a safe and healthy work environment.

Our health, safety and wellbeing is measured and reported to the Fonterra Management Team and our Board of Directors. Fonterra has a Health and Safety Performance Reporting Standard which details the minimum requirements for monitoring, measuring, and reporting health and safety performance to evaluate on-going performance and drive continual improvement.

Our progress

We have a newly established Global Health, Safety and Wellbeing (HSW) Strategic Plan to 2030, with a five-year goal of creating 'Safe Work, Thriving People'. It aims to focus on building leadership and culture, enhancing the way we learn when unwanted events happen, focusing our risk reduction on the risks with the most severe consequences and creating operational resilience, and designing work and systems in a way that is healthy and safe and providing world class support to our people. The strategic plan sets out 18 strategic commitments and introduces seven strategic measures.

There have been no health and safety prosecutions in connection with Fonterra's operations since 2014. During FY24, we received one prohibition notice that Fonterra complied with, and which has subsequently been lifted. No workers or other people were harmed in the incident. Worksafe NZ did not issue any associated fines.

This year the Co-op has been focused on ensuring that controls which materially reduce risk are implemented and independently verified. A significant effort of this work has been for Safety Critical Elements applied to Process Safety related risks. Credible Major Accident risk management remains a focus and has led to adoption of new technology.

As a major transport operator, we are embracing technology to support our understanding and management of fatigue related risk in our fleet. We have continued implementing technology-based systems and now almost half our fleet is fitted with fatigue detection and response technology. Implementation of this technology will remain a focus in the coming year as we work towards full implementation.

We've continued our partnership with 'Safer Farms' and other organisations across New Zealand's agricultural sector to support the 'Farm Without Harm' agenda. This industry-wide strategy and action plan aims to drive practical changes that prevent physical and mental harm to those working on farms. In FY24, we committed to utilising our Farm Source store network as a conduit to connect 'Safer Farms' to local farmers. This initiative not only supports our supplying farmers, it's also very relevant for managing the health, safety and wellbeing of our people that are employed at the 31 farms we operate within New Zealand.

This is the first full year of our three-year partnership with the Rural Support Trust, which aims to improve access to wellbeing and resilience services for farming families (see page 26).


Drysdale Farm, Manawatū-Whanganui

Our performance

Zero harm

0 work related fatalities.

3 serious harm injuries. Down on the 5 recorded in the prior year. For FY25 a broader definition of serious harm has been adopted, which may result in an increased number of injuries captured.

10 Total Recordable Injury Frequency Rate (TRIFR per million work hours), employee work-related.

For further reporting on our performance, please refer to the 'Our people' tab of the Sustainability Reporting Data Pack.

Animal Wellbeing

Fonterra expects all animals to be valued and treated with respect and care throughout their lives. The potential for adverse impacts to animal wellbeing at farms within our supply chain could occur through weather exposure and other forms of mistreatment, such as neglect, separation or transportation issues.

Animal wellbeing and biosecurity on farms that supply us with raw milk around the world and the small number of farms we manage in New Zealand is of paramount importance to us.

Healthy cows and calves are central to efficient production of high quality milk. In addition, customers and consumers increasingly expect food producers to demonstrate that animals are healthy and are treated with respect throughout their lives.

Our approach

Fonterra farmers are required to uphold high standards of animal wellbeing and comply fully with all regulations and codes of welfare. These requirements are set out in the Fonterra Farmers' Terms of Supply and are guided by our overarching Global Animal Wellbeing and Biosecurity Policy and supporting standards.

The development of strategy, policy and standards for the global management of farm animal wellbeing is the responsibility of Fonterra's General Manager On-Farm Excellence – Animals, with local management and implementation supported by our centralised Veterinary and Animals Team.

We partner with supplying farms to continue improvement of animal wellbeing practices and outcomes. This includes the overall mental experience an animal may have as a result of its nutrition, health, environment and behavioural expressions and interactions.

Our aim is to promote the positive experience of the Five Domains, while eliminating any practices that contravene the Five Freedoms.

The Five Domains model builds on Five Freedoms concepts.

1. Freedom from hunger or thirst – Nutrition
2. Freedom from discomfort – Environment
3. Freedom from pain, injury or disease – Health
4. Freedom to express normal behaviour – Behaviour
5. Freedom from fear and distress – Mental State

We are an active participant in the Animal Welfare Early Response Service in New Zealand. This service provides a public hotline where concerns can be raised confidentially for assessment.

Our progress

Animal Wellbeing Plans

The increased adoption of Animal Wellbeing Plans (AWPs) is our main approach for further embedding the Five Domains of animal wellbeing and helping farmers demonstrate high levels of animal care.

We know that farmers who have a focus on animal wellbeing and a good relationship with their vet will usually achieve better outcomes for their animals. Therefore, each AWP in New Zealand must be developed with, and signed-off by, a registered vet every season.

We would like to see every farm that supplies milk to Fonterra with an AWP. Our initial focus is on New Zealand where our target is to have 100% of supplying farms with an Animal Wellbeing Plan by the end of FY25. In New Zealand, the percentage of farms with an established AWP has increased from 85% in the 2022/23 season to 90% this season.

For the 2023/24 season developing and implementing an AWP with a vet was one of the minimum criteria for a farm to achieve recognition and payment levels within The Co-operative Difference framework[1]. To qualify, the plan must have been issued by a vet within the previous 12 months and it needs to include a number of key elements related to the Five Domains.

These elements have been identified and prioritised in collaboration with The New Zealand Veterinary Association and DairyNZ, and include mastitis and lameness, care of calves, mortality, body condition scoring, prudent use of antibiotics, mitigation options for heat stress and other extreme weather events, and consideration of genetic improvement strategies to enhance animal wellbeing outcomes.

In Australia, we have partnered with Dairy Australia to provide our supplying farmers with animal wellbeing advice, training and support. We include a module in our Farm Environment Plans (FEPs) on Animal Health and Welfare. In FY24 the focus of this module is on healthy calves. It provides reporting and guidance on colostrum use, feeding management and calf pathways. To date, 50% of supplying farms in Australia now have a FEP in place.

1 The Co-operative Difference framework provides a clear signal to farmers about what needs to happen on-farm so we can meet our customers' needs both today and into the future.

Farm insights and training

In New Zealand, farmers complete an annual Farm Dairy Record update, which is a key input for the Farm Insights Report that we provide to each supplying farmer. The Farm Insights Report provides the farmer with detailed information on the performance of their specific farm relative to regional and national benchmarks, and the potential benefits associated with making certain improvement actions.

Our Farm Insights Report includes key metrics such as Somatic Cell Count, milking efficiency, mastitis rates and lameness for several years. This year, we added a section on biosecurity outcomes, with Bovine Viral Diarrhoea as the lead indicator.

We have developed several tools and services to support farmers to realise the potential opportunities identified in their Farm Insights Report. These tools and services vary, in some cases we provide on-farm support and advice directly to farmers while in other instances we utilise existing networks and link farmers to external expertise. As the visibility and understanding of these reports grow throughout the industry, we are seeing more external companies using them to help provide advice and expertise to support to our farmers.

Similarly in Sri Lanka, the Fonterra Supplier Relationship team has implemented several initiatives and training to support animal health, which includes supporting enhanced fodder availability, silage production, and animal treatment. Good farming practices, animal wellbeing and farm waste management are strong components in our farmer training. In collaboration with regional veterinary officers from the Department of Animal Production and Health, we have facilitated mobile veterinary clinics that visit selected farms to assess and support farmers with animal health.

Term of Supply

We require on-farm practices to fully comply with the latest regulations and codes of welfare, including meeting the requirements set out in Fonterra Farmers' Terms of Supply.

Fonterra places a strong emphasis on calf wellbeing and a big part of this is all dairy calves having a useful life. Many heifer calves are raised as replacement cows to join the milk herd when they are about two years old. Caring for these calves from the day they are born, not only leads to good animal wellbeing outcomes, but also leads to increases in life expectancy and productivity. In support of this, we're collaborating with the wider industry and exploring long-term solutions such as dairy-beef partnerships.

Somatic Cell Count

In New Zealand, our on-farm support provided for farmers includes Milk Quality Improvement visits. If appropriate, the opportunities to better manage mastitis and lower bulk SSC are explored. A low SSC is not only an indicator of milk quality, but also an indicator of good animal wellbeing. For some farms lowering SSC can also be an effective means to improve productivity with no additional inputs.

Cared for cows

By analysing our data on food safety, quality, and compliance, we look for unusual patterns that could indicate a farm at risk of animal welfare compromise. This year, we have used artificial intelligence to help with the analysis, this allows us to be proactive and prioritise our farm visits and offer additional support, even if no animal welfare risk is identified at the time.

Our performance

Farms with Animal Wellbeing Plans

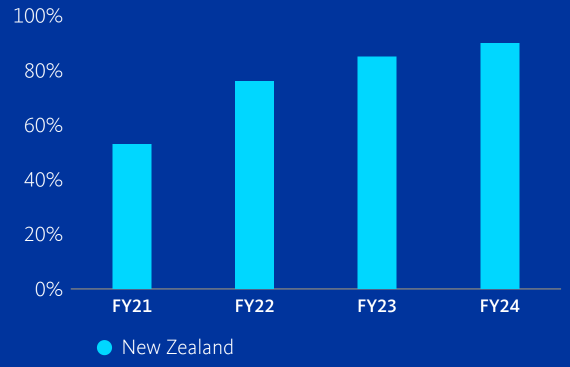
90% of supplying farms in New Zealand have an Animal Wellbeing Plan prepared with their vet this year.

Somatic Cell Count

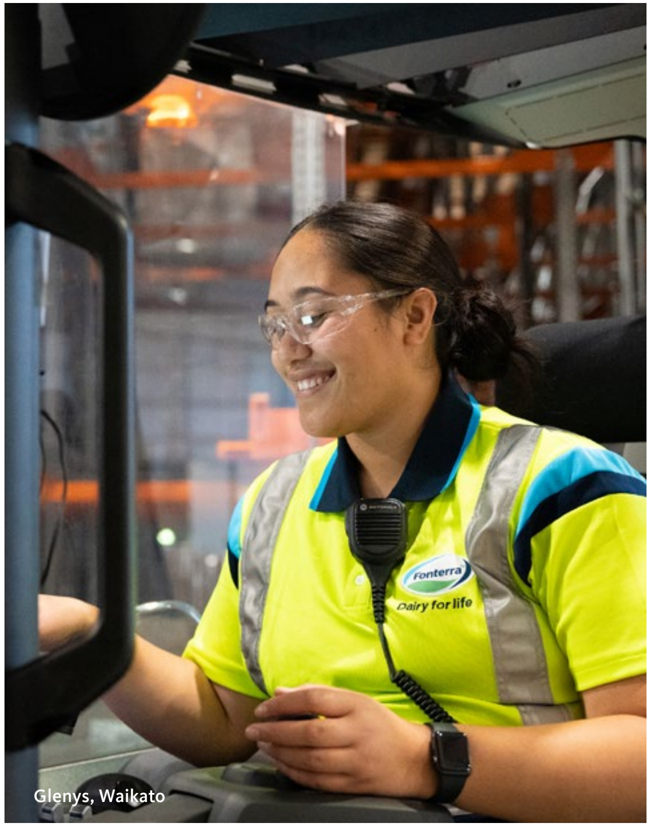
The overall global weighted average (mean) for SCC this year is 170 ('000 cells/ml). In comparison to FY23, this overall result is improved[1] this year and remains well below the European Union import/export standard.

For further reporting on our performance, please refer to the 'Relationships' tab of the Sustainability Reporting Data Pack.

Supplying Farms with Animal Wellbeing Plans



1 Comparison includes adjustments for divestments during FY23 and FY24.



Glenys, Waikato

Economic impact and employment

Delivering sustainable returns to our farmer-owners is at the core of the Co-op. By supporting the success of their farming businesses, the people they employ and the vendors they rely on, we contribute to economic development and regional income creation. This year, through the milk price we returned more than $11.5 billion to regional New Zealand.

We also support the livelihoods of our employees. Fonterra directly employs 16,441 people on a full-time equivalent basis, with more than 70% of those based in New Zealand.

In New Zealand, industry-wide figures from March 2023 show that, in addition to those working in dairy processing, the dairy sector employed 38,000 on farm and thousands more in jobs supporting the local industry.

Our approach

Our Code of Business Conduct and global policies set clear expectations for how our people are required to act and behave. These policies are supported by local guidance to reflect relevant regulations.

As part of our customer-led operating model, understanding and connecting with local markets is vital to our success. By hiring and developing local talent, we contribute towards the shared success of our Co-op and the countries where we operate.

Our remuneration framework for salaried staff includes base salary, benefits (KiwiSaver, superannuation and insurance where applicable), and where appropriate, variable remuneration (incentives). The amounts we pay to our employees are benchmarked against comparable companies in relevant markets, using information obtained from independent remuneration consultants.

Throughout the world, we are committed to identifying and unlocking our people's potential by developing capability, leadership and talent through coaching, learning, and regular feedback.

We respect and support everyone's uniqueness and recognise that diversity contributes to a stronger, more successful and sustainable Co-op.

A free, independently administered and confidential whistle-blowing hotline (The Way We Work Hotline) is facilitated by Deloitte. It's available to all employees globally to raise concerns about behaviour not aligned with our Code of Business Conduct. We also provide an Employee Assistance Programme (EAP). This is a professional and confidential service, paid for by Fonterra, is where employees and their immediate families can seek advice and counselling in any area of concern in their personal or working life. EAP provides independent professional support to address issues such as anxiety, grief and work-related stress. We recognise that the EAP service could also be helpful to our supplying farmers, so in 2022 we opened this opportunity to farmers too.

Fonterra has a long-standing agreement with the International Union of Food and the New Zealand Dairy Workers Union. Other active unions include E tū and AMEA. In New Zealand, 61% of all full-time equivalent Fonterra employees are covered by collective bargaining agreements. We also have union agreements and relationships in many other markets. These agreements recognise our commitment to the Conventions of the International Labour Organisation for all Fonterra employees and is built into our Code of Business Conduct.


Fonterra Centre, Auckland

Our progress

Learning and development

Ensuring our workforce have the skills to deliver now and in the future is an important enabler for Fonterra achieving our strategic goals.

In 2019 we signed the Aotearoa Skills Pledge and while the New Zealand Business Council driving this initiative has been disbanded, Fonterra remains committed to the intent of the pledge, increasing investment in re-skilling and training our people.

In the last five years, measurable training hours increased over 200% and in FY24, around 13,500 of our employees participated in recorded learning.

This year we've been growing participation in our core skills programmes like apprenticeships, graduates, driver training and dairy qualifications, ensuring the Co-op has a strong base for its operations. There has also been a high focus on leadership, in particular front line leaders, to provide our leaders with development opportunities that will help them to create and support great teams.

Our focus for FY25 will be on making sure we are setup for future success, reviewing how we participate in learning and leveraging emerging technology to make quality learning experiences more accessible and engaging for our people.

Diversity, equity and inclusion

We believe diversity, equity and inclusion (DEI) is integral to the success of our Co-op. We are committed to bringing the principles of belonging (whanaungatanga), care (manaakitanga), inspiration (whakaohooho) and empowerment (kaitiakitanga) to life throughout our organisation.

We are nurturing an organisational culture and leadership approach which is inclusive and encourage different views and perspectives to bring out the best in people. This requires an integrated approach where our DEI culturing and leadership initiatives align and complement each other. We also provide learning opportunities for our employees to grow their awareness.

'Good Chats' are an internal DEI initiative to discuss cultural celebrations, wellbeing and raise awareness of different topics. Building on the Good Chats in FY23, this year we held Good Chats across topics such as Te Wiki o Te Reo Māori, Diwali, International Woman's Day and Matariki.

We provide learning opportunities for our employees to grow their awareness and understanding of DEI. In FY24, we updated our employee e-learning on human rights, worker exploitation and modern slavery. This training includes information about how to spot the signs of exploitation and how all Fonterra employees can play a part in supporting positive human rights outcomes.

In FY22 we updated our gender target to 40:40:20 representation in global senior leadership. 40:40:20 refers to 40% female, 40% male, 20% of any gender. The 20% provides the flexibility of female, male, non-binary or open.[1]

This year, we met our aim to achieve 40% female representation in global senior leadership. In addition, the proportion of women on the Fonterra Management Team has increased over the last two years from 25% in FY22 to 56% this year.

The proportion of women on the Fonterra Board has remained relatively constant over the last two years, and is currently 40%.

1 Senior leadership for this metric is defined by Band 12+ .

Parental leave

Fonterra's parental leave cover for New Zealand employees offers extra care for primary carers who have been employed for at least 12 months. We top-up their government parental leave payments to 100% of base salary or wages for 26 weeks; accrue their annual leave at 100% for the duration of their parental leave; and provide a one-off KiwiSaver employer contribution upon return to work. This covers KiwiSaver contributions that would have been made during their unpaid parental leave period.

We continue to support secondary carers who have been employed for at least 12 months with two weeks paid leave at 100% of their base salary. This additional support has been implemented to support and progress gender equality.

Employees returning from parental leave can also access our Te Hokinga Mai programme, which supports them through coaching and counselling.

In FY24, 215 females and 19 males took parental leave as primary caregiver, and 28 females and 117 males took parental leave as secondary caregiver. Of these 97% returned to work and 89% were still there 12 months after returning the previous year.

Closing our gender pay gap

We believe that after considering factors such as tenure, qualification levels or experience there should be no gender pay gap for any employees.

This is a complex topic and cannot be accurately summarised by a single aggregated number. Instead, we believe transparency is important, providing a breakdown of the gender pay gap by geographies and job categories.[1]

Closing the gender pay gap remains a key priority. We use an additional gender pay parity methodology for salaried positions, facilitating improved internal tracking and the identification of focus areas for long-term gender pay plans. This methodology compares positions on a "like-for-like" basis within each job category and country – removing the impact of changes in gender representation and currency. For example, a ratio of 1 shows no pay gap where above 1 is in favour of females and below 1 is in favour of males.

When looking at the gender pay gap overall, the ratio of female to male base salary has narrowed this year to 0.95 on a median basis and widened to 1.04 on a mean basis. This result continues to be influenced by factors such as the different proportions of men and women in higher and lower paid levels around the world.

Considering job categories globally, the Manager category remains unchanged; for Senior Leaders the gap has widened in favour of males; for Professionals the gap has narrowed but remains in favour of females; and for Waged the gap has narrowed and remains in favour of males.

In New Zealand, the gap on a median basis has narrowed to 0.97 which is equivalent to a 3.1% pay gap and continues to compare favourably with the most recent national statistic of 8.2% for the June quarter 2024.

Applying the additional methodology, when we look at like-for-like positions the median gender pay parity overall for salaried positions is 0.96 at the end of FY24. This is a 3.8% gap on a median basis in favour of males.

Gender pay gap by job category[2]

	Gender pay gap – median	Gender pay **parity** gap – median[3]
Senior Leaders	0.98 -> 0.95	1.00 -> 1.01
Manager	0.96 -> 0.96	0.96 -> 0.96
Professionals	1.07 -> 1.03	0.97 -> 0.96
Waged	0.85 -> 0.87	

Gender pay gap by location[2]

	Gender pay gap – median	Gender pay **parity** gap – median[3]
New Zealand	0.96 -> 0.97	0.97 -> 0.98
Australia	0.95 -> 0.96	0.97 -> 0.98
Greater China	1.04 -> 1.02	1.00 -> 1.00

1 Where a breakdown of information represents a small number of employees, we omit this detail to protect the privacy of individuals.

2 Due to sale of the Brazil consumer and foodservice business (DPA Brazil) during FY24, the figures for FY23 have been recalculated excluding DPA Brazil to enable comparison between years.

3 Salaried employees only.

Non-discrimination

Through our independently administered whistle-blowing hotline, The Way We Work, four disclosures were made this year relating to discrimination. Of these, one was classified as discrimination and three were classified as harassment. Following investigations, one was substantiated, one was partially substantiated and two were unsubstantiated. Once a matter has been raised, the incident is reviewed to determine if a formal investigation is deemed necessary. If the investigation determines that an incident has been substantiated, remedial action is taken (whether formal or informal, dependent on the circumstances) by a relevant manager, with support from an appropriately qualified Fonterra representative. All concerns raised are managed in alignment with our commitments and obligations under our Code of Business Conduct. Relevant senior stakeholders are informed of the action taken to ensure it is appropriate in the circumstances. Reporting to the Board on substantiated incidents also takes place.

In addition to concerns raised through The Way We Work Hotline, some discrimination and other employment issues are raised through other channels every year. These are reviewed and, where appropriate, formally investigated in a similar manner as above. Of the complaints raised in New Zealand, relating to allegations of discrimination or harassment, nine were substantiated and remedial action was taken. At the reporting date last year, two complaints remained under investigation. Of those complaints one is still under investigation, the other was substantiated, and disciplinary action took place. In respect of other countries, three complaints were raised in Australia, these were substantiated and remedial action taken. No discrimination or discrimination-related complaints were reported in other countries.

Anna, Auckland

Our performance

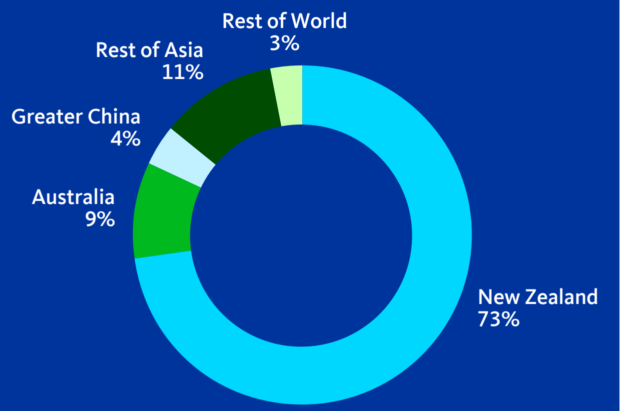
40:40:20 Gender Diversity

40.1% of senior leaders (Band 12+) are female.

For further reporting on our performance, please refer to the 'People' tab of the Sustainability Reporting Data Pack.

Please also see Business Performance section of this report and the separate Milk Price Statement for additional information.

FY24 Employees by Location (FTE)




Crawford Street Distribution Centre, Waikato

Sustainable packaging

Packaging is vital for delivering quality nutrition in a safe way. If mismanaged, the packaging of our products can negatively impact the environment, people, and communities in which we operate. These negative impacts can include potential pollution from plastics, fibres, and chemicals and from emissions generated through the disposal of packaging materials.

Packaging allows us to protect and transport our finished goods and deliver the high-quality dairy products our customers and consumers expect. Most of our finished goods are bulk ingredients for use by customers. We also produce packaged goods for foodservice businesses and consumers.

Understanding the source, make-up, quality and functionality of the different packaging types and materials is an important part of our Food Safety and Quality System. We also want to play our part by considering what happens to our packaging once the nutrition inside has been consumed.

Our approach

We want to maximise the nutritional value delivered from every drop of milk by minimising food loss across our supply chain, keeping our food safe and of high quality from the farm to the consumer. This helps us deliver the maximum return to farmers while achieving better outcomes for people, communities, and the environment.

Our Global Environment Policy and supporting standards require all our sites to manage hazardous substances responsibly, maximise manufacturing yield, reduce waste, improve the packaging on Fonterra-branded products so that they are reusable, recyclable, or compostable, and to collaborate with others to enable greater access to waste collection and recycling services.

When we change any existing packaging or develop new packaging, as well as assessing if our strict food safety and quality requirements will be met, we also consider the environmental impacts of the packaging across its life cycle.

Our progress

We have continued to consider what happens to our packaging once the nutrition inside has been consumed.

This year, we have focussed on embedding the tools and processes that support sustainable packaging, including working alongside stakeholders.

Recognition for our commitment to sustainable packaging

Fonterra is a member of the Australian Packaging Covenant Organisation (APCO), a not-for-profit organisation leading the development of a circular economy for packaging in Australia. APCO aims to reduce the environmental impact of packaging and works with government and industry to improve packaging sustainability. It also administers the national regulatory framework.

This year APCO recognised Fonterra for its commitment to sustainable packaging. We achieved 'Leading' status under the APCO standards. Contributing to this is the 97% of Fonterra's consumer products for sale in Australia that display the Australian Recycling Label. This labelling scheme standardised the symbols used to guide the disposal options for packaging.

Collaborating on recycling infrastructure

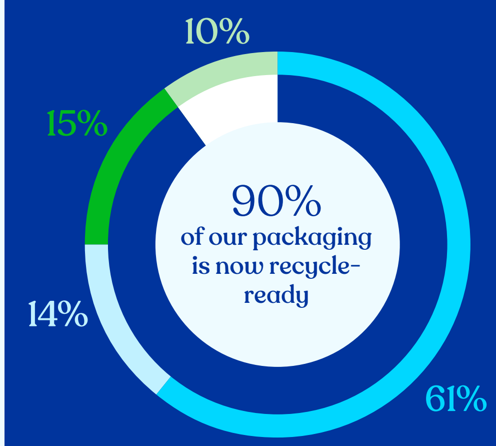
Fonterra recognises the importance of vital infrastructure being in place to collect, sort and process the waste packaging. Fonterra Oceania supported the pilot of the National Plastics Recycling Scheme (NPRS). This scheme has been developed by Australia's food and grocery manufacturing industry to enable people to recycle soft plastics at home allowing for larger quantities of soft plastics to be captured and recycled.

Improving our packaging

During the year we have implemented various initiatives to reduce the negative impacts associated with the packaging we use. These initiatives include:

- Delivering 330 tonne of annual savings of cardboard through the removal of the outer cardboard cartons used when moving 10kg blocks of mozzarella between our Australian sites. The removal of the cartons not only eliminates the packaging item and minimises manual handling activity, it also reduces the number of truck movements on the road to pick up the cardboard waste from the site.
- Last year we reported the first commercial use of the award winning AmPrima™ film, from Amcor Flexibles, for our cream cheese blocks. This year we have extended use of this film to our food service shredded cheese form, fill and seal bags and will further extend this to the retail shredded cheese format next year. We have completed the transition of standard cheese bags for 10kg and 20kg cheese blocks manufactured in New Zealand to recycle-ready films. This enables 420 tonne of cheese film to be classed as recycle-ready.
- Fonterra has now commercialised a recycle-ready mono material for milk powder sachets. This transition has commenced at our site in Saudi Arabia and will be progressively extended to all Fonterra sites where this format is used.

Our performance



- Readily recyclable
- Ready for recycling but limited infrastructure
- Technically recyclable
- Unsuitable for recycling

Using globally accepted recyclability definitions and sales volumes for the 12 months ending 30 June 2024, on a total tonnage of packaging basis, 90% of our packaging was recycle-ready[1]. The remaining 10% is unsuitable for recycling (e.g. foil based multi-layer sachets). We have the projects underway to develop solutions in this area.

This performance metric reflects the recyclability status of the packaging for Fonterra-owned brands. During the year sales have proportionally increased for products that have yet to fully transition into recycle-ready packaging, which has resulted in a 1% reduction in the percentage of recycle-ready packaging compared to the previous year.

We continue to forecast that we will achieve greater than 95% recycle-ready packaging by the end of the 2025 calendar year.

For further reporting on our performance, please refer to the 'Relationships' tab of the Sustainability Reporting Data Pack.

Glenys, Daniel & Taamia, Waikato

1 This applies to all primary and secondary packaging for Fonterra-owned brands. Tertiary packaging is also included in the assessment but, due to data availability issues, we have continued to use the same baseline data as reported in FY20 (this represents less than 10% of total packaging tonnage).

Data Consolidation

This section provides supporting guidance on the scope and approach used to consolidate the people and environmental data presented in this report and the Sustainability Reporting Data Pack.

Data boundaries

In general, Fonterra's consolidated sustainability performance figures in this report covers the activities of Fonterra Co-operative Group Limited (the Group) and its consolidated subsidiaries. For a list of the significant subsidiaries of the Group see Note 22 of the Group Financial Statements.

For the Group's consolidated environmental reporting, if necessary, figures for historical performance are restated following the removal of divested entities or the addition of acquired entities in the base year and subsequent years. When these adjustments are necessary, information on the nature of the adjustment, timing and affected entities is disclosed.

In accordance with internationally accepted rules for environmental reporting, inventory data includes reporting on divested entities. The impact from any closed entities or facilities is included in the inventory and performance data and trend calculations.

For the Group's consolidated reporting on employee data, numbers are generally reported for all fixed-term and permanent employees on a full-time equivalent (FTE) basis. Gender pay gap is reported on headcount basis with pay compared on an FTE basis. All analysis, other than turnover and new hires, is at 31 July 2024.

There are no significant seasonal variations in the employee data reported. Casual staff contracted by Fonterra are excluded from these figures as this represents only a very small proportion of the regular workforce. Employees on leave of absence are also excluded.

An assessment has been completed of the scope of potential workers who are not employed by Fonterra, but whose work may be controlled by the organisation across categories such as contractors and third-party consultants. Apart from health and safety metrics, non-employees are excluded from these figures due to the small numbers and limited data available.

Significant changes during FY24

This year, we announced completion of the sale of Fonterra and Nestlé's joint venture, Dairy Partners America (DPA) Brazil. This Brazil consumer and foodservice business has been in scope for our environmental reporting until the assessed date of sale of 31 October 2023.

The environmental data from this business is included in our inventory reporting for FY24 for the time that the business was under our operational control. For environmental performance reporting and progress against targets, we have adopted the internationally accepted approach to adjust baseline values and subsequent years or acquisitions and divestments to report on a like-for-like basis. This data is presented in the Sustainability Reporting Data Pack.

Restatements of prior years

Our policy is to recalculate base year and reported data from subsequent years, when any of the following situations arise:

- There are significant changes to our reporting boundaries, including as a result of acquisitions or divestments or when new or more reliable sources of information are identified.
- There are significant changes to a calculation methodology, including life cycle assessments or emission factors.
- We identify a significant error, or a number of errors that are collectively significant.

When a restatement is applicable, we may also take the opportunity to update other less significant data for completeness and accuracy. Any such recalculation will be indicated by appropriate commentary, including details of the restatement.

This year we have restated our on-farm data due to adoption of the IDF 2022 guidelines for our life cycle assessment and the Australian dairy industry research into on-farm emissions intensity.

Our Scope 3 reporting has been expanded to consider emissions under all GHG Protocol categories, thereby restating historical data through the introduction of additional information. Furthermore, we have taken the opportunity to restate emissions associated with ocean freight following a change of calculation methodology, as well as purchased goods and services through the adoption of a New Zealand currency-based emission factor source.

Global Reporting Initiative Standards

Fonterra's sustainability reporting is prepared with reference to the Global Reporting Initiative (GRI), including the Universal Standards, those standards within the GR13, the Agriculture, Aquaculture and Fishing Sector Standards and disclosures deemed material in the Co- op's 2024 materiality assessment.

Seeking independent assurance is part of our standard practice for development and release of sustainability reporting. This is the eighth year Bureau Veritas has been engaged to provide limited assurance of our sustainability disclosures, as identified within the GRI Context Index. This provides assurance that the report has been prepared with reference to the GRI Standards and is a fair representation of Fonterra's sustainability performance.

Fonterra management and the Board receive a copy of the assurance statement prior to release of the report. The Fonterra Board approves release of the annual reporting suite.

Fonterra's sustainability impacts and topics are also reported on in the following:

- Our Progress, Sustainability
- Governance Disclosures
- Climate-related Disclosures
- Modern Slavery Statement
- Sustainability Reporting Data Pack

In this section

Whareroa, Taranaki

Appendices

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.

Non-GAAP measures are not subject to audit unless they are included in Fonterra's audited annual financial statements.

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 2024	31 JULY 2023
Profit after tax	**1,128**	**1,577**
Net finance costs from continuing operations	157	211
Net finance costs from discontinued operations	7	50
Tax expense from continuing operations	235	303
Tax expense from discontinued operations	–	77
Depreciation and amortisation from continuing operations	627	654
Depreciation and amortisation from discontinued operations	–	8
Total Group EBITDA	**2,154**	**2,880**
Gain on sale of Chilean Soprole business	–	(349)
Loss on sale of China Farm (Hangu)	–	12
Loss on sale of DPA Brazil	66	–
Total normalisation adjustments	**66**	**(337)**
Total Group normalised EBITDA	**2,220**	**2,543**

Reconciliation from profit after tax to total Group normalised EBIT

	GROUP $ MILLION	
	31 JULY 2024	31 JULY 2023
Profit after tax	**1,128**	**1,577**
Net finance costs from continuing operations	157	211
Net finance costs from discontinued operations	7	50
Tax expense from continuing operations	235	303
Tax expense from discontinued operations	–	77
Total Group EBIT	**1,527**	**2,218**
Normalisation adjustments (as detailed above)	66	(337)
Total Group normalised EBIT	**1,593**	**1,881**

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

	GROUP $ MILLION	
	31 JULY 2024	31 JULY 2023
Profit after tax	**1,128**	**1,577**
Normalisation adjustments (as detailed on the previous page)	66	(337)
Tax on normalisation adjustments	–	89
Normalised profit after tax	**1,194**	**1,329**
Profit attributable to non-controlling interests	(54)	(40)
Normalisation adjustments attributable to non-controlling interests	3	–
Normalised profit after tax attributable to equity holders of the Co-operative	**1,143**	**1,289**
Weighted average number of Co-operative shares (thousands of shares)	1,606,934	1,610,507
Normalised earnings per share ($)[1]	**0.71**	**0.80**

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

	GROUP $ MILLION	
	31 JULY 2024	31 JULY 2023
Gross profit from continuing operations	**3,822**	**4,181**
Gross profit from discontinued operations	66	418
Total Group normalised gross profit	**3,888**	**4,599**

The Group uses adjusted net debt, a non-GAAP debt measure in monitoring its net debt position and in calculating the Group's debt to EBITDA ratio, gearing ratio, and return on capital.

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.

The Group believes that adjusted net debt provides useful information as it is aligned with how certain rating agencies calculate the Group's debt to EBITDA and gearing ratios.

	GROUP $ MILLION	
	31 JULY 2024	31 JULY 2023
Total borrowings	**3,388**	**3,941**
Add: Bank overdraft	42	102
Less: Cash and cash equivalents	(540)	(1,822)
Add: Capital return payable	–	804
Add: Borrowings attributable to disposal groups held for sale	–	199
Less: Cash and cash equivalents attributable to disposal groups held for sale	–	(30)
Add: Cash adjustments of 25% for cash held by subsidiaries (including cash and cash equivalents attributable to disposal groups held for sale)	47	50
Less: Derivatives used to manage changes in hedged risk on debt instruments	(332)	(37)
Adjusted net debt	**2,605**	**3,207**
Equity excluding hedge reserves	8,247	7,925
Total capital	**10,852**	**11,132**
Adjusted net debt gearing ratio	24.0%	28.8%

1 Normalised earnings per share is based on weighted average number of Co-operative shares.

Financial Historical Summary

Market Statistics

	MAY 2020	MAY 2021	MAY 2022	MAY 2023	MAY 2024
Fonterra Seasonal Statistics[1]					
Total New Zealand milk collected (million litres)	16,876	17,121	16,404	16,317	16,001
Highest daily volume collected (million litres)	82.6	82.8	79.9	77.9	75.7
New Zealand shareholding farms milk solids collected (million kgMS)	1,486	1,505	1,432	1,440	1,447
New Zealand non-shareholding farms milk solids collected (million kgMS)	31	34	46	40	24
New Zealand milk solids collected (million kgMS)	1,517	1,539	1,478	1,480	1,471

	JULY 2020	JULY 2021	JULY 2022	JULY 2023	JULY 2024
Fonterra Supply Base					
Total number of shareholding farms[2]	8,856	8,581	8,435	8,282	8,141
Total number of non-shareholding farms[2]	155	246	222	159	110
Total number of shares on issue (million)	1,612	1,613	1,613	1,609	1,609
Shareholder Supplier Returns					
Farmgate Milk Price (per kgMS)[2]	7.14	7.54	9.30	8.22	7.83
Dividend (per share)	0.05	0.20	0.20	0.50	0.55
Dividend yield (%)	1.3%	4.6%	6.9%	17.8%	21.6%
Total pay-out[2]	7.19	7.74	9.50	8.72	8.38
Retentions (per share)	0.38	0.16	0.16	0.45	0.12
Weighted average share price ($ NZD)	3.79	4.32	2.88	2.81	2.55
Weighted Average Commodity Prices ($ USD per MT FOB)					
Whole Milk Powder[3]	3,110	3,323	4,019	3,392	3,089
Skim Milk Powder[3]	2,755	3,012	3,750	3,242	2,610
Butter[3]	4,140	4,117	5,601	5,072	5,479
Cheese[4]	4,011	4,060	5,261	4,825	4,180
Fonterra's average NZD/USD conversion rate[2]	**0.66**	**0.67**	**0.69**	**0.64**	**0.61**
Staff Employed					
Total staff employed (000's permanent full-time equivalents)	19.6	18.7	19.0	17.5	15.9
New Zealand	11.5	11.6	11.7	11.9	11.7
Overseas	8.1	7.1	7.3	5.6	4.2

Total Group Overview (continuing and discontinued operations)

	JULY 2020	JULY 2021	JULY 2022	JULY 2023	JULY 2024
Income Statement Measures					
Sales volumes ('000 MT)	4,069	4,102	3,924	3,973	3,529
Revenue ($ million)	20,975	21,124	23,425	26,046	22,994
EBITDA ($ million)	1,774	1,601	1,611	2,880	2,154
EBIT ($ million)	1,147	959	976	2,218	1,527
Normalised profit after tax attributable to equity holders of the Co-operative ($ million)	382	550	568	1,289	1,143
Earnings per share	0.43	0.36	0.36	0.95	0.67
Normalised earnings per share	0.24	0.34	0.35	0.80	0.71
Revenue Margin Analysis					
EBITDA margin (%)	8.5%	7.6%	6.9%	11.1%	9.4%
EBIT margin (%)	5.5%	4.5%	4.2%	8.5%	6.6%
Profit after tax margin (%)	3.1%	2.8%	2.5%	6.1%	4.9%
Cash Flow ($ million)					
Operating cash flow	1,492	1,194	193	3,518	2,313
Free cash flow	1,828	1,417	(324)	3,650	1,583
Trade working capital[11]	3,364	3,814	5,549	4,384	4,107
Capital Measures					
Equity excluding hedge reserve ($ million)	6,602	6,895	7,252	7,925	8,247
Net debt ($ million)[2]	5,238	4,325	5,339	3,207	2,605
Gearing ratio (%)[2]	44.2%	38.5%	42.4%	28.8%	24.0%
Debt to EBITDA ratio[2]	3.3x	2.7x	3.2x	1.3x	1.2x
Average capital employed ($ million)[2]	12,313	12,281	12,356	12,774	11,904
Capital expenditure ($ million)[2]	419	545	587	668	614
Capital invested ($ million)[2]	525	608	617	747	720
Return on capital (%)[2]	6.6%	6.6%	6.8%	12.4%	11.3%

Global Markets[5,6,8,10]

	JULY 2021	JULY 2022	JULY 2023	JULY 2024
Ingredients				
Sales volume ('000 MT)	1,519	1,498	1,732	1,690
Sales volume (million kgMS)	851	826	943	927
Revenue ($ million)	8,843	11,127	13,516	11,648
Gross profit ($ million)	630	751	932	940
Gross margin (%)	7.1%	6.7 %	6.9%	8.1%
EBIT ($ million)[7]	348	410	560	573
EBIT margin (%)[7]	3.9%	3.7%	4.1%	4.9%
Profit after tax ($ million)[7]	253	315	411	462
Profit after tax margin (%)[7]	2.9%	2.8%	3.0%	4.0%
Foodservice				
Sales volume ('000 MT)	262	274	280	281
Sales volume (million kgMS)	83	91	98	96
Revenue ($ million)	1,330	1,543	1,845	1,805
Gross profit ($ million)	256	194	263	342
Gross margin (%)	19.2%	12.6 %	14.3%	18.9%
EBIT ($ million)[7]	89	5	65	122
EBIT margin (%)[7]	6.7%	0.3%	3.5%	6.8%
Profit after tax ($ million)[7]	69	(3)	42	96
Profit after tax margin (%)[7]	5.2%	(0.2)%	2.3%	5.3%

Global Markets (Continued)

	JULY 2021	JULY 2022	JULY 2023	JULY 2024
Consumer				
Sales volume ('000 MT)	589	572	563	606
Sales volume (million kgMS)	160	145	135	149
Revenue ($ million)	2,663	2,704	3,040	3,365
Gross profit ($ million)	679	597	641	761
Gross margin (%)	25.5%	22.1 %	21.1%	22.6%
EBIT ($ million)[7]	177	31	(46)	247
EBIT margin (%)[7]	6.6%	1.1%	(1.5)%	7.3%
Profit after tax ($ million)[7]	110	(4)	(68)	180
Profit after tax margin (%)[7]	4.1%	(0.1)%	(2.2)%	5.3%
Total				
Sales volume ('000 MT)	2,370	2,344	2,575	2,577
Sales volume (million kgMS)	1,094	1,062	1,176	1,172
Revenue ($ million)	12,836	15,374	18,401	16,818
Gross profit ($ million)	1,565	1,542	1,836	2,043
Gross margin (%)	12.2%	10.0%	10.0%	12.1%
EBIT ($ million)	614	446	579	942
EBIT margin (%)	4.8%	2.9%	3.1%	5.6%
Profit after tax ($ million)	432	308	385	738
Profit after tax margin (%)	3.4%	2.0%	2.1%	4.4%

Global Market - Australia[5,6]

	JULY 2021	JULY 2022	JULY 2023	JULY 2024
Total				
Milk collection (millions kgMS)	106	106	106	107
Sales volume ('000 MT)	373	365	379	384
Sales volume (million kgMS)	137	134	139	135
Revenue ($ million)	1,953	2,094	2,531	2,457
Gross profit ($ million)	243	283	294	269
Gross margin (%)	12.4%	13.5%	11.6%	10.9%
EBIT ($ million)	74	106	75	79
EBIT margin (%)	3.8%	5.1%	3.0%	3.2%
Profit after tax ($ million)	45	65	23	30
Profit after tax margin (%)	2.3%	3.1%	0.9%	1.2%

Greater China[5,6,8]

	JULY 2021	JULY 2022	JULY 2023	JULY 2024
Ingredients				
Sales volume ('000 MT)	825	697	632	579
Sales volume (million kgMS)	424	366	332	298
Revenue ($ million)	4,150	4,646	4,460	3,598
Gross profit ($ million)	180	206	234	237
Gross margin (%)	4.3%	4.4 %	5.2%	6.6%
EBIT ($ million)	166	155	172	160
EBIT margin (%)	4.0%	3.3%	3.9%	4.4%
Profit after tax ($ million)	123	120	133	128
Profit after tax margin (%)	3.0%	2.6%	3.0%	3.6%
Foodservice				
Sales volume ('000 MT)	274	259	274	292
Sales volume (million kgMS)	118	114	124	137
Revenue ($ million)	1,668	1,855	2,236	2,377
Gross profit ($ million)	368	320	400	533
Gross margin (%)	22.1%	17.3 %	17.9%	22.4%
EBIT ($ million)	255	194	263	363
EBIT margin (%)	15.3%	10.5%	11.8%	15.3%
Profit after tax ($ million)	201	157	203	299
Profit after tax margin (%)	12.1%	8.5%	9.1%	12.6%

	JULY 2021	JULY 2022	JULY 2023	JULY 2024
Consumer				
Sales volume ('000 MT)	78	72	72	73
Sales volume (million kgMS)	13	13	13	14
Revenue ($ million)	360	368	376	394
Gross profit ($ million)	121	105	82	106
Gross margin (%)	33.6%	28.5 %	21.8%	26.9%
EBIT ($ million)	(45)	(4)	(65)	(20)
EBIT margin (%)	(12.5)%	(1.1)%	(17.3)%	(5.1)%
Profit after tax ($ million)	(37)	(4)	(52)	(15)
Profit after tax margin (%)	(10.3)%	(1.1)%	(13.8)%	(3.8)%
Total				
Sales volume ('000 MT)	1,177	1,028	978	944
Sales volume (million kgMS)	555	493	469	449
Revenue ($ million)	6,178	6,869	7,072	6,369
Gross profit ($ million)	669	631	716	876
Gross margin (%)	10.8%	9.2%	10.1%	13.8%
EBIT ($ million)	376	345	370	503
EBIT margin (%)	6.1%	5.0%	5.2%	7.9%
Profit after tax ($ million)	287	273	284	412
Profit after tax margin (%)	4.6%	4.0%	4.0%	6.5%

Core Operations[5,6,8]

	JULY 2021	JULY 2022	JULY 2023	JULY 2024
Ingredients				
Sales volume ('000 MT)	2,200	2,011	2,191	2,119
Sales volume (million kgMS)	1,263	1,169	1,260	1,217
Revenue ($ million)	12,381	14,055	15,692	13,355
Gross profit ($ million)	334	724	1,485	792
Gross margin (%)	2.7%	5.2%	9.5%	5.9%
EBIT ($ million)	(160)	248	823	165
EBIT margin (%)	(1.3)%	1.8%	5.2%	1.2%
Profit after tax ($ million)	(220)	143	602	78
Profit after tax margin (%)	(1.8)%	1.0%	3.8%	0.6%
Foodservice				
Sales volume ('000 MT)[12]	299	286	334	354
Sales volume (million kgMS)	145	138	156	174
Revenue ($ million)[12]	1,380	1,569	1,994	2,213
Gross profit ($ million)	83	(19)	86	65
Gross margin (%)	6.0%	(1.2)%	4.3%	2.9%
EBIT ($ million)	9	(82)	(3)	(22)
EBIT margin (%)	0.7%	(5.2)%	(0.2)%	(1.0)%
Profit after tax ($ million)	(6)	(84)	(12)	(30)
Profit after tax margin (%)	(0.4)%	(5.4)%	(0.6)%	(1.4)%

	JULY 2021	JULY 2022	JULY 2023	JULY 2024
Consumer				
Sales volume ('000 MT)[12]	334	257	259	268
Sales volume (million kgMS)	134	101	108	113
Revenue ($ million)[12]	1,410	1,363	1,456	1,409
Gross profit ($ million)	50	31	58	46
Gross margin (%)	3.5%	2.3%	4.0%	3.3%
EBIT ($ million)	(23)	(11)	(14)	(28)
EBIT margin (%)	(1.6)%	(0.8)%	(1.0)%	(2.0)%
Profit after tax ($ million)	(35)	(19)	(18)	(30)
Profit after tax margin (%)	(2.5)%	(1.4)%	(1.2)%	(2.1)%
Total				
Sales volume ('000 MT)	2,833	2,554	2,784	2,741
Sales volume (million kgMS)	1,542	1,408	1,524	1,504
Revenue ($ million)	15,171	16,987	19,142	16,977
Gross profit ($ million)	467	736	1,629	903
Gross margin (%)	3.1%	4.3%	8.5%	5.3%
EBIT ($ million)	(174)	155	806	115
EBIT margin (%)	(1.1)%	0.9%	4.2%	0.7%
Profit after tax ($ million)	(261)	40	572	18
Profit after tax margin (%)	(1.7)%	0.2%	3.0%	0.1%

Product Channels[6,10]

	JULY 2021	JULY 2022	JULY 2023	JULY 2024
Ingredients				
Sales volume ('000 MT)	2,296	2,150	2,319	2,234
Sales volume (million kgMS)	1,267	1,185	1,265	1,221
Revenue ($ million)	13,580	15,535	17,416	15,087
Gross profit ($ million)	1,145	1,681	2,651	1,969
Gross margin (%)	8.4%	10.8%	15.2%	13.1%
EBIT ($ million)[7]	347	813	1,555	898
EBIT margin (%)[7]	2.6%	5.2%	8.9%	6.0%
Profit after tax ($ million)[7]	152	578	1,146	668
Profit after tax margin (%)[7]	1.1%	3.7%	6.6%	4.4%
Foodservice				
Sales volume ('000 MT)	500	528	546	564
Sales volume (million kgMS)	201	204	219	230
Revenue ($ million)	2,906	3,302	3,865	4,057
Gross profit ($ million)	670	495	749	940
Gross margin (%)	23.1%	15.0%	19.4%	23.2%
EBIT ($ million)[7]	338	117	325	463
EBIT margin (%)[7]	11.6%	3.5%	8.4%	11.4%
Profit after tax ($ million)[7]	248	70	233	365
Profit after tax margin (%)[7]	8.5%	2.1%	6.0%	9.0%

	JULY 2021	JULY 2022	JULY 2023	JULY 2024
Consumer				
Sales volume ('000 MT)	699	640	632	672
Sales volume (million kgMS)	172	156	148	161
Revenue ($ million)	3,141	3,064	3,299	3,678
Gross profit ($ million)	886	733	781	913
Gross margin (%)	28.2%	23.9%	23.7%	24.8%
EBIT ($ million)[7]	131	16	(125)	199
EBIT margin (%)[7]	4.2%	0.5%	(3.8)%	5.4%
Profit after tax ($ million)[7]	58	(27)	(138)	135
Profit after tax margin (%)[7]	1.8%	(0.9)%	(4.2)%	3.7%

New Zealand and Non-New Zealand Milk[5,6]

	JULY 2021	JULY 2022	JULY 2023	JULY 2024
New Zealand Milk				
Sales volume ('000 MT)	3,016	2,903	3,071	3,028
Sales volume (million kgMS)	1,481	1,395	1,488	1,481
Revenue ($ million)	17,331	19,551	21,791	20,222
Gross profit ($ million)	2,487	2,565	3,850	3,558
Gross margin (%)	14.4%	13.1%	17.7%	17.6%
EBIT ($ million)	782	852	1,667	1,542
EBIT margin (%)	4.5%	4.4%	7.6%	7.6%
Profit after tax ($ million)	447	561	1,203	1,186
Profit after tax margin (%)	2.6%	2.9%	5.5%	5.9%
Non-New Zealand Milk				
Sales volume ('000 MT)	479	415	426	442
Sales volume (million kgMS)	158	150	143	132
Revenue ($ million)	2,296	2,350	2,789	2,600
Gross profit ($ million)	214	344	331	264
Gross margin (%)	9.3%	14.6%	11.9%	10.2%
EBIT ($ million)	34	94	88	18
EBIT margin (%)	1.5%	4.0%	3.2%	0.7%
Profit after tax ($ million)	11	60	38	(18)
Profit after tax margin (%)	0.5%	2.6%	1.4%	(0.7)%

	JULY 2021	JULY 2022	JULY 2023	JULY 2024
Total				
Sales volume ('000 MT)	3,495	3,318	3,497	3,470
Sales volume (million kgMS)	1,639	1,545	1,631	1,613
Revenue ($ million)	19,627	21,901	24,580	22,822
Gross profit ($ million)	2,701	2,909	4,181	3,822
Gross margin (%)	13.8%	13.3%	17.0%	16.7%
EBIT ($ million)	816	946	1,755	1,560
EBIT margin (%)	4.2%	4.3%	7.1%	6.8%
Profit after tax ($ million)	458	621	1,241	1,168
Profit after tax margin (%)	2.3%	2.8%	5.0%	5.1%

Discontinued Operations[2,9]

	JULY 2021	JULY 2022	JULY 2023	JULY 2024
Hangu China Farm				
Sales volume ('000 MT)	15	2	1	–
Revenue ($ million)	195	27	15	–
Gross profit ($ million)	53	(4)	(12)	–
Gross margin (%)	27.2%	(14.8)%	(80.0)%	–
EBIT ($ million)	89	(14)	(25)	–
EBIT margin (%)	45.6%	(51.9)%	(166.7)%	–
Profit after tax ($ million)	89	(14)	(25)	–
Profit after tax margin (%)	45.6%	(51.9)%	(166.7)%	–
DPA Brazil				
Sales volume ('000 MT)	213	216	224	59
Revenue ($ million)	364	445	599	172
Gross profit ($ million)	100	128	194	66
Gross margin (%)	27.5%	28.8%	32.4%	38.4%
EBIT ($ million)	(17)	(34)	57	(33)
EBIT margin (%)	(4.7)%	(7.6)%	9.5%	(19.2)%
Profit after tax ($ million)	(22)	(64)	16	(40)
Profit after tax margin (%)	(6.0)%	(14.4)%	2.7%	(23.3)%

	JULY 2021	JULY 2022	JULY 2023	JULY 2024
Chilean Soprole business				
Sales volume ('000 MT)	379	388	251	–
Revenue ($ million)	938	1,052	852	–
Gross profit ($ million)	283	307	236	–
Gross margin (%)	30.2%	29.2%	27.7%	–
EBIT ($ million)	71	78	431	–
EBIT margin (%)	7.6%	7.4%	50.6%	–
Profit after tax ($ million)	74	40	345	–
Profit after tax margin (%)	7.9%	3.8%	40.5%	–

Notes to the Historical Summary

1 Fonterra Seasonal Statistics are based on the 12-month New Zealand milk season of 1 June – 31 May.
2 Refer to the glossary for definition.
3 Source: Fonterra Farmgate Milk Price Statement representing the weighted average United States Dollar contract prices of Reference Commodity Products.
4 Source: Oceania Export Series, Agricultural Marketing Service, US Department of Agriculture.
5 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
6 Prepared on a continuing operations basis.
7 2023 comparative information has been re-presented for consistency with the current period.
8 Includes inter-segment transactions.
9 The China Farms business, DPA Brazil consumer and foodservice businesses and the Chilean Soprole business meet the definition of a discontinued operation. The Group's China Farms business comprises the Hangu China Farm and the two farming hubs in Ying and Yutian. Performance of discontinued operations are recognised up to the date of sale.
10 The Chilean Soprole business was classed as a discontinued operation in 2023. 2021 and 2022 was re-presented.
11 Previously, net working capital was reported, which included other receivables and other payables, and excluded trade working capital classified as held for sale. For more details on trade working capital, please refer to the Glossary.
12 2021 comparative information has been re-presented for consistency with the current period.

CRD Index

CRD	Disclosure	Location
Governance:		
7(a)	the identity of the governance body responsible for oversight of climate-related risks and opportunities	page 128
7(b)	a description of the governance body's oversight of climate-related risks and opportunities	page 128
7(c)	a description of management's role in assessing and managing climate-related risks and opportunities	pages 129, 130
8(a)	the processes and frequency by which the governance body is informed about climate-related risks and opportunities	page 128
8(b)	how the governance body ensures that the appropriate skills and competencies are available to provide oversight of climate-related risks and opportunities	page 128
8(c)	how the governance body considers climate-related risks and opportunities when developing and overseeing implementation of the entity's strategy	page 128
8(d)	how the governance body sets, monitors progress against, and oversees achievement of metrics and targets for managing climate-related risks and opportunities, including whether and if so how, related performance metrics are incorporated into remuneration policies (see also paragraph 22(h))	pages 128, 129
9(a)	how climate-related responsibilities are assigned to management-level positions or committees, and the process and frequency by which management-level positions or committees engage with the governance body	pages 129, 130
9(b)	the related organisational structure(s) showing where these management-level positions and committees lie	page 127
9(c)	the processes and frequency by which management is informed about, makes decisions on, and monitors, climate-related risks and opportunities	pages 129, 130

CRD	Disclosure	Location
Strategy:		
11(a)	a description of its current climate-related impacts	page 131
11(b)	a description of the scenario analysis it has undertaken	page 132
11(c)	a description of the climate-related risks and opportunities it has identified over the short, medium, and long term	pages 137–141
11(d)	a description of the anticipated impacts of climate-related risks and opportunities	pages 137–141
11(e)	a description of how it will position itself as the global and domestic economy transitions towards a low-emissions, climate-resilient future state	page 142
12(a)	its current physical and transition impacts	page 131
12(b)	the current financial impacts of its physical and transition impacts identified in paragraph 12(a)	**Adoption provision 1**
12(c)	if the entity is unable to disclose quantitative information for paragraph 12(b), an explanation of why that is the case	
13, NZ CS 3 51	An entity must describe the scenario analysis it has undertaken to help identify its climate-related risks and opportunities and better understand the resilience of its business model and strategy. This must include a description of how an entity has analysed, at a minimum, a 1.5 degrees Celsius climate-related scenario, a 3 degrees Celsius or greater climate-related scenario, and a third climate-related scenario	pages 132–136
14(a)	how it defines short, medium and long term and how the definitions are linked to its strategic planning horizons and capital deployment plans	page 131
14(b)	whether the climate-related risks and opportunities identified are physical or transition risks or opportunities, including, where relevant, their sector and geography	pages 137–141
14(c)	how climate-related risks and opportunities serve as an input to its internal capital deployment and funding decision-making processes	page 142

CRD Index (continued)

CRD	Disclosure	Location
15(a)	the anticipated impacts of climate-related risks and opportunities reasonably expected by the entity	pages 137–141
15(b)	the anticipated financial impacts of climate-related risks and opportunities reasonably expected by an entity	**Adoption provision 2**
15(c)	a description of the time horizons over which the anticipated financial impacts of climate-related risks and opportunities could reasonably be expected to occur; and	
15(d)	if an entity is unable to disclose quantitative information for paragraph 15(b), an explanation of why that is the case	
16(a)	a description of its current business model and strategy	page 142
16(b)	the transition plan aspects of its strategy, including how its business model and strategy might change to address its climate-related risks and opportunities	**Adoption provision 3, progress described** page 142
16(c)	the extent to which transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision-making processes	
Risk management:		
18(a)	a description of its processes for identifying, assessing and managing climate-related risks	pages 143, 144
18(b)	a description of how its processes for identifying, assessing, and managing climate-related risks are integrated into its overall risk management processes	page 145
19(a)	the tools and methods used to identify, and to assess the scope, size, and impact of, its identified climate-related risks	pages 143, 144
19(b)	the short-term, medium-term, and long-term time horizons considered, including specifying the duration of each of these time horizons	page 131
19(c), NZ CS 3 22	whether any parts of the value chain are excluded	page 143
19(d)	the frequency of assessment	page 144
19(e)	its processes for prioritising climate-related risks relative to other types of risks	pages 143, 145
Metrics and targets:		
21(a)	the metrics that are relevant to all entities regardless of industry and business model	pages 129, 146, 148–153, Sustainability Reporting Data Pack – Energy & GHG Emissions
21(b)	industry-based metrics relevant to its industry or business model used to measure and manage climate-related risks and opportunities	pages 146, 147, Sustainability Reporting Data Pack – Energy & GHG Emissions
21(c)	any other key performance indicators used to measure and manage climate-related risks and opportunities	N/A
21(d)	the targets used to manage climate-related risks and opportunities, and performance against those targets	pages 146, 147
22(a), NZ CS 3 52 - 54	greenhouse gas (GHG) emissions: gross emissions in metric tonnes of carbon dioxide equivalent (CO_2e) classified as	page 148, Sustainability Reporting Data Pack – Energy & GHG Emissions
22(a)(i)	Scope 1	page 148
22(a)(ii)	Scope 2 (calculated using the location-based method)	page 148
22(a)(iii)	Scope 3	page 148, Sustainability Reporting Data Pack – Energy & GHG Emissions
24(a)	a statement describing the standard or standards that its GHG emissions have been measured in accordance with	page 146

CRD Index (continued)

CRD	Disclosure	Location
24(b)	the GHG emissions consolidation approach used: equity share, financial control, or operational control	page 146
24(c)	the source of emission factors and the global warming potential (GWP) rates used or a reference to the GWP source	Sustainability Reporting Data Pack – Energy & GHG Emissions
24(d)	a summary of specific exclusions of sources, including facilities, operations or assets with a justification for their exclusion	Sustainability Reporting Data Pack – Energy & GHG Emissions
22(b)	GHG emissions intensity	page 149
22(c)	transition risks: amount or percentage of assets or business activities vulnerable to transition risks	pages 151, 152
22(d)	physical risks: amount or percentage of assets or business activities vulnerable to physical risks	pages 151, 152
22(e)	climate-related opportunities: amount or percentage of assets, or business activities aligned with climate-related opportunities	page 152
22(f)	capital deployment: amount of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities	page 153
22(g)	internal emissions price: price per metric tonne of CO_2e used internally by an entity	page 150
22(h)	remuneration: management remuneration linked to climate-related risks and opportunities in the current period, expressed as a percentage, weighting, description or amount of overall management remuneration	page 129
23(a)	the time frame over which the target applies	page 147
23(b)	any associated interim targets	page 147
23(c)	the base year from which progress is measured	page 147
23(d)	a description of performance against the targets	pages 146, 147

CRD	Disclosure	Location
23(e)	For each GHG emissions target	
23(e)(i)	whether the target is an absolute or intensity target	page 147
23(e)(ii)	the entity's view as to how the target contributes to limiting global warming to 1.5 degrees Celsius	page 146
23(e)(iii)	the entity's basis for the view expressed in 23(e)(ii), including any reliance on the opinion or methods provided by third parties	pages 146, 147
23(e)(iv)	the extent to which the target relies on offsets, whether the offsets are verified or certified, and if so, under which scheme or schemes	page 147
Assurance of GHG emissions:		
25	Part 7A of the Financial Markets Conduct Act 2013 requires that the disclosure of an entity's GHG emissions as required by Aotearoa New Zealand Climate Standards are the subject of an assurance engagement. This Standard requires that this assurance engagement is a limited assurance engagement at a minimum.	Bureau Veritas GRI Assurance Statement

GRI Assurance Statement

INDEPENDENT ASSURANCE REPORT

To the Stakeholders of Fonterra Co-operative Group Limited ("Fonterra")

Limited Assurance Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe the Sustainability Information, including associated methods, assumptions, and estimation uncertainty, presented in Fonterra's Annual Report 2024 ("the Report") for the period of 1st August 2023 to 31st July 2024, is not fairly presented and prepared, in all material respects, in accordance with the Reporting Criteria, within the scope of our limited assurance engagement.

Scope of the Assurance Engagement

The scope of assurance consisted of a review of the disclosures made by Fonterra within the Report and the associated underlying systems, processes, and performance applicable to the sites and operations under which Fonterra has operational control for the period of 1st August 2023 to 31st July 2024.

The complete list of assured disclosures is referred to within the GRI Content Index of the Report.

Our assurance engagement does not extend to any other information included in the Report or information from earlier periods. We have not performed any procedures on the excluded information and, therefore, do not express any conclusion on it.

Reporting Criteria

The Reporting Criteria used for the reporting of the Sustainability Information subject to assurance are the GRI Standards issued by the Global Sustainability Standards Board (GSSB). The Report was prepared with reference to the GRI Standards including the reporting principles and additional requirements specified in GRI 1: Foundation 2021.

Fonterra's Responsibilities

Management of Fonterra was responsible for:

- Selecting and establishing suitable reporting criteria for preparing the Sustainability Information subject to assurance.
- Preparing and presenting the Sustainability Information in accordance with the Reporting Criteria.
- Designing, implementing, and maintaining internal controls relevant to the preparation of the Sustainability Information that are free from material misstatement whether due to fraud or error.
- Advising us of any known or suspected issues related to the Sustainability Information.

Our Responsibilities

Bureau Veritas was responsible for:

- Planning and performing the engagement to obtain the intended level of assurance about whether the Sustainability Information is free from material misstatement, whether due to fraud or error.
- Forming an independent conclusion based on the procedures performed and evidence obtained.
- Reporting our conclusion to the Directors of Fonterra.

Bureau Veritas was not involved in the drafting of the Report and our independence has not been compromised.

Summary of Work Performed

Our limited assurance engagement was performed in accordance with the International Standard on Assurance Engagements (ISAE) 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board (IAASB), and Bureau Veritas' standard procedures and guidelines for external verification and assurance of Environmental, Social and Governance (ESG) information and Sustainability Reports.

Our work was planned and executed in a manner designed to produce the intended level of assurance and to provide a sound basis for our conclusions.

The procedures we performed were based on our professional judgement and included enquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

In undertaking our assurance engagement, our procedures comprised:

- Review of the suitability and application of the Reporting Criteria used as the basis for preparing the Sustainability Information subject to assurance.
- Enquiries of Fonterra representatives to gain an understanding and evaluate implementation of processes, systems and internal controls to collect, aggregate, calculate, analyse and report the disclosures.
- Enquiries of personnel responsible for the performance of the processes and preparation of the disclosures.
- Review of documentary evidence produced by Fonterra representatives.
- Comprehensive performance data testing, involving source verification as well as mathematical accuracy of the calculations pertaining to the disclosures.
- Assessment of whether Fonterra's methods for developing estimates are appropriate and had been consistently applied.
- Review of the presentation and disclosure of the Sustainability Information within the Report.
- Obtainment of Management Representation Letter on key assertions.

The scope of a limited assurance engagement is significantly narrower than a reasonable assurance engagement. This includes fewer risk assessment procedures, a more limited understanding of internal controls, and less extensive responsive testing. Consequently, the level of assurance obtained in a limited engagement is substantially lower than a reasonable assurance.

Inherent Limitations and Exclusions

Excluded from the scope of our work is any assurance of information relating to:

- Activities outside the defined reporting period.
- Statements of commitment to, or intention to undertake future actions by Fonterra.
- Statements of position, opinion, belief and/or aspiration by Fonterra.
- Financial data audited by an external third party.
- Other sites and/or activities not included in the scope.

This independent assurance statement should not be relied upon to detect all errors, omissions or misstatements that may exist within the Report.

Statement of Independence, Impartiality, Competence

Bureau Veritas is a global leader in Testing, Inspection and Certification ("TIC") services. The Group's mission is to reduce its clients' risks, improve their performance and help them innovate to meet the challenges of quality, health, safety, hygiene, environmental protection and social responsibility. Leveraging its renowned expertise, as well as its impartiality, integrity and independence, Bureau Veritas has helped build trust between companies, public authorities and consumers for nearly 200 years.

Bureau Veritas operates quality management system across its activities and has implemented a robust Code of Ethics to maintain high ethical standards among its personnel and business partners in their day-to-day business activities. We are particularly vigilant in the prevention of conflicts of interest.

No member of the assurance team has a business relationship with Fonterra, its Directors or Managers beyond that required of this assignment. We have conducted this assurance engagement independently and there has been no conflict of interest.

The assurance team was selected based on its extensive Industry Sector knowledge and experience in conducting independent verification, validation and assurance of ESG information and associated systems and processes.

Bureau Veritas Australia Pty Ltd
20th September 2024

Jeremy Leu
General Manager
Perth, Australia

GRI Content Index

Statement of use	Fonterra has reported the information cited in this GRI content index for the period 1 August 2023 to 31 July 2024 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard	GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022

GRI standard	Disclosure	Location	Assured
GRI 2: General Disclosures 2021	2-1 Organizational details	About this report. About Fonterra. Directory. Modern Slavery Statement – Our core operations.	Y
	2-2 Entities included in the organization's sustainability reporting	Note 22 Subsidiaries. Sustainability Data Consolidation. Sustainability Reporting Data Pack – General reporting notes.	Y
	2-3 Reporting period, frequency and contact point	About this report. Email: sustainability@fonterra.com	Y
	2-4 Restatements of information	Sustainability Data Consolidation. Sustainability Reporting Data Pack.	Y
	2-5 External assurance	Sustainability Data Consolidation. GRI Assurance Statement.	Y
	2-6 Activities, value chain and other business relationships	Annual Review – Our progress. Financial Statements – About Fonterra. Current climate-related impacts. Modern Slavery Statement – Our structure, operations and supply chain and Determining our role in relation to modern slavery risk. Sustainability Data Consolidation.	Y
	2-7 Employees	Economic impact and employment. Sustainability Reporting Data Pack – Our people. 2-7-b-iii n/a	Y
	2-9 Governance structure and composition	Principle 2: Board Composition and Performance. Principle 3: Board Committees. Climate-related Disclosure – Fonterra Board of Directors. Sustainability Reporting Data Pack – Our people.	Y
	2-10 Nomination and selection of the highest governance body	Principle 2: Board Composition and Performance.	Y
	2-11 Chair of the highest governance body	Principle 2: Board Composition and Performance.	Y
	2-12 Role of the highest governance body in overseeing the management of impacts	Our Board. Principle 3: Board Committees. Climate-related Disclosure – Fonterra Board of Directors. Modern Slavery Statement – Governance and programme framework and Tracking the effectiveness of our actions. 2-12-b&c not reported.	Y
	2-13 Delegation of responsibility for managing impacts	Principle 3: Board Committees. Climate-related Disclosure – Fonterra Board of Directors, Fonterra Management Team and Group climate leaders.	Y
	2-14 Role of the highest governance body in sustainability reporting	Principle 4: Reporting and Disclosure. Responding to what's important. Sustainability Data Consolidation.	Y
	2-15 Conflicts of interest	Principle 1: Ethical Standards. 2-15-b not reported.	Y
	2-16 Communication of critical concerns	Ethical business. 2-16-b not reported.	Y
	2-17 Collective knowledge of the highest governance body	Principle 2: Board Composition and Performance. Climate-related Disclosure – Directors' climate capability and understanding.	Y
	2-18 Evaluation of the performance of the highest governance body	Principle 2: Board Composition and Performance. 2-18-b&c not reported.	Y
	2-19 Remuneration policies	Director remuneration. Remuneration framework FY24. Short-term Incentive FY24.	Y
	2-20 Process to determine remuneration	Remuneration framework FY24. 2-20-a-ii not reported.	Y

GRI Content Index (continued)

GRI standard	Disclosure	Location	Assured
	2-22 Statement on sustainable development strategy	CEO Letter	Y
	2-23 Policy commitments	Ethical business. Our material topics. Modern Slavery Statement – Our policy framework and Key risks across our operations and supply chain. 2-23-b-ii partly reported.	Y
	2-24 Embedding policy commitments	Ethical business. Our material topics.	Y
	2-25 Processes to remediate negative impacts	Ethical business. Our material topics. Modern Slavery Statement.	Y
	2-26 Mechanisms for seeking advice and raising concerns	Ethical business.	Y
	2-27 Compliance with laws and regulations	Legal compliance.	Y
	2-28 Membership associations	Stakeholder engagement.	Y
	2-29 Approach to stakeholder engagement	Stakeholder engagement.	Y
	2-30 Collective bargaining agreements	Economic impact and employment.	Y
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Responding to what's important.	Y
	3-2 List of material topics	Our material topics.	Y
	3-3 Management of material topics	Our material topics.	Y
GRI 201: Economic Performance 2016 (GRI 13.2, GRI 13.22)	201-1 Direct economic value generated and distributed	Financial statements. Remuneration report. Economic impact and employment.	Financial statements are covered by the Independent Auditor's Report
	201-2 Financial implications and other risks and opportunities due to climate change	Climate-related Disclosures – Climate-related risks and opportunities and anticipated impacts.	

GRI standard	Disclosure	Location	Assured
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community	Sustainability Reporting Data Pack - Our people.	Y
GRI 205: Anti-corruption 2016 (GRI 13.26)	205-2 Communication and training about anti-corruption policies and procedures	Ethical business.	
	205-3 Confirmed incidents of corruption and actions taken	Legal compliance.	Y
GRI 206: Anti-competitive Behavior 2016 (GRI 13.25)	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Legal compliance.	Y
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Our climate-related metrics. Sustainability Reporting Data Pack – Energy & GHG emissions.	Y
	302-3 Energy intensity	Sustainability Reporting Data Pack – Energy & GHG emissions.	Y
	302-4 Reduction of energy consumption	Our climate-related metrics. Sustainability Reporting Data Pack – Energy & GHG emissions.	Y
GRI 303: Water and Effluents 2018 (GRI 13.7)	303-1 Interactions with water as a shared resource	Water.	
	303-2 Management of water discharge-related impacts	Water.	
	303-3 Water withdrawal	Sustainability Reporting Data Pack – Water.	Y
	303-4 Water discharge	Sustainability Reporting Data Pack – Water.	Y
	303-5 Water consumption	Sustainability Reporting Data Pack – Water.	Y

GRI Content Index (continued)

GRI standard	Disclosure	Location	Assured
GRI 305: Emissions 2016 (GRI 13.1)	305-1 Direct (Scope 1) GHG emissions	Our climate-related metrics. Sustainability Reporting Data Pack – Energy & GHG emissions.	Y
	305-2 Energy indirect (Scope 2) GHG emissions	Our climate-related metrics. Sustainability Reporting Data Pack – Energy & GHG emissions.	Y
	305-3 Other indirect (Scope 3) GHG emissions	Our climate-related metrics. Sustainability Reporting Data Pack – Energy & GHG emissions.	Y
	305-4 GHG emissions intensity	Our climate-related metrics. Sustainability Reporting Data Pack – Energy & GHG emissions.	Y
GRI 308: Supplier Environmental Assessment 2016	308-2 Negative environmental impacts in the supply chain and actions taken	Biodiversity and land. Nutrition and food safety.	Y
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Sustainability Reporting Data Pack – Our people.	Y
	401-3 Parental leave	Parental leave.	
GRI 403: Occupational Health and Safety 2018 (GRI 13.19)	403-1 Occupational health and safety management system	Health, safety and wellbeing.	
	403-6 Promotion of worker health	Health, safety and wellbeing.	
	403-9 Work-related injuries	Sustainability Reporting Data Pack – Our people.	
GRI 404: Training and Education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	Learning and development.	
GRI 405: Diversity and Equal Opportunity 2016 (GRI 13.15)	405-1 Diversity of governance bodies and employees	Diversity, equity and inclusion.	Y
	405-2 Ratio of basic salary and remuneration of women to men	Closing our gender pay gap.	Y

GRI standard	Disclosure	Location	Assured
GRI 406: Non-discrimination 2016 (GRI 13.15)	406-1 Incidents of discrimination and corrective actions taken	Non-discrimination.	Y
GRI 415: Public Policy 2016 (GRI 13.24)	415-1 Political contributions	Responsible political behaviour.	
GRI 416: Customer Health and Safety 2016 (GRI 13.10)	416-1 Assessment of the health and safety impacts of product and service categories	Nutrition and food safety.	Y
GRI 13: Agriculture, Aquaculture and Fishing Sector	13.11.1 Animal Health and Welfare	Animal Wellbeing.	Y
	13.20.1 Employment Practices	Refer to safer hiring practices on fonterra.com.	Y
	13.23.1 Supply Chain Traceability	Nutrition and food safety.	Y

Glossary

Term	Definition
Absolute water use	refers to the total volume of water withdrawn by a manufacturing site during a period. Progress against target includes both direct and indirect use of water on Fonterra manufacturing sites, such as water withdrawn from rivers, lakes, and groundwater; and excludes water reuse, water withdrawn and passed to a third party and volumes recorded as non-essential use. Water withdrawn and water discharge tables in the Sustainability Reporting Data Pack account for these exclusions.
Aotearoa New Zealand Climate Standards	are the standards issued by the External Reporting Board that comprise the climate-related disclosure framework.
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.
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	is capital expenditure plus right of use asset (e.g. leases) additions and business acquisitions, including equity contributions, long-term advances, and other investments.
Carbon dioxide equivalent (CO_2e)	is the universal unit of measurement to indicate the global warming potential of each of the seven greenhouse gases, expressed in terms of the global warming potential of one unit of carbon dioxide for 100 years. It is used to evaluate releasing (or avoiding releasing) any greenhouse gases against a common basis.

Term	Definition
Cash Operating expenses per kgMS	is continuing operations operating expenses, less non-cash costs (depreciation, amortisation and impairments). Shown by kilogram of New Zealand and Australia milk solids collected.
Ceased Shareholder	is a Shareholder that has given notice of ceasing supply, or is treated as having given such a notice, and whose cease notice has become effective.
Climate-related opportunities	are the potentially positive climate-related outcomes for an entity. Efforts to mitigate and adapt to climate change can produce opportunities for entities, such as through resource efficiency and cost savings, the adoption and utilisation of low-emissions energy sources and building resilience along the value chain.
Climate-related disclosure framework	has the same meaning set out in section 9AA of the Financial Reporting Act 2013.
Climate-related risks	are the potential negative impacts of climate change on an entity. See also the definitions of physical risks and transition risks.
Climate-related scenario	refers to a plausible, challenging description of how the future may develop based on a coherent and internally consistent set of assumptions about key driving forces and relationships covering both physical and transition risks in an integrated manner. Climate-related scenarios are not intended to be probabilistic or predictive, or to identify the 'most likely' outcome(s) of climate change. They are intended to provide an opportunity for entities to develop their internal capacity to better understand and prepare for the uncertain future impacts of climate change.
Consumer	is 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.
Core Operations	represents core operating functions including New Zealand milk collection and processing operations and assets, supply chain and sustainability, Fonterra Farm Source™ retail stores, and the Strategy and Optimisation function.

Glossary (continued)

Term	Definition
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 and any Market Makers.
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, net foreign exchange gains/losses and any normalised EBITDA relating to entities divested during the year.
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.
Drivers of change	means critical trends or influences that affect how the agriculture sector operates. They are usually large-scale, external factors that impact how climate risks and opportunities cascade through the agriculture sector. Drivers of change are a key input into climate scenarios.
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.

Term	Definition
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.
Eliminations	represents eliminations of inter-business unit sales.
Farmgate Milk Price	means the average price paid by Fonterra in New Zealand for each kgMS supplied by Fonterra's farmer shareholders under Fonterra's standard terms of supply. 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.
Fat-and-protein-corrected milk (FPCM)	is a standardised measurement used in dairy farming and milk production to account for variations in milk composition. Milk from different cows or at different times can have varying levels of fat and protein content. To compare and evaluate the milk produced by different cows or batches, it's important to standardise these values. The reference values for FPCM are often set at around 4% fat and 3.3% protein, although these values may change.
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.

Glossary (continued)

Term	Definition
Free cash flow	is the total of net cash flows from operating activities and net cash flows from investing activities.
Fund	is the Fonterra Shareholders' Fund.
Gearing ratio (%)	is adjusted net debt divided by total capital. Total capital is equity excluding hedge reserves, plus adjusted net debt.
Global Dairy Trade (GDT)	means the electronic auction platform that is used to sell commodity dairy products.
Global Markets	represents the Ingredients, Foodservice and Consumer channels outside of Greater China.
Global warming potential (GWP)	is a factor describing the radiative forcing impact (degree of harm to the atmosphere) of one unit of a given greenhouse gas relative to one unit of carbon dioxide.
Greater China	represents the Ingredients, Foodservice and Consumer channels in Greater China.
Gross margin	is gross profit divided by revenue from sale of goods.
Gross profit from Core Operations per kgMS	is Core Operations business unit gross profit excluding Farm Source and the cost of New Zealand milk sold. Shown per kilogram of New Zealand milk solids sold by Core Operations (continuing business).
Growth Capital Expenditure	is investments to drive business expansion or improvement toward our strategy and generate incremental revenue. This includes organic growth (existing business projects) and inorganic growth (mergers and acquisitions).
Held for sale	is 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.

Term	Definition
Ingredients	represents the channel comprising bulk and specialty dairy products such as milk powders, dairy fats, cheese and proteins manufactured in New Zealand, Australia and Europe, or sourced through our global network, and sold to food producers and distributors.
Intergovernmental Panel on Climate Change (IPCC)	is the primary source of global climate data, information, and knowledge. The IPCC is the key reference point for all climate-related risk and resilience work undertaken globally.
Internal emissions (carbon) price	is a monetary value on greenhouse gas emissions that an entity uses internally to guide its decision-making process in relation to climate-related impacts, risks and opportunities.
kgMS	means kilograms of milk solids, the measure of the amount of fat and protein in the milk supplied to Fonterra.
Land use change	Transfers of land use from one category to another can result in changes in emissions or removals. International guidance for Land Use Change (LUC) accounting involves the use of a 'responsibility window', which marks the period of time where the responsibility for losses of carbon that have happened in the past are accounted through the supply chain. This is recommended to be 20 years, therefore if land was converted from forestry into grazing in 2005, 5% of the carbon losses are attributed each year from 2005 until 2025. At this point, the carbon losses are fully accounted for.
Market Maker	is a third party appointed by the Co-op who is active in making bids and offers on a minimum number of Fonterra Co-operative Group Shares.
Maximum Holding	is the maximum number of shares a Supplying Shareholder can hold, which is equal to 4 times the Share Standard.
Minimum Holding	is the minimum number of shares a Supplying Shareholder is required to hold, which is equal to 33% of the Share Standard. New entrants have up to six seasons to meet this.

Glossary (continued)

Term	Definition
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.
Net operating profit after tax	is calculated as total Group normalised EBIT plus finance income on long-term advances less a notional tax charge.
Net zero emissions	refers to achieving an overall balance between greenhouse gas emissions produced and greenhouse gas emissions taken out of the atmosphere. For Fonterra, net zero emissions are inclusive of all greenhouse gas emissions.
Non-Reference Products	means all NZ milk solids processed by Core Operations, except for Reference Commodity Products.
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.
Non-supplying shareholder	means all shareholdings that are not Supplying Shareholders.
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'.
Physical risks	are related to the physical impacts of climate change. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events. They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns, such as sea level rise.

Term	Definition
Price Relativities	refers to the difference in the weighted average price (in USD) between the Reference Product portfolio and Non-Reference Product portfolio. The difference between these two weighted average prices is a key driver of the Ingredients' gross margin.
Primary users	are existing and potential investors, lenders and other creditors, including, but not limited to, farmer shareholders and Fonterra Shareholders' Fund unitholders.
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)	are the five commodity groups used to calculate the Farmgate Milk Price, being Whole Milk Powder (WMP) and Skim Milk Powder (SMP), and their by-products Butter, Anhydrous Milk Fat (AMF) and Buttermilk Powder (BMP).
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 (ROC)	is calculated as Total Group normalised EBIT including finance income on long-term advances less a notional tax charge, divided by average capital employed.
Rules for shareholding	is the Rules for Shareholding adopted by the Fonterra Board from time to time.

Glossary (continued)

Term	Definition
Scenario analysis	refers to a process for systematically exploring the effects of a range of plausible future events under conditions of uncertainty. Engaging in this process helps an entity to identify its climate-related risks and opportunities and develop a better understanding of the resilience of its business model and strategy.
Science-based target	is in line with what the latest climate science and meet the goals of the Paris Agreement - limiting global warming to 1.5°C above pre-industrial levels. Science Based Target initiative (SBTi) provides a service to validate targets are aligned with current science.
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.
Share Standard	means one share per one kgMS supplied, used to calculate a Supplying Shareholder's Minimum Holding and Maximum Holding.
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.
Supplying shareholder	is a shareholder supplying milk to the Co-op.
Sustaining capital expenditure	represents 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's sustainability targets.
Total Group	is used to indicate that a measure or sub-total comprises continuing operations, discontinued operations and non-controlling interests. E.g. 'Total Group EBIT'.

Term	Definition
Total Payout	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.
Trade working capital	is total trade and associate receivables plus inventories, less trade and associate payables and accruals. It excludes amounts owing to suppliers and employee entitlements and includes trade working capital classified as held for sale.
Tradeable shares	represents shares on issue that are in excess of aggregate minimum shareholding.
Transition plan	is an aspect of an entity's overall strategy that describes an entity's targets, including any interim targets, and actions for its transition towards a low emissions, climate-resilient future.
Transition risks	are risks related to the transition to a low-emissions, climate-resilient global and domestic economy, such as policy, legal, technology, market and reputation changes associated with the mitigation and adaptation requirements relating to climate change.
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

Fonterra Board of Directors

Peter McBride
Clinton Dines
Brent Goldsack
Leonie Guiney
Bruce Hassall
Holly Kramer
Andy Macfarlane
John Nicholls
Cathy Quinn
Alison Watters

Fonterra Management Team

Miles Hurrell
Andrew Murray
Anna Palairet
Komal Mistry-Mehta
Emma Parsons
Kate Daly
Mike Cronin
René Dedoncker
Richard Allen
Teh-han Chow

Farmer shareholder & supplier services

Phone: 0800 65 65 68

Fonterra Shares & FSF Units Registry

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622
New Zealand

Private Bag 92119, Victoria Street West
Auckland 1142
New Zealand

Phone: +64 9 488 8700

Registered Office

Fonterra Co-operative Group Limited
109 Fanshawe Street
Auckland Central 1010
New Zealand

Private Bag 92032
Auckland 1142
New Zealand

Phone: +64 9 374 9000

Investor Relations Enquiries

Email: investor.relations@fonterra.com
Phone: +64 9 374 9000
https://www.fonterra.com/nz/en/investors.html

Auditor

KPMG
18 Viaduct Harbour Avenue
Auckland 1010
New Zealand

Fonterra Annual Review 2024
Arotake-ā-tau Te Mātāpuna

fonterra.com

Dairy for life

Farmgate Milk Price Statement
Pūrongo Utu Hoko Miraka Te Mātāpuna

For the season ended 31 May 2024

Contents

Rachel & Jala, Auckland

Cover image: Brianna, Taranaki

2024 Season Farmgate Milk Price

The primary purpose of this Statement is to help Fonterra farmer shareholders, unitholders in the Fonterra Shareholders' Fund and other interested parties better understand the Farmgate Milk Price.

The Farmgate Milk Price is 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.[1]

It is calculated in accordance with the Farmgate Milk Price Manual (the Manual). The Manual is maintained by the Fonterra Board in accordance with the Dairy Industry Restructuring Act 2001 (DIRA) and the Fonterra Constitution.

The 2024 season Farmgate Milk Price of **$7.83** per kgMS is:

- The Aggregate Farmgate Milk Price of $11.516 billion; divided by
- New Zealand milk supplied to Fonterra in the 2024 season of 1.471 billion kgMS.

The Aggregate Farmgate Milk Price is calculated as revenue less costs. Revenue assumes:

- The entire volume of milk collected is processed into commodity specifications of the five Reference Commodity Products (RCPs) which are Whole Milk Powder (WMP) and Skim Milk Powder (SMP), and their by-products Butter, Anhydrous Milk Fat (AMF) and Buttermilk Powder (BMP).[2]
- The RCPs are sold in USD on and off GDT.
- USD sales revenue is converted into NZD at exchange rates achieved by Fonterra.

Costs comprise:

- **Cash Costs:** costs of collecting raw milk, efficiently manufacturing the five RCPs, delivering finished product to New Zealand export ports, and selling and administration expenses.
- **Capital Costs:** depreciation of fixed assets, an appropriate return on investment including on working capital, and corporate tax.
- **Additional Commodity Milk Payments and Standard Supply Adjustments**[3]: adjustments for milk quality issues and additional payments or deductions for milk not supplied on standard terms, to the extent these would apply to the Notional Milk Price business.

Numbers in this Statement have been rounded and, as a result, some tables may not exactly total or sum to 100%.

2024 Season Farmgate Milk Price

$7.83

per kgMS

1 This price may differ from the "farm gate milk price" published in accordance with the Dairy Industry Restructuring (Raw Milk) Regulations 2012 due to the way "farm gate milk price" is defined in those Regulations and the impact of Fonterra's fixed milk price offers.

2 Most of the increase in milk supplied over the past decade in New Zealand to Fonterra and its competitors used to manufacture commodity dairy products has been used to manufacture milk powders. As returns from the sale of milk powders and their by-products represent the marginal returns that would drive the price of milk in a competitive market in New Zealand, the Farmgate Milk Price is based on these products.

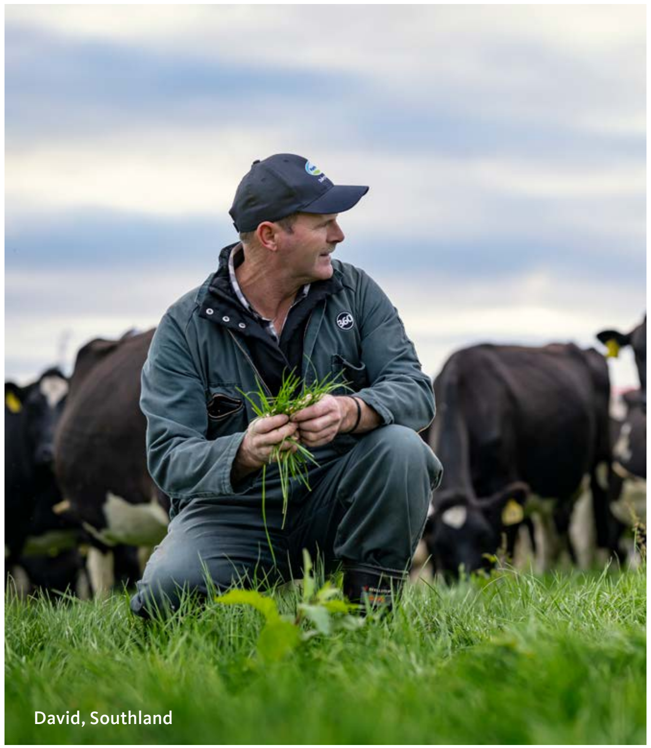
3 Additional Commodity Milk Payments are payments for milk supplied other than on standard terms of supply where it would be appropriate for the Notional Milk Price Business to source that milk for conversion into RCPs. Examples of these payments include the portion of Winter Milk premiums that would be payable by the Notional Milk Price business and discounts for contract milk. Standard Supply Adjustments arise from adjustments to payments for milk supplied under Fonterra's standard terms of supply, such as where milk quality demerits have been applied.

2024 Season Farmgate Milk Price CONTINUED

Figure 1 shows that changes in revenue are the most significant driver of the movements in the Farmgate Milk Price between seasons.

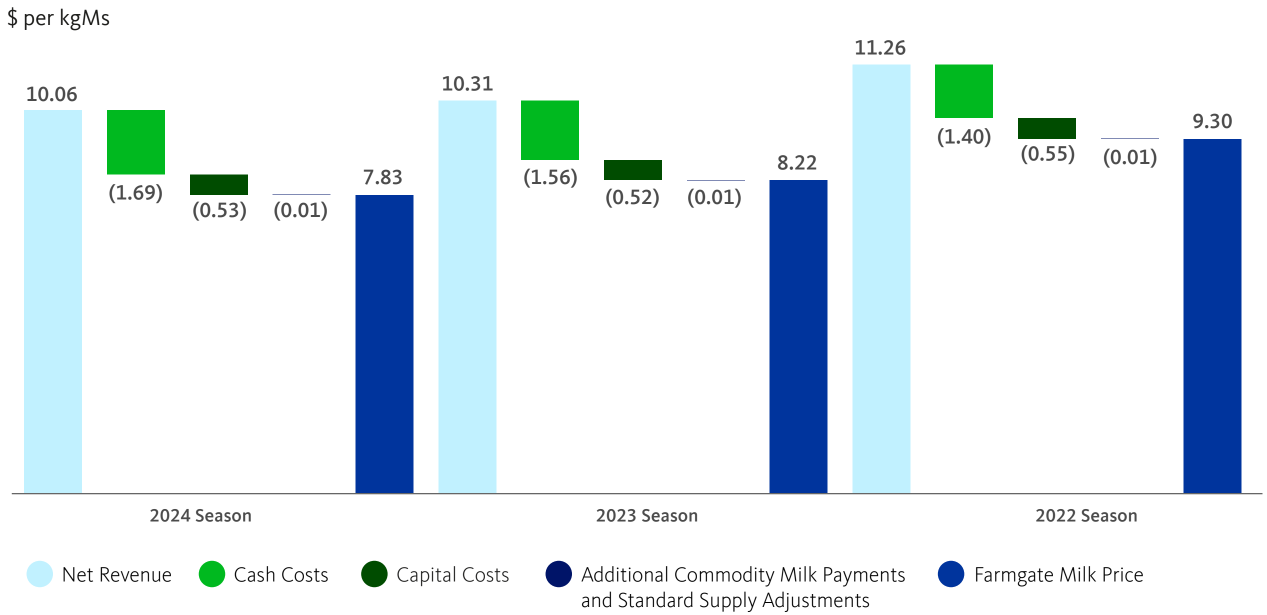
Revenue for a given season is a function of the volume of milk collected, the products that milk is manufactured into, the prices at which that product is sold, and the exchange rate at which the USD receipts from sales are converted back to NZD. Costs also move season on season, but will generally not be anywhere near as significant a factor in moving the Farmgate Milk Price.

The following sections provide more detail on revenue, costs and drivers of change between seasons.



David, Southland

Figure 1: Changes in the Farmgate Milk Price between seasons

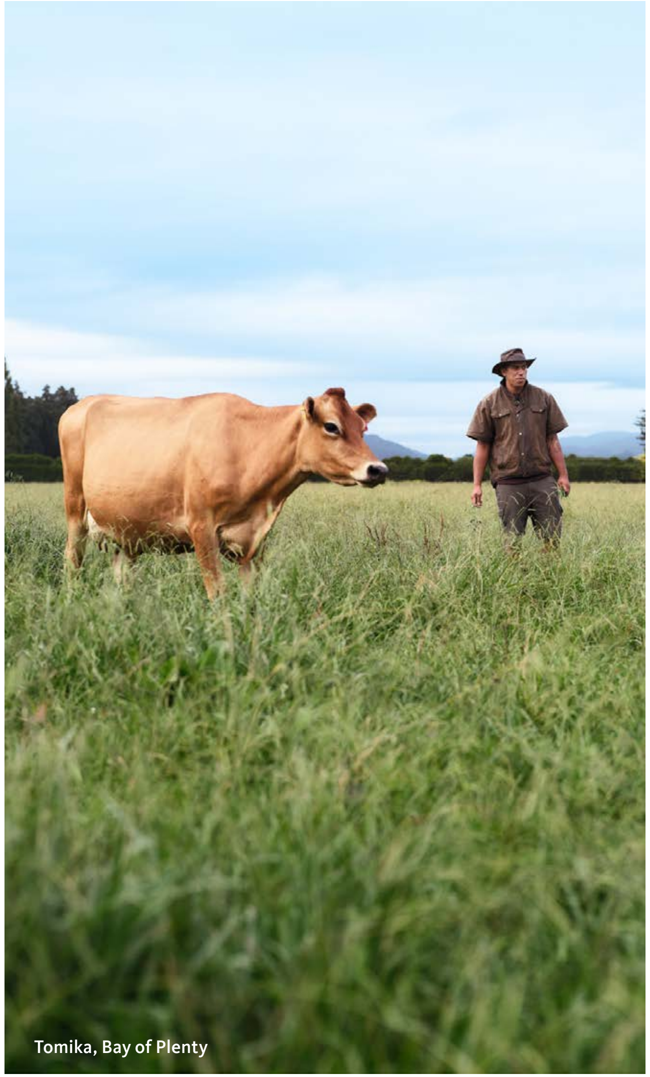


2024 Season Farmgate Milk Price CONTINUED

Table 1 shows the summary Farmgate Milk Price calculation for the last three seasons. Lactose is shown in Table 1 as a deduction from Farmgate Milk Price Revenue.

Table 1: Farmgate Milk Price summary

Season	2024 $ Million	2023 $ Million	2022 $ Million
Farmgate Milk Price Revenue	**15,374**	16,159	17,316
Lactose	**(570)**	(879)	(679)
Net Revenue	**14,805**	**15,279**	**16,637**
Farmgate Milk Price Cash Costs	**(2,490)**	(2,314)	(2,074)
Farmgate Milk Price Capital Costs	**(786)**	(775)	(806)
Additional Commodity Milk Payments and Standard Supply Adjustments	**(12)**	(8)	(10)
Aggregate Farmgate Milk Price	**11,516**	**12,182**	**13,746**
Million kgMS	**1,471**	1,483[4]	1,478
Farmgate Milk Price calculated under the Manual ($ per kgMS)	**7.83**	**8.22**	**9.30**


Tomika, Bay of Plenty

4 Fonterra and its suppliers experienced significant disruptions to milk supply during and subsequent to significant weather events in the 2023 season. Total milk paid for was 1.483 billion kgMS compared to 1.480 billion of kgMS collected and available for manufacture into product.

Farmgate Milk Price Revenue

Farmgate Milk Price Revenue uses a combination of actual Fonterra results and key assumptions:

- 1.471 billion kgMS of milk actually supplied to Fonterra during the 2024 season.
- All milk supplied is converted into the five RCPs based on Fonterra's actual mix of those products.
- Sales volumes are assumed to reflect Fonterra's actual shipments of RCPs.
- Selling prices reflect relevant prices achieved by Fonterra for RCPs on and off GDT.

Milk supply, production and sales volumes

Figure 2 shows the relationship between:

- Milk collected during a season (the light blue line). This shows very little milk is supplied in June and July and that supply peaks in late October.
- Volume of products manufactured from that milk (the dark blue line).
- When that product is sold (the green line). There is typically a lag of between one to three months between when milk is collected and manufactured into RCPs and when those RCPs are sold.

Sales of product manufactured in the 2024 season started in August 2023 and will be complete by the end of October 2024.

Revenue is recognised when sales are invoiced, which is at the time of shipment. Sales prices are always struck before the month of shipment. Figure 3 shows the average lag between when prices are struck and when products are shipped. This lag matches Fonterra's actual average lag for relevant sales.

Figure 2: Timing of supply, production and sales volumes

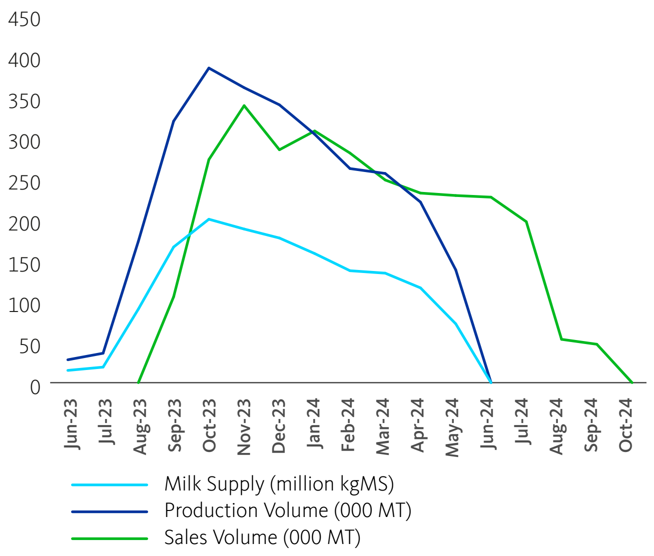
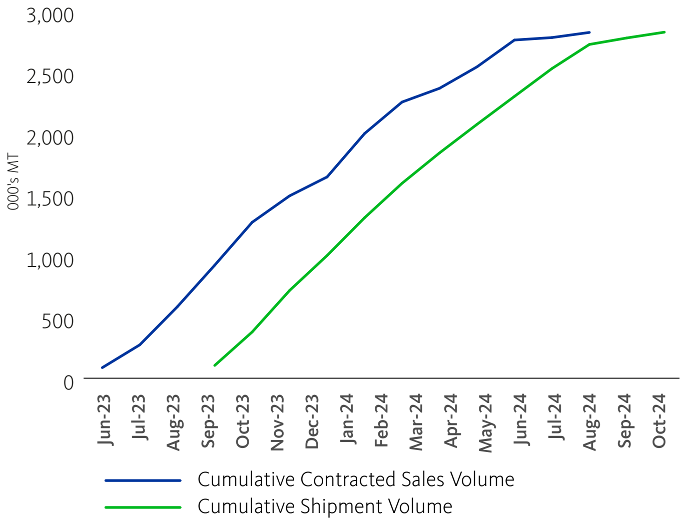


Figure 3: Average lag between when prices were struck and shipment



Farmgate Milk Price Revenue CONTINUED

Prices

The Farmgate Milk Price uses weighted average monthly prices achieved by Fonterra on sales of RCPs which satisfy the following criteria:

- Only arm's length sales at current market prices to customers in contestable global markets can be included. Sales to Fonterra subsidiaries are excluded.
- Only sales contracted by Fonterra between one and five months before shipment are included.
- Off-GDT sales are only included when they are of commodity products with similar specifications to products sold on GDT.

Between the 2012 and 2016 seasons, GDT was the sole source of prices for WMP, SMP and AMF whereas both on and off GDT prices were used for Butter and BMP.

Since the 2017 season, certain off GDT sales of all RCPs inform the Farmgate Milk Price. In the 2024 season, off-GDT sales comprised 34% of the Farmgate Milk Price informing sales. The inclusion of these off-GDT sales of in the Farmgate Milk Price resulted in an increase of 11 cents per kgMS relative to not including these off-GDT sales.

Table 2 shows weighted average selling prices for each RCP for the last three seasons. It shows that weighted average USD selling prices per metric tonne (MT) were 7.7% lower for the 2024 season than last season.

Table 2: Weighted average USD contract price[5]

Weighted average price (USD) per MT	2024	2023	2022	2024/2023 % change	2023/2022 % change
WMP	**3,089**	3,392	4,019	**(8.9%)**	(15.6)%
SMP	**2,610**	3,242	3,750	**(19.5%)**	(13.5)%
Butter	**5,479**	5,072	5,601	**8.0%**	(9.5)%
AMF	**5,797**	5,381	6,425	**7.7%**	(16.3)%
BMP	**2,530**	3,137	3,946	**(19.3%)**	(20.5)%
				(7.7%)	(14.2)%

Lactose

Lactose is contained in the raw milk supplied and additional lactose is used as an ingredient in the production of WMP, SMP and BMP. The Notional Milk Price Business manufactures greater quantities of these commodities than Fonterra, and therefore has greater lactose requirements to achieve a product composition in line with internationally recognised standards.

The Farmgate Milk Price assumes this further lactose is purchased on global markets.

Table 3 shows volume and average purchase prices of lactose over the past three seasons.

Table 3: Purchased lactose and price

Season	2024	2023	2022	2024/2023 % Change	2023/2022 % Change
Purchased Lactose (000s MT)	**370**	364	354	**1.6%**	2.8%
Average Price (USD per MT)	**951**	1,590	1,322	**(40.2%)**	20.3%
Total Lactose Purchases (USD million)	**351**	579	468	**(39.3%)**	23.7%

5 Average shipment prices include an allowance for lower prices received for downgrade product. These are products that do not meet standard manufacturing specifications, some of which may only be suitable for stock feed.

Farmgate Milk Price Revenue CONTINUED

Impact of NZD/USD foreign exchange rate movements

The primary objectives of hedging are to increase the visibility and certainty of the forecast Farmgate Milk Price throughout the season by reducing and smoothing the impacts from volatility in the NZD/USD spot exchange rate. The increased visibility and certainty supports a higher level of advance rate payments throughout the season relative to being unhedged.

Fonterra enters into foreign exchange hedge contracts over an 18 month period to hedge forecast USD exposures that arise from RCPs being sold in USD. The first 20% of hedges are entered into eighteen months out from when USD sales proceeds are forecast to be received, and increase progressively to 100% two months out from the forecast USD cash receipt.

Figure 4 illustrates how the hedging strategy of layering the hedges over an 18-month period results in monthly conversion rates that are less volatile than the monthly NZD/USD exchange rate over the same period. This figure additionally illustrates that the monthly conversion rates achieved reflect the spot rates over preceding months, effectively resulting in a deferral of those historic rates but on a smoothed basis. Also shown in this figure are the conversion rate for future periods based on hedging in place as at 31 July 2024.

The average conversion rates and average NZD/USD spot rates for the 2014 to 2024 seasons are shown in Table 4. This illustrates that the average spot rate in one season will be reflected in the following season.

Figure 4: Average monthly conversion rate from hedging compared to average monthly NZD/USD spot exchange rate

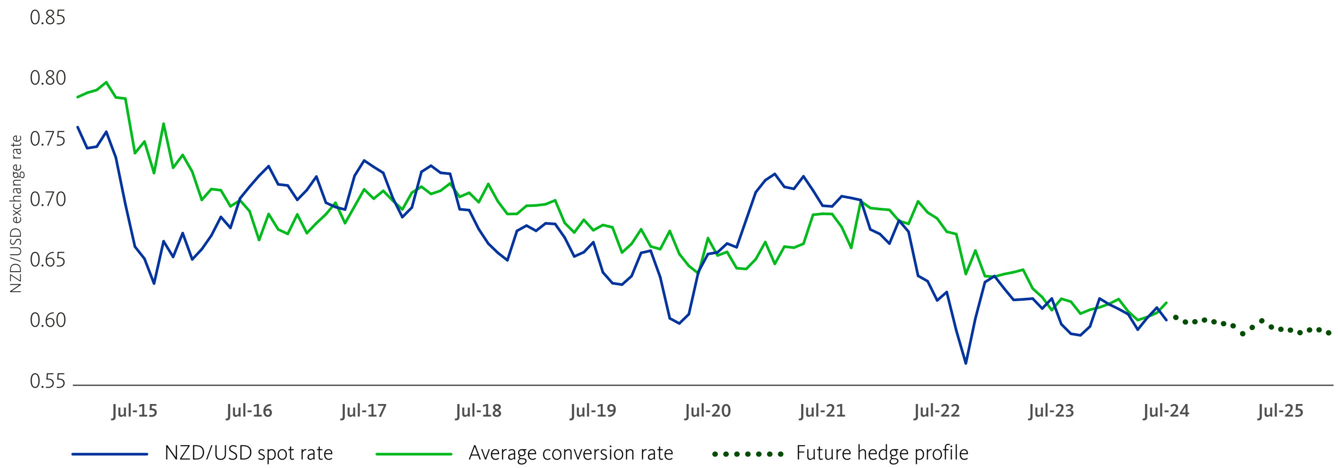


Table 4: Impact on the Farmgate Milk Price of Fonterra's hedging, relative to not hedging

Season	2024	2023[6]	2022	2021	2020	2019	2018	2017	2016	2015	2014
Average Hedged Rate (NZD/USD)	**0.6120**	0.6357	0.6884	0.6677	0.6638	0.6905	0.7074	0.6924	0.7082	0.7882	0.8086
Average Spot Rate (NZD/USD)	**0.6059**	0.6192	0.6574	0.7067	0.6375	0.6697	0.7014	0.7137	0.6820	0.7329	0.8396
Impact on Milk Price of hedging, relative to not hedging ($ per kgMS)	**(0.10)**	(0.26)	(0.56)	0.53	(0.38)	(0.26)	(0.08)	0.28	(0.21)	(0.50)	0.42

6 The average spot rate and Milk Price impact for the 2023 season differ from those disclosed in the 2023 Farmgate Milk Price Statement, as forecast exchange rates have been replaced with actual exchange rates.

Farmgate Milk Price Revenue CONTINUED

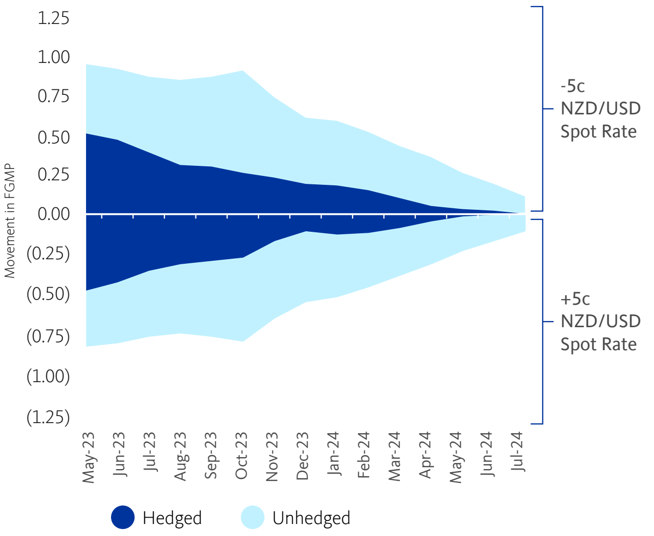
Figure 5 illustrates how hedging increases the visibility and certainty of the forecast Farmgate Milk Price throughout the season relative to not hedging FX volatility. The figure presents the sensitivity of the forecast Farmgate Milk Price at each month end of the 2024 season with hedging executed as per Fonterra's policy to a scenario with no hedging in place, where both assume a +/- 5 cent movement in the exchange rate for the remainder of the season. The range under the hedged scenario starts the season significantly narrower than the unhedged range, and reduces more quickly throughout the season, which supports the payment of higher advance rates earlier than would be the case if the exposure was less hedged or unhedged altogether.

As at 31 July 2024, Fonterra had hedged approximately 65% of the forecast USD cash flows related to the 2025 season Farmgate Milk Price. If the remaining 35% of the forecast USD cash flows were to be hedged at the 31 July 2024 spot rate of 0.5902, the average NZD/USD conversion rate for the 2025 season would be 0.5997.

As an indication of the remaining sensitivity of the 2025 Farmgate Milk Price to future NZD/USD exchange rate movements, if the remaining forecast USD exposures were hedged at rates:

- 5 cents higher than the 31 July 2024 spot rate, the average conversion rate would be 0.6220.
- 5 cents lower than the 31 July 2024 spot rate, the average conversion rate would be 0.5766.

Figure 5: Comparison of ranges for the 2024 season Milk Price hedged vs. unhedged for NZD/USD[7]




Barlass Farm, Canterbury

7 This analysis isolates the impact of +/- 5 cents movements in the NZD/USD exchange rate. All other variables – e.g. commodity prices , costs, etc – are the same for both the hedged and unhedged scenarios.

Farmgate Milk Price Cash Costs

Farmgate Milk Price Cash Costs reflect:

- Fonterra's actual collection costs, and supply chain costs determined by reference to Fonterra's actual costs.
- Costs of operating modern plants capable of processing the same volume of milk Fonterra collects, but only manufacturing the five RCPs. These assume plant operating parameters consistent with manufacturers' specifications and Fonterra's per unit costs, and include the full range of overhead costs associated with running these plants.
- Overhead and selling costs that would be incurred by a business selling the five RCPs from New Zealand. These are determined by reference to Fonterra's actual costs for undertaking those activities.

Figure 6 and Table 5 summarise the major categories of cash costs and movements between the 2023 and 2024 seasons.

Movements between the 2023 and 2024 seasons were due to:

- $8 million of volume-related cost decreases primarily due to lower solids processed.
- $147 million of inflationary increases in the cost of most inputs, with significant increases in the cost of energy, staff costs, packaging and motor vehicle costs.
- $41 million of structural increases in the 2024 season arise from additional costs identified in the four-yearly review of overheads undertaken in 2023 for implementation in the 2024 season. The Manual requires a review of the overheads structure of the Notional Milk Price Business every four years, with the results generally implemented in the following season. The review assesses the adequacy of the overheads cost base with respect to characteristics relevant to the Notional Milk Price Business and where necessary for changes in the operating environment.

  Most of the structural movement in costs can be attributed to additional costs associated with sustainability and Information Technology (IT) systems.
- $4 million of one-off cost decreases, with the most significant item relating to an insurance settlement in relation to Cyclone Gabrielle, which had the effect of reversing a provision included in the Farmgate Milk Price for the 2023 season.

Figure 6: Sources of movements in average cash costs

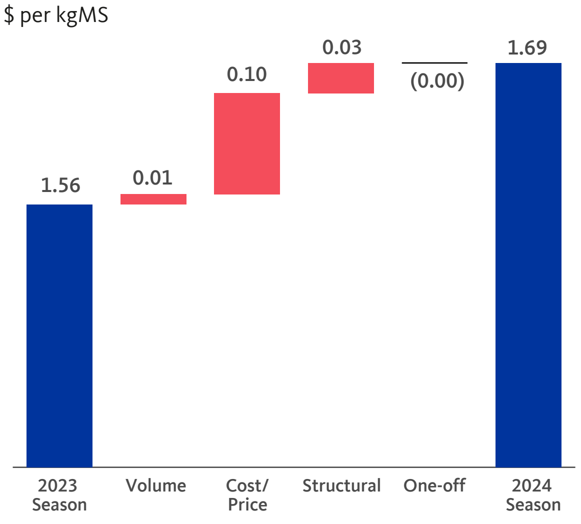


Table 5: Summary of movements in cash costs

$ Million	2023	Volume	Cost/Price	Structural	One-off	2024	% Change cost/price	Total % change
Sales costs	144	(0)	6	(32)	–	**118**	4.1%	(18.2%)
Variable manufacturing and supply chain costs	912	(8)	54	(6)	–	**952**	5.9%	4.4%
Fixed manufacturing (including repairs and maintenance)/site overheads and supply chain costs	471	–	62	(6)	–	**527**	13.1%	11.8%
Collection costs	415	(0)	12	–	–	**427**	3.0%	2.9%
Other costs	372	(0)	13	85	(4)	**467**	3.6%	25.4%
Total Cash Costs	**2,314**	**(8)**	**147**	**41**	**(4)**	**2,490**	**6.4%**	**7.6%**
% Movement		**(0.4%)**	**6.4%**	**1.8%**	**(0.2%)**			

Farmgate Milk Price Capital Costs

Farmgate Milk Price Capital Costs provide for:

- Depreciation of manufacturing and other assets.
- A return at a benchmark Weighted Average Cost of Capital (WACC) on the book value of those assets.
- A WACC return on Net Working Capital balances from the sale and manufacture of the RCPs and on the phasing of milk payments to suppliers.
- Corporate income tax.

The Notional Milk Price Business manufactures RCPs in modern plants with current industry-standard technology. These plants have manufacturing capacity that approximates the average of Fonterra's RCP plants. The average daily processing capacity of the standard WMP and SMP plants installed prior to the 2013 season is approximately 1.9 million litres. Incremental and replacement WMP and SMP plants incorporated in the asset base since 2013 have an average daily processing capacity of approximately 2.5 million litres, equivalent to plants installed by Fonterra at Darfield in 2013 and Pahiatua in 2015. The Notional Milk Price Business ensures there is always sufficient capacity to process all milk collected by Fonterra and it does so by maintaining or adding incremental plants where necessary.

Table 6 shows capital costs and the opening book value of the Notional Milk Price Business fixed asset base and average Net Working Capital for the last three seasons.

The WACC incorporates a rolling five-year average of the five-year New Zealand Government bond rates, which have increased from an average of 1.9% over the five-year period to June 2023 to an average of 2.5% over the five-year period to June 2024.

Changes in the average age of the asset base do not result in material season on season movements in the capital charge. This is because the capital charge is calculated so that growth each season is approximately in line with long term capital goods inflation as long as the WACC does not change. This is achieved by using a 'tilted-annuity' methodology to calculate the capital charge. This approach means that depreciation can change between years due to a change in the WACC, or a change in long term capital goods inflation, or a change in the asset base. This season a higher capital goods inflation forecast resulted in a decrease in the depreciation allowance.[8]

Movements between the 2023 and 2024 seasons in Net Working Capital and the associated WACC charge were due to inventory levels returning to normal compared to 2023 and a lower supplier payables balance due to the drop in the Farmgate Milk Price from the prior season.

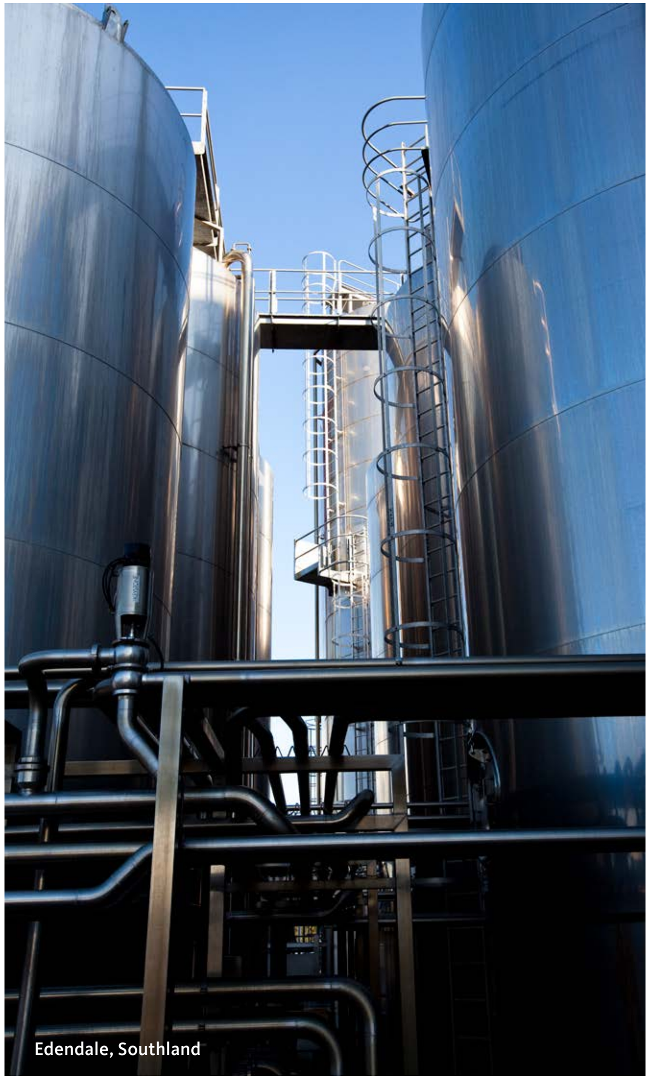
A significant portion of the movement in Fixed Assets between the 2023 and 2024 season reflects Fonterra's transition from owning IT assets to accessing the relevant services through a Software as a Service (SaaS) approach. This led to a reduction in IT related capital costs which was offset by a corresponding increase in IT operating costs, as discussed on page 10.

Table 6: Capital costs, book value of fixed asset base and average net working capital

NZD $ Million	2024	2023	2022
WACC % (post-tax)[9]	**5.30%**	**5.00%**	**5.00%**
Depreciation	**243**	255	283
WACC Charge – Fixed Assets	**339**	327	326
WACC Charge – Net Working Capital	**85**	74	67
Tax	**119**	119	130
Total Capital Costs	**786**	**775**	**806**
Total Fixed Assets (Book Value)	**6,502**	6,677	6,638
Average Net Working Capital	**1,285**	1,705	1,181

8 For further explanation on the depreciation and capital charge using the 'tilted annuity' methodology and accompanying worked examples please refer to the following links: Explanation of the titled annuity calculation; Worked example of the tilted annuity calculation.

9 The WACC rate is expected to be 5.2% for the 2025 season.



Edendale, Southland

Appendix 1: Independent reasonable assurance report

to Fonterra Co-operative Group Limited

Opinion

Our reasonable assurance opinion has been formed on the basis of the matters outlined in this report.

In our opinion, the Farmgate Milk Price has been calculated, in all material respects, in accordance with the Farmgate Milk Price Manual for the season ended 31 May 2024.

In our opinion, the information presented in the Farmgate Milk Price Statement is materially consistent with the data in the calculation of the Farmgate Milk Price.

Information subject to assurance

We have performed an engagement to provide reasonable assurance in relation to the Fonterra Co-operative Group Limited "Fonterra" Farmgate Milk Price and Farmgate Milk Price Statement for the season ended 31 May 2024.

Criteria

The Farmgate Milk Price Calculation and the Farmgate Milk Price Statement are assessed against the requirements of the Farmgate Milk Price Manual for the season ended 31 May 2024, dated 1 August 2023.

As a result this report may not be suitable for another purpose.

Key Assurance Matters

Key assurance matters are those matters that, in our professional judgement, were of most significance in our reasonable assurance engagement in relation to the Farmgate Milk Price and the Farmgate Milk Price Statement for the season ended 31 May 2024. We summarise below those matters and our key procedures to address those matters in order that Fonterra may better understand the process by which we arrived at our opinion. Our procedures were undertaken in the context of and solely for the purposes of our opinion on the Farmgate Milk Price and the Farmgate Milk Price Statement as a whole and we do not express discrete opinions on separate elements of the Farmgate Milk Price and the Farmgate Milk Price Statement

Net Sales

We consider the calculation of Net Sales to be a key assurance matter due to the nature and detail of the policies and judgements included in the Principles and Rules of the Farmgate Milk Price Manual. In respect of Net Sales, there is complexity relating to (a) determining and calculating Benchmark Selling Prices from underlying Fonterra sales data, that are applied to notionally derived Referenced Commodity Product volumes and (b) the judgement in determining the phasing of sales volumes relating to actual Fonterra collections.

The procedures we performed to evaluate Net Sales include:

- examining the processes, judgements and models used to extract sales data from underlying Fonterra systems, considering whether there is manipulation of the transactional price and quantity data that forms the basis of the statutory financial statements of Fonterra. We also examined the bespoke IT program that extracts the data;
- evaluating the assumptions and judgements used in the models that calculate Net Sales. This involved challenging management and the Milk Price Group regarding the basis for each assumption. We examine the governance by the Milk Price Group and Milk Price Panel of Reference Commodity Products that are included /excluded in Benchmark Selling Prices; and
- assessing whether the requirements of the Fonterra Farmgate Milk Price Manual had been correctly applied in the models used to calculate Net Sales.

We did not identify any instances where the models and the judgements and assumptions therein, used to calculate Net Sales were inconsistent with the requirements of the Farmgate Milk Price Manual.

Appendix 1: Independent reasonable assurance report CONTINUED

Overheads	
We consider the calculation of Overheads to be a key assurance matter due to the complexity and judgement involved in ascertaining the Fonterra Co-operative overheads that should be attributed to the Farmgate Milk Price, in the context of a four-yearly Overheads reset process that is required by the Farmgate Milk Price Manual. Overheads were subject to the four-year reset that applied in F24.	The procedures we performed to evaluate Overheads include: – evaluating the assumptions and judgements used in the models to reset and apply overheads. This involved challenging management and the Milk Price Group regarding the basis for each assumption and assessing if all requirements of the Fonterra Farmgate Milk Price Manual had been correctly applied; – understanding and evaluating emerging industry-related issues that must be dealt with in overheads as part of the four-year reset. These include sustainability spend and information system spend. We did not identify any instances where the models and the judgements and assumptions therein, used to calculate Overheads were inconsistent with the requirements of the Farmgate Milk Price Manual.

Standards we followed

We conducted our reasonable assurance engagement in accordance with Standard on Assurance Engagements SAE 3100 (Revised) Assurance Engagements on Compliance. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In accordance with those standards we have:

- used our professional judgement to assess the risk of material misstatement and plan and perform the engagement to obtain reasonable assurance that the Farmgate Milk Price and Farmgate Milk Price Statement are free from material misstatement, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express an opinion on the effectiveness of these controls; and
- ensured that the engagement team possesses the appropriate knowledge, skills and professional competencies.

How to interpret reasonable assurance, material misstatement and non-compliance

Reasonable assurance is a high level of assurance but is not a guarantee that it will always detect a material misstatement and non-compliance when it exists.

Misstatements, including omissions, within the Farmgate Milk Price and Farmgate Milk Price Statement and non-compliance are considered material if, individually or in aggregate, they could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the Farmgate Milk Price and Farmgate Milk Price Statement.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error or non-compliance with compliance requirements may occur and not be detected.

A reasonable assurance engagement for the season ended 31 May 2024 does not provide assurance on whether the Farmgate Milk Price Calculation and the Farmgate Milk Price Statement compliance with the requirements of the Farmgate Milk Price Manual will continue in the future.

Appendix 1: Independent reasonable assurance report CONTINUED

Use of this assurance report

Our report is made solely for Fonterra. Our assurance work has been undertaken so that we might state to Fonterra those matters we are required to state to them in the assurance report and for no other purpose.

Our report should not be regarded as suitable to be used or relied on by any parties other than Fonterra for any purpose or in any context. Any party other than Fonterra who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees accept or assume no responsibility and deny any liability to any party other than Fonterra for our work, for this independent reasonable assurance report, or for the opinions we have reached.

Our report is released to Fonterra Co-operative Group Limited on the basis that it shall not be copied, referred to or disclosed, in whole or in part, without our prior written consent.

Milk Price Panel's responsibility for the Farmgate Milk Price and Farmgate Milk Price Statement

The Milk Price Panel of Fonterra are responsible for the preparation and fair presentation of the Farmgate Milk Price and Farmgate Milk Price Statement in accordance with the Farmgate Milk Price Manual. This responsibility includes such internal control as the Milk Price Panel determine is necessary to enable the preparation of the Farmgate Milk Price and Farmgate Milk Price Statement that are free from material misstatement and non-compliance whether due to fraud or error.

Our responsibility

Our responsibility is to express an opinion to Fonterra on:

- whether the Farmgate Milk Price has been calculated, in all material respects, in accordance with the Farmgate Milk Price Manual, and
- whether the information presented in the Farmgate Milk Price Statement is materially consistent with the data in the calculation of the Farmgate Milk Price.

Our independence and quality control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our firm has also provided other services to the Fonterra Co-operative Group Limited in relation to the statutory audit of the financial statements and other assurance services. The firm has no other relationship with, or interest in, the Fonterra Co-operative Group Limited.

KPMG

KPMG
Auckland
24 September 2024

Appendix 2: Updates to the Farmgate Milk Price Manual and calculation

Minor refinements to address practical issues in a timely and efficient way have regularly been made to the Manual since it was introduced in the 2009 season.

These refinements play an important part in ensuring the Farmgate Milk Price methodology continues to be robust. Refinements to the Manual must be consistent with the Milk Price Principles.

Adjustments can be made to a number of parameters and inputs without any change being required to the Manual. An example is the rule that allows for new RCPs to be added if certain criteria are met. The Manual also provides for reviews of important aspects to be carried out at least every four years, and the Board or Milk Price Panel may initiate additional reviews if circumstances warrant.

Farmgate Milk Price Manual updates

The Fonterra Board approved the amendments to the Manual for the 2025 season to provide better contextual explanations. No changes have been made that impact on the calculation methodology, the quantum of the milk price or the administration and governance of the base milk price calculation. An explanation of this change is provided in the 'reasons paper' provided by Fonterra to the Commerce Commission in support of the 2024/25 Manual, located at:

https://comcom.govt.nz/__data/assets/pdf_file/0024/361932/Fonterra-Reasons-paper-in-support-of-Fonterra27s-2024-25-milk-price-manual-1-August-2024.pdf

The Manual for the 2025 season is available at:

https://view.publitas.com/fonterra-comms/f25-milk-price-manual-1-august-2024/

As part of its oversight role, the Commerce Commission reviews and reports annually on whether the Manual is consistent with ensuring Fonterra is operating efficiently, and whether it allows for competition in the market for farmers' milk. The Commerce Commission's final report on the 2023/24 Manual was released on 15 December 2023. That report can be found at:

https://comcom.govt.nz/__data/assets/pdf_file/0034/337939/Final-report-Review-of-Fonterras-2023_24-Milk-Price-Manual-15-December-2023.pdf

Changes in approach to the calculation of the Farmgate Milk Price

In 2023/24 we identified that, similar to ocean freight, there is a margin earned on marine insurance, but that unlike ocean freight this difference had not previously been included in the Farmgate Milk Price Revenue calculation. We have now included an allowance which reflects actual average Fonterra recoveries.

This change has resulted in an increase of less than 1c per kgMS in the 2024 Farmgate Milk Price and would have had a similar impact had it been included in prior years.

Further detail of the change can be found in the 'reasons paper' submitted by Fonterra to the Commerce Commission with respect to the F24 Farmgate Milk Price, located at:

https://comcom.govt.nz/__data/assets/pdf_file/0032/356675/Fonterra-Reasons-paper-on-review-of-2023-24-base-milk-price-calculation-17-June-2024.pdf

Hopkins Farm, Manawatū-Whanganui

Appendix 3: Farmgate Milk Price overview

Rationale for Farmgate Milk Price

Fonterra currently collects around 80% of New Zealand's milk production. Because Fonterra purchases such a large proportion of New Zealand's total milk, there is no market price for milk that is independent of the price paid by Fonterra. As a result, since its formation in 2001, Fonterra has calculated a Farmgate Milk Price that enables total returns to be allocated between payments for milk and returns on the capital invested by Fonterra farmer shareholders and by unit holders in the Fonterra Shareholders' Fund.

The Aggregate Farmgate Milk Price is different from the cost of New Zealand sourced milk disclosed in Fonterra's financial statements due to:

- The financial statements report the cost of milk for the 12 months ending 31 July whereas the Aggregate Farmgate Milk Price relates to milk supplied in the 12 months of the season ending 31 May;
- Differences between what Fonterra is willing to pay in premiums for value added products such as organic milk which a commodity-only processor would not pay;
- The higher premium that Fonterra pays for Winter Milk compared to the premium that would be paid by a commodity-only processor;
- The amount of Additional Commodity Milk Payments and Standard Supply Adjustments.

Rationale for Reference Commodity Products

Manufacture of the RCPs comprised approximately 66% of Fonterra's total New Zealand ingredients production in the 2024 season.

Most of the increase in milk supplied over the past decade in New Zealand to Fonterra and its competitors has been used to make milk powders.

As returns from the sale of milk powders and their byproducts represent the marginal returns that would drive the price of milk in a competitive market in New Zealand, the Farmgate Milk Price is based on these products. Returns from non-powder commodities, such as cheese and casein, have largely been irrelevant in driving investment in the dairy industry over the past 10 years and are therefore not taken into account in determining the Farmgate Milk Price.

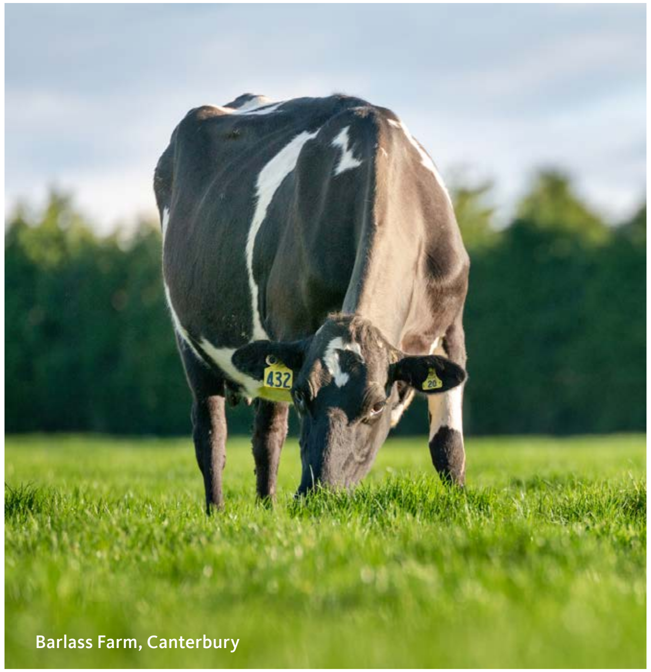
The Farmgate Milk Price approach does not include any returns earned by Fonterra from non-commodity or specialised ingredients and consumer branded products. These types of products earn premiums over the returns to standard commodity ingredients. It is therefore appropriate that these premiums are recognised in Fonterra's earnings rather than in the Farmgate Milk Price.

Farmgate Milk Price Governance

The Fonterra Board sets the total amount to be paid by Fonterra for all milk supplied to it in New Zealand in each season.

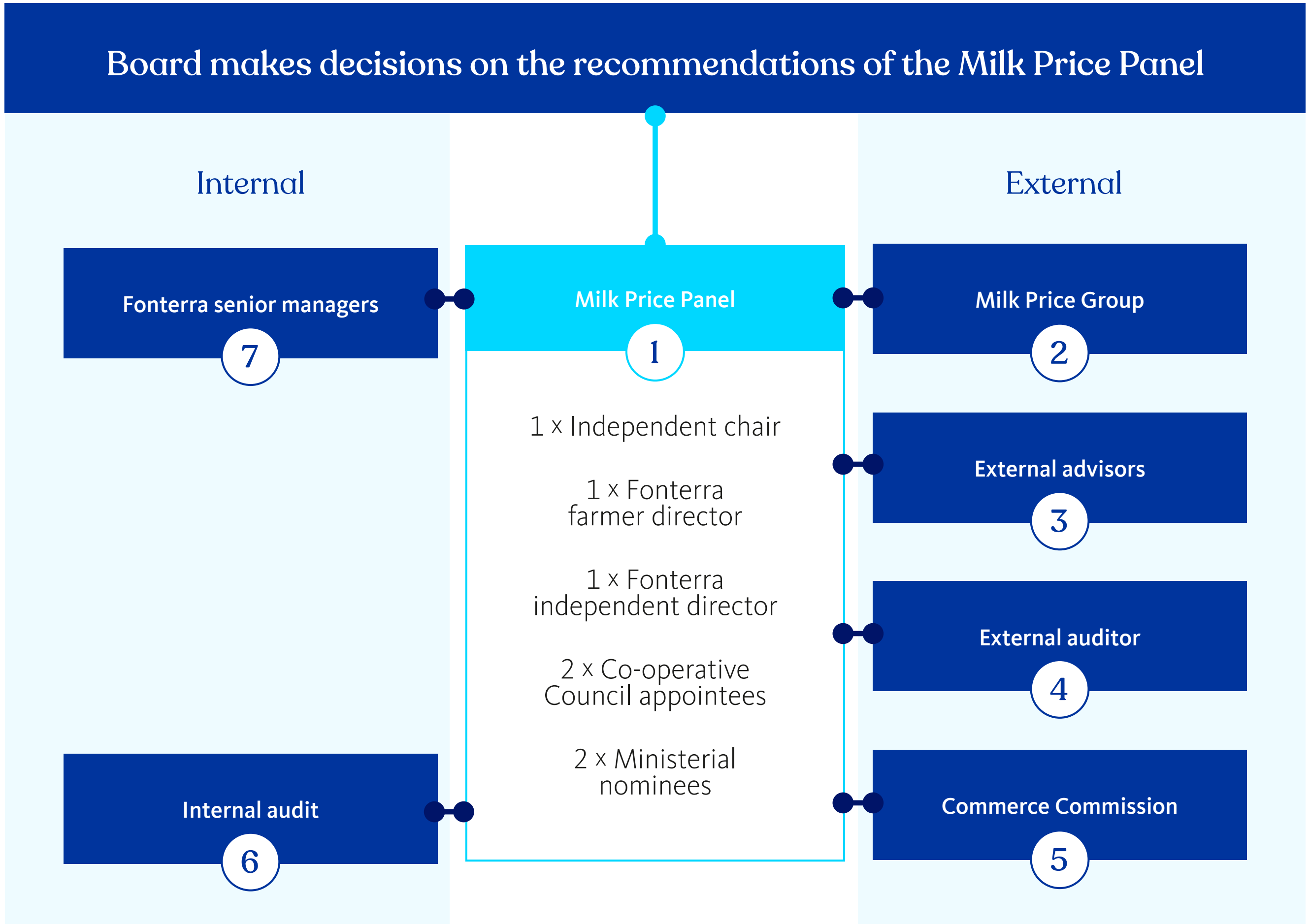
Both Fonterra's Constitution and DIRA require Fonterra to maintain the Manual, which sets out Fonterra's policies and methodology for the Farmgate Milk Price. The Manual must reflect the Milk Price Principles set out in Fonterra's Constitution. The Farmgate Milk Price has been calculated in accordance with the Manual since the start of the 2009 season.

The Fonterra Board has established a robust governance structure to oversee the setting of the Farmgate Milk Price, which comprises the elements illustrated in the diagram on page 17.



Barlass Farm, Canterbury

Appendix 3: Farmgate Milk Price overview CONTINUED



1. Milk Price Panel

The Milk Price Panel plays a key role in overseeing the integrity of the Farmgate Milk Price. With effect from June 2023, the Government enacted changes to DIRA to enhance the independence of the Milk Price Panel. Following those changes, Fonterra is required to appoint an independent chair and the Minister of Agriculture nominates two panel members. The Panel consists of an independent chair (David Pilkington), two nominees of the Minister of Agriculture (Professor Hamish Gow and Ming Lim-Pollard), two members who are appointees of the Co-operative Council (Bill Donaldson and Fred Ohlsson), a farmer elected Fonterra director (Leonie Guiney) and an independent Fonterra director (Bruce Hassall).

The Panel oversees the governance of the Farmgate Milk Price and the Manual, including changes to the Manual and verification by independent external experts of key parameters (such as resource usage rates, product yields and fixed manufacturing costs).

The Panel is responsible for:

- Overseeing the calculation of the Farmgate Milk Price and making a recommendation on it to the Fonterra Board.
- Overseeing the preparation of the Farmgate Milk Price Statement and making a recommendation on it to the Fonterra Board.
- Providing recommendations to the Fonterra Board on changes to the Manual.
- Providing assurance to the Fonterra Board that the Farmgate Milk Price has been calculated in accordance with the Manual.

The Fonterra Board is responsible for the forecast of the annual Farmgate Milk Price.

Appendix 3: Farmgate Milk Price overview CONTINUED

2. Milk Price Group

The Milk Price Group is a working group established by, but independent of, Fonterra.

The role of the Milk Price Group is:

- Ensuring that the Farmgate Milk Price is calculated in accordance with the Manual and making recommendations in respect of the Farmgate Milk Price to the Panel.
- Considering any proposed amendments to the Manual, including those the Milk Price Group itself considers are appropriate, and ensuring they are in accordance with the Milk Price Principles in Fonterra's Constitution.
- Providing assurance to the Fonterra Board over the calculation of the forecast of the Farmgate Milk Price.
- Managing engagement with external advisors.
- Engaging with the Commerce Commission, including to ensure full disclosure of all material aspects of the Farmgate Milk Price derivation each year.

The functions of the Milk Price Group are contracted out to EY and other technical experts who are not employees of Fonterra.

With effect from June 2023, the Government enacted changes to DIRA to enhance the independence of the Milk Price Group, and to require the periodic replacement of the firm undertaking the functions of the Milk Price Group. Accordingly, EY's engagement will end following completion of the functions of the Milk Price Group in respect of the 2025 season.

3. External advisors

External advisors provide expert advice on various inputs, as well as assurance over the accuracy of financial models. In addition, they participate in reviews of key parameters of the Farmgate Milk Price at regular intervals (which can be up to four years).

4. External auditor

The external auditor examines the Farmgate Milk Price each year and provides assurance that the Farmgate Milk Price has been determined in accordance with the Milk Price Principles, Methodologies and Detailed Rules of the Farmgate Milk Price Manual. Fonterra's external auditor is KPMG.

5. Commerce commission

Subpart 5A of DIRA, which was passed into law in July 2012, gives the Commerce Commission an oversight role with respect to Fonterra's Farmgate Milk Price.

The purpose of Subpart 5A is to promote the setting of a Farmgate Milk Price that provides an incentive to Fonterra to operate efficiently, while providing for contestability in the market for the purchase of milk from farmers (section 150A). Each year the Commission is required to review and report on the extent to which the Manual and Fonterra's actual Farmgate Milk Price are consistent with this purpose.

The DIRA changes that were enacted in 2023 also included measures to strengthen the Commerce Commission's oversight of Fonterra's Farmgate Milk Price setting regime. The Commerce Commission now has the power to issue binding directions to Fonterra on its use of inputs, assumptions, and processes, and matters arising from the Commerce Commission's reviews of the Manual and the Farmgate Milk Price, together with new enforcement powers. The changes also included a requirement for Fonterra to make publicly accessible all non-sensitive information relevant to the Commerce Commission's reviews.

6. Internal audit

Fonterra's internal audit team provides assurance over the processes and controls relating to Fonterra data used in the calculation of the Farmgate Milk Price.

7. Fonterra senior managers

Fonterra senior managers provide internal oversight of the calculation of the actual and forecast Farmgate Milk Price in accordance with the Manual and detailed models and procedures. Fonterra management is also responsible for engagement with the Commerce Commission.

Appendix 4: Milk Supplied and production volumes

				Production (000 MT) of finished product																	
Milk Supplied (Million kgMS)				**WMP**			**SMP**			**Butter**			**AMF**			**BMP**			**Total**		
	2024	**2023**[10]	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**
Jun to Aug	**123**	126	131	**130**	130	177	**65**	68	43	**16**	19	11	**20**	19	17	**6**	6	5	**237**	242	251
Sep to Nov	**554**	555	570	**683**	692	754	**221**	219	194	**88**	94	81	**53**	46	50	**21**	20	19	**1,066**	1,071	1,098
Dec to Feb	**472**	465	458	**537**	516	562	**212**	218	176	**92**	92	79	**45**	47	42	**21**	21	18	**907**	894	878
Mar to May	**322**	334	318	**350**	392	427	**150**	138	93	**53**	53	43	**43**	39	30	**18**	17	13	**615**	639	607
Total	**1,471**	**1,480**	**1,478**	**1,700**	**1,730**	**1,919**	**647**	**643**	**506**	**249**	**258**	**214**	**162**	**151**	**139**	**66**	**64**	**55**	**2,824**	**2,846**	**2,834**

Appendix 5: Sales volumes

	Shipments (000 MT) of finished product																	
	WMP			**SMP**			**Butter**			**AMF**			**BMP**			**Total Sales**		
	2024	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**
Aug to Oct	**221**	163	226	**97**	65	74	**32**	23	13	**25**	14	14	**3**	2	3	**378**	267	330
Nov to Jan	**544**	542	646	**235**	227	149	**89**	87	79	**46**	43	29	**18**	22	14	**932**	920	917
Feb to Apr	**478**	448	481	**161**	176	141	**61**	73	61	**41**	36	31	**22**	17	14	**761**	752	728
May to Jul	**402**	485	386	**146**	154	110	**49**	56	44	**36**	52	47	**19**	15	15	**652**	761	603
Aug to Oct	**54**	93	180	**8**	21	32	**18**	19	18	**15**	6	18	**5**	8	8	**100**	146	256
Total	**1,700**	**1,730**	**1,919**	**647**	**643**	**506**	**249**	**258**	**214**	**162**	**151**	**139**	**66**	**64**	**55**	**2,824**	**2,846**	**2,834**

10 Fonterra and its suppliers experienced significant disruptions to milk supply during and subsequent to significant weather events in the 2023 season. Total milk paid for was 1.483 billion kgMS compared to 1.480 billion of kgMS collected and available for manufacture into product.

Appendix 6: Average number of months prior to shipment that prices were struck

Average number of months prior to shipment

	WMP			SMP			Butter			AMF			BMP		
	2024	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**
Aug to Oct	**2.1**	2.5	2.2	**3.0**	2.8	3.0	**2.7**	2.7	2.3	**2.9**	2.7	2.6	**2.8**	1.2	2.0
Nov to Jan	**2.6**	2.8	2.6	**3.0**	3.0	2.9	**2.9**	3.0	2.7	**3.2**	3.3	2.7	**2.8**	2.8	2.1
Feb to Apr	**2.5**	2.4	2.6	**2.9**	2.8	3.0	**3.1**	2.9	3.2	**2.8**	2.8	2.9	**3.0**	2.4	2.5
May to Jul	**2.5**	2.5	2.7	**2.8**	3.0	3.1	**2.7**	2.9	2.8	**2.7**	2.3	2.8	**3.3**	2.4	2.6
Aug to Oct	**2.9**	3.2	2.6	**3.4**	3.5	3.2	**2.5**	3.0	2.7	**2.6**	3.4	2.7	**3.2**	2.7	3.1
Total	**2.5**	**2.6**	**2.6**	**2.9**	**3.0**	**3.0**	**2.8**	**2.9**	**2.8**	**2.9**	**2.8**	**2.8**	**3.0**	**2.5**	**2.5**

Appendix 7: Average % of sales contracted in each month prior to shipment

Average percentage of sales contracted in each of months 1-5 prior to shipment

	WMP			SMP			Butter			AMF			BMP		
Number of Months	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**
1	**14%**	15%	11%	**7%**	12%	9%	**9%**	10%	13%	**13%**	17%	14%	**10%**	21%	21%
2	**43%**	35%	43%	**32%**	29%	31%	**34%**	30%	32%	**29%**	29%	33%	**30%**	37%	41%
3	**28%**	29%	29%	**29%**	25%	28%	**30%**	29%	26%	**27%**	27%	25%	**24%**	20%	19%
4	**11%**	14%	11%	**20%**	19%	19%	**17%**	19%	17%	**19%**	16%	18%	**20%**	11%	11%
5	**4%**	7%	5%	**11%**	15%	14%	**11%**	12%	13%	**13%**	11%	10%	**16%**	11%	8%

Appendix 8: Average USD prices

	USD Per MT of Finished Product														
	WMP			SMP			Butter			AMF			BMP		
Shipment Period	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**
Aug to Oct	**2,849**	3,661	3,813	**2,619**	3,884	3,255	**4,937**	5,602	4,711	**4,873**	5,611	5,789	**2,486**	3,564	3,598
Nov to Jan	**2,878**	3,542	3,827	**2,523**	3,514	3,377	**4,823**	5,290	5,025	**4,941**	5,633	6,122	**2,413**	3,530	3,696
Feb to Apr	**3,224**	3,334	4,064	**2,671**	3,053	3,803	**5,384**	4,801	5,753	**5,825**	5,593	6,643	**2,511**	3,130	3,911
May to Jul	**3,307**	3,223	4,355	**2,671**	2,853	4,339	**6,527**	4,831	6,472	**6,896**	4,999	6,752	**2,597**	2,838	4,168
Aug to Oct	**3,377**	3,198	4,123	**2,699**	2,751	4,359	**7,187**	5,167	6,140	**7,222**	5,053	6,151	**2,820**	2,528	4,158
Total Weighted Average Price	**3,089**	**3,392**	**4,019**	**2,610**	**3,242**	**3,750**	**5,479**	**5,072**	**5,601**	**5,797**	**5,381**	**6,425**	**2,530**	**3,137**	**3,946**
Full season GDT-only prices	**3,063**	**3,361**	**3,978**	**2,575**	**3,213**	**3,706**	**5,423**	**5,019**	**5,557**	**5,730**	**5,345**	**6,367**	**2,417**	**3,003**	**3,947**

Appendix 9: Average NZD/USD conversion and spot rates

	2024		2023		2022	
	Fonterra's Average Conversion Rate	**Spot Exchange Rate**	**Fonterra's Average Conversion Rate**	**Spot Exchange Rate[11]**	**Fonterra's Average Conversion Rate**	**Spot Exchange Rate**
Aug to Oct	**0.6115**	**0.5957**	0.6560	0.5942	0.6829	0.7039
Nov to Jan	**0.6170**	**0.6166**	0.6418	0.6334	0.6964	0.6779
Feb to Apr	**0.6078**	**0.6039**	0.6398	0.6213	0.6892	0.6707
May to Jul	**0.6126**	**0.6037**	0.6195	0.6140	0.6878	0.6290
Aug to Oct	**0.6046**	**0.5902**[12]	0.6174	0.5933	0.6695	0.5915
Revenue-Weighted Annual Average Rate	**0.6120**	**0.6059**	0.6357	0.6192	0.6884	0.6574

11 Certain average spot exchange rate figures for the 2023 season differ from those disclosed in the 2023 Farmgate Milk Price Statement, as forecast exchange rates have been replaced with actual exchange rates.
12 This Milk Price Statement presents the spot exchange rate for August 24 to October 24 as the spot rate at 9am on 31 July 2024, which is the last business day of Fonterra's financial year.

Glossary

In this Statement the following terms have the meanings as set out below:

Term	Definition
Additional Commodity Milk Payments	as defined in the Manual for the 2024 season.
Aggregate Farmgate Milk Price	as defined in the Manual for the 2024 season.
AMF	means anhydrous milk fat.
BMP	means buttermilk powder.
Detailed Rules	means the detailed rules for calculating the Farmgate Milk Price as set out in the Manual.
DIRA	means the Dairy Industry Restructuring Act 2001, which authorised Fonterra's formation and regulates its activities.
Farmgate Milk Price	means Fonterra's Farmgate Milk Price as determined under the Manual for the 2024 season.
Farmgate Milk Price Capital Costs	as defined in the Manual for the 2024 season.
Farmgate Milk Price Cash Costs	as defined in the Manual for the 2024 season.
Farmgate Milk Price Manual or Manual	means Fonterra's Farmgate Milk Price Manual which is available on: https://www.fonterra.com/content/dam/fonterra-public-website/fonterra-new-zealand/documents/pdf/milk-prices/milk-price-manual-fy23.pdf
Farmgate Milk Price Revenue	as defined in the Manual for the 2024 season.
Financial year	means Fonterra's financial year, which runs from 1 August to the following 31 July.
Fixed Asset Capital Charges	as defined in the Manual for the 2024 season.
Fonterra	means Fonterra Co-operative Group Limited.

Term	Definition
Global Dairy Trade or **GDT**	means the electronic auction platform that is used to sell commodity dairy products.
IT	means information technology.
kgMS	means kilograms of milk solids.
Milk Price Principles or **Principles**	means the Milk Price Principles set out in Fonterra's Constitution.
MT	means metric tonnes.
Net Working Capital	as defined in the Manual for the 2024 season.
Notional Milk Price Business	means a business that collects the Milk Supply and converts it into the Farmgate Milk Price Production Plan for sale at the New Zealand wharf as described in Section 1.1 of Part C of the Manual.
NZD	means New Zealand dollars.
Reference Commodity Products or **RCP**	means the commodity products used to calculate the Farmgate Milk Price, comprising WMP, SMP, BMP, AMF and butter.
SaaS	means Software as a Service.
Season	means the 12-month period from 1 June to the following 31 May.
SMP	means skim milk powder.
Standard Supply Adjustments	as defined in the Manual for the 2024 season.
USD	means United States dollars.
Winter Milk	means milk supplied by farmers in the months of May, June and July.
WMP	means whole milk powder.

Farmgate Milk Price Statement 2024

fonterra.com

Dairy for life

Modern Slavery Statement 2024
Pūrongo Ponogatanga Moroki Te Mātāpuna

Contents

This Modern Slavery Statement is prepared in accordance with the Australian Modern Slavery Act 2018 (Act) for the period 1 August 2023 to 31 July 2024 (FY24). It covers Fonterra Co-operative Group Limited and its subsidiaries, including the following Australian reporting entities:

- Fonterra Brands (Australia) Pty Limited
- Fonterra Australia Pty Limited
- New Zealand Milk (Australasia) Pty Limited
- Darnum Park Pty Limited

Further details of Fonterra's subsidiaries are outlined in the Governance Disclosures section of Fonterra's 2024 Annual Report, available at Fonterra.com.

This statement was approved by the Fonterra Board of Directors in their capacity as principal governing body of Fonterra Co-operative Group Limited on 24 September 2024.

We welcome feedback on this report. For more information or to provide comments, please email us at sustainability@fonterra.com.

Message from the CEO and Chair of the Board

He aha te mea nui o te ao? He tāngata, he tāngata, he tāngata.

What is the most important thing in the world? It is people, it is people, it is people.

At Fonterra, we believe that everyone has the right to be treated with respect and dignity, regardless of background and circumstances. We also acknowledge that as a large, global business, we have a responsibility to respect universally recognised human rights and to contribute to positive human rights outcomes.

Our human rights commitments, which are embodied in our global policies and standards, include providing safe, secure and non-discriminatory working environments, good working conditions, recognising the right to freedom of association and the value of collective bargaining, and prohibiting all forms of modern slavery.

Fonterra has focused on understanding and addressing its modern slavery risk for several years, and it has reported on its progress since 2020. This year, we have prioritised strengthening our modern slavery due diligence framework, including enhancing cross-functional governance and programme oversight, updating our risk identification and prioritisation process, building internal awareness and capability, and engaging with industry to identify opportunities to further improve and collaborate on our response.

We know there is more to do to prevent and mitigate modern slavery risk in our business. Looking ahead, we will continue to develop and improve our systems and processes as well as engage with industry and partners to grow our capability and approach.

Miles Hurrell
Chief Executive Officer

Peter McBride
Chair

Our structure, operations and supply chain

Fonterra is a dairy co-operative owned and supplied by farming families across Aotearoa New Zealand. We collect and process raw milk, which we convert into high-quality ingredient, foodservice and consumer dairy products.

We supply many of the world's leading food companies through our foodservice business, Anchor Food Professionals, and our ingredients business, NZMP. Our portfolio of well-known consumer brands includes Anchor, Anmum, Bega, Farm Source, Mainland, Perfect Italiano, and Western Star.

Our global supply chain spans from the farms where we source our raw milk, and our sourcing of non-milk goods and services, through to our owned and third-party manufacturing facilities, and downstream to the distribution of products to customers and consumers in more than 120 markets.

Our purpose

Our Co-operative, empowering people to create goodness for generations

You, me, us together

Tātou Tātou

Our values

Good Together

Better Every Day

Every Drop Counts

Our strategic choices

Focus on New Zealand milk

Be a leader in sustainability

Be a leader in dairy science and innovation

Our people

Our long-term success depends on our people, and we are committed to attracting, developing and retaining a diverse group of talented individuals and creating an inclusive culture.

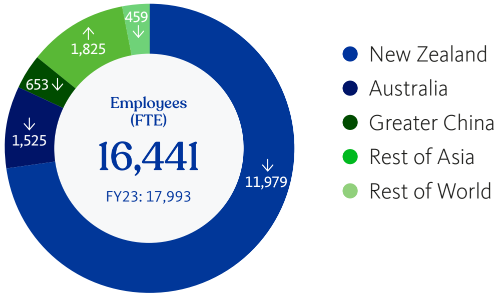
As of 31 July 2024, we directly employed 16,441 people, with the majority based in New Zealand.

Our people work in a wide range of roles including in manufacturing, on-farm, logistics and distribution, research and development, sales and marketing, and in other functions, such as strategy, legal, finance and people and culture.

As part of our commitment to being a good employer, we:

- comply with international minimum labour standards set down by the International Labor Organisation (ILO)
- recognise the value of employees being able to choose to bargain collectively (for example, through a union or workers' council)
- commit to not discriminating against our people for joining, or not joining, a union.

Our agreements with the International Union of Food, Agricultural and Allied Workers' Associations (IUF) and the New Zealand Dairy Workers Union (NZDWU) reinforce these commitments. Fonterra has also signed a Memorandum of Understanding with the NZDWU, E tū Incorporated (E tū) and the Aviation & Marine Engineers Association (AMEA). It also works closely with the United Workers Union (UWU) in Australia and the Food Industry Employees Union (FIEU) in Malaysia. 51% of our employees were covered by collective employment agreements in FY24.




Iso & Megan, Auckland

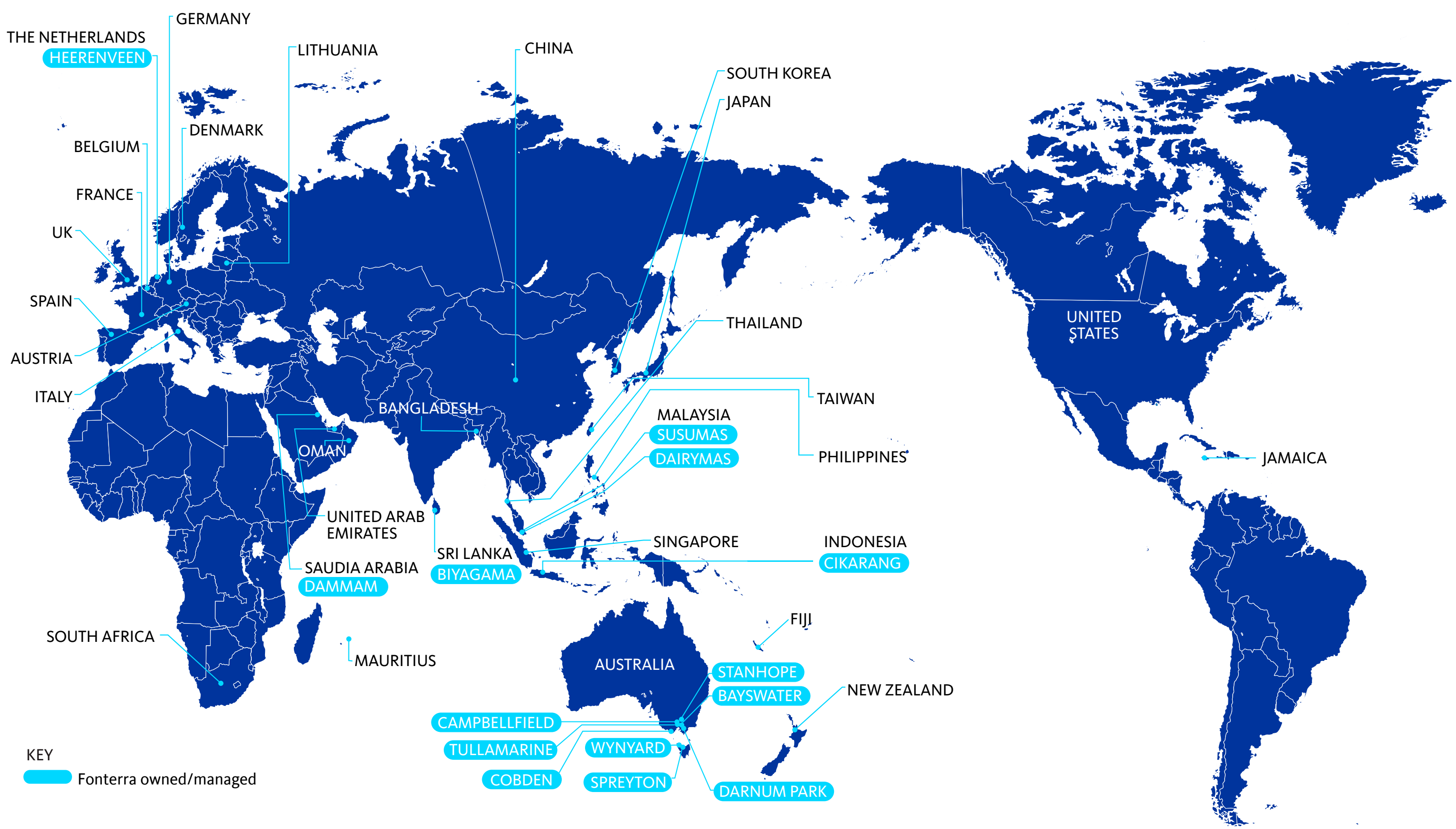
Our core operations

Our milk is sold through our customer-facing regional business units – Global Markets and Greater China. Our Global Markets business covers our sales regions outside of Greater China, including Africa, Middle East, Europe, North Asia, Americas, New Zealand, Australia, Pacific Islands, Southeast Asia and South Asia.

We have 28 manufacturing sites located in New Zealand, along with eight in Australia, and a further six across Indonesia, Malaysia, Sri Lanka, Saudi Arabia, and the Netherlands. We also work with around 70 third-party manufacturing suppliers globally.

In addition to our core operations, we operate 65 Farm Source retail stores across New Zealand, which sell agricultural supplies to dairy farmers, and we own and operate 30 dairy farms in New Zealand. We are also involved in joint ventures that operate freight logistics, dairy processing, innovation, research and development, and emissions reduction research.

Fonterra's Global Manufacturing Locations (outside of New Zealand)



Milk supply

We source around 90% of our raw milk by volume from our farmer owners in New Zealand. We also have some raw milk collection in Australia and Sri Lanka. In Australia, raw milk is supplied by around 500 farms located across Victoria, New South Wales and Tasmania. Milk from Australia and Sri Lanka is supplied by farmers that are not within the Co-operative structure.

Our raw milk sourcing is managed by our on-farm excellence team and we have farmer engagement and support programmes in every country where we collect milk.


Blair, Manawatū-Whanganui

Non-milk supply

We engage with around 12,000 non-milk vendors globally to source a wide range of commodities, goods, and services, including:

- Transportation and storage services
- Third-party manufacturing services
- Farm supplies and services
- Manufacturing equipment and services
- Packaging materials
- Energy supply
- Ingredients
- Chemicals and fertiliser
- Professional and operational-related services

The range of products, sourcing locations, and regulations associated with our non-milk spend can present sustainability-related risks, so we work to ensure we procure goods and services in an environmentally and socially responsible way. Our Supplier Sustainability Code of Practice outlines our commitment to responsible sourcing and sets out our expectations of non-milk suppliers and associated subsidiaries with respect to ethical business conduct, care for people, and respect for the environment.

Governance and programme framework

Our modern slavery due diligence programme is managed by Fonterra's sustainability function in collaboration with other functions and business units across the Co-op, including procurement, risk, legal, operations, farm source, and people and culture.

In FY24, we established a Modern Slavery Steering Committee to enable greater cross-functional oversight of the programme. The Steering Committee is responsible for providing strategic advice and decision-making in relation to due diligence and reporting. It is accountable to the Managing Director, Co-operative Affairs and Managing Director, People and Culture, who report to the CEO and sit on Fonterra's Management Team.

Steering Committee members

Membership includes senior leaders from across the organisation, including:

- Director Global Sustainability, Stakeholder Affairs and Trade (Chair)
- Senior Manager Sustainability Strategy & Engagement
- GM Employment Relations
- Director Global Supply Chain
- Director Legal
- Director Governance, Risk & Audit
- On-Farm Excellence Director
- GM Procurement, COO
- GM Sustainability, Global Markets (representing our Australian entities)

Governance structure

Fonterra Board

Has overall responsibility for Fonterra's modern slavery due diligence programme, including approving our Modern Slavery Statement

Co-operative Relations Committee

Assists the Board in governance responsibilities related to New Zealand milk supply, including supporting strong and effective engagement between the Co-operative and its farmer shareholders, and reviewing and approving standard terms and conditions for the supply of milk by supplying shareholders and any non-shareholder suppliers. This includes terms and conditions related to employment, labour, and human rights (including modern slavery)

People, Culture and Safety Committee

Responsible for promoting a safe and healthy working environment, including oversight of Fonterra's modern slavery due diligence programme, reviewing our Modern Slavery Statement, and recommending its approval to the Board

Fonterra Management Team

Our Managing Director, Co-operative Affairs and Managing Director, People and Culture, are accountable for the implementation of our modern slavery due diligence programme

Modern Slavery Steering Committee

Guides the day-to-day delivery of Fonterra's modern slavery due diligence programme, ensuring that there are effective controls in place to mitigate risk across our operations and supply chain

Due diligence framework

In FY24, we refreshed our due diligence framework in line with international best practice to put the right steps in place to effectively prevent, mitigate and manage the risk of modern slavery in our supply chain and operations. Our framework describes five key areas that help drive a continuous improvement approach.

Leadership and governance

Setting clear accountabilities through to Board level

Impact assessment

Regularly reviewing our operations and supply chain to identify actual or potential risks

Mitigation

Supporting policies and procedures

Implementation of risk-based action plans

Engagement with suppliers

Training and development

Remediation

Provision of remediation to any impacted workers

Ongoing review of the remediation system so it is fit for purpose

Monitoring and reporting

Tracking and reviewing the effectiveness of our actions

Communication and reporting to our stakeholders

Consultation with owned and controlled entities on this statement

Engagement and consultation with the Co-op's owned and controlled entities is facilitated through the Modern Slavery Steering Committee, which includes cross-functional representatives from across the global business, including Australia. Subject matter experts from functions including sustainability, procurement, risk, people and culture, on-farm and legal also regularly engage with each other on the ongoing implementation of our modern slavery due diligence programme. This statement is also reviewed by the statutory directors of our Australian reporting entities.

Alan, Bay of Plenty

Modern slavery risks across our operations and supply chain

As a large, global business we recognise that our modern slavery risk profile is not static and will evolve as our business changes or due to external factors such as supply chain disruption, conflict, or other events.

Modern slavery is an umbrella term that is used to describe serious situations where offenders use coercion, threats, or deception to exploit victims and undermine their freedom. Practices that constitute modern slavery include human trafficking, slavery, servitude, forced labour, debt bondage, forced marriage, and the worst forms of child labour. Other breaches of employment standards may be present in our supply chain and in situations of modern slavery, including underpayment of wages, excessive working hours and failure to provide holiday pay or annual leave entitlements. We consider these risks as part of our due diligence approach.

Identifying modern slavery risks

We refreshed our assessment of our modern slavery and related labour risks in FY24, with a focus on our upstream supply chain which we consider poses the greatest risk. Our approach to assessing risk is aligned to international best practice, including the *UN Guiding Principles for Business and Human Rights*, and focuses on understanding actual or potential adverse human rights impacts on people due to our activities or business relationships.

We consider a range of factors to determine actual or potential modern slavery risk in our operations and supply chain, including:

Geographic risk

Sourcing from countries or regions that have a higher risk of modern slavery or other human rights breaches due to poor governance, corruption, conflict, or cultural norms.

Sector or commodity risk

Products or services that are considered to have a higher risk of modern slavery because of the nature of their supply chain or the location of raw materials.

Business model risk

Products or services that rely on business models with complex supply chains or high-risk work practices.

Vulnerable group risk

Individuals or groups that may be more susceptible to exploitation because of low education, language barriers, socio-economic factors, or isolation.

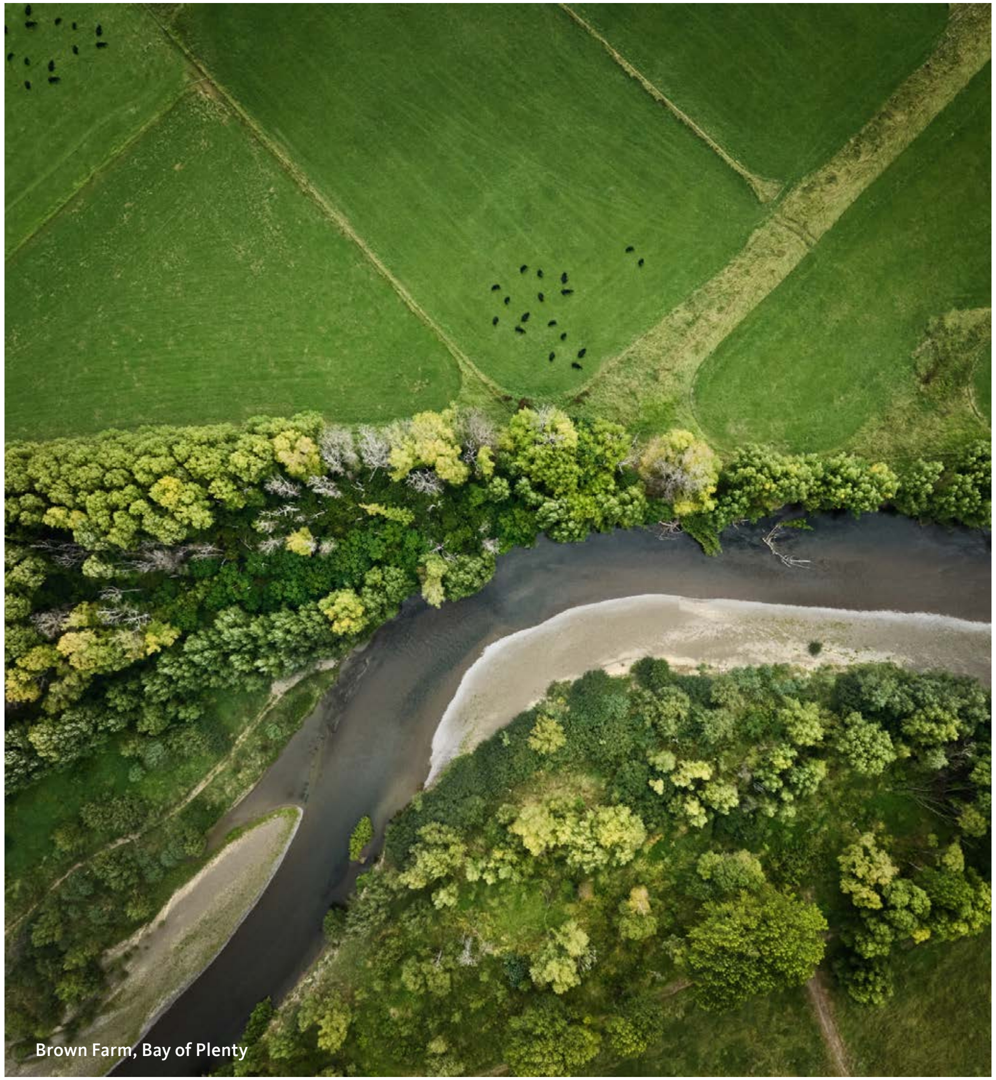
We also consult a range of tools and sources to help determine our modern slavery risk. These include:

- Global databases such as the US Department of Labor List of Goods Produced by Forced Labor or Child Labour, Walk Free's Global Slavery Index and Verite's Forced Labour Commodity Atlas.
- Government, academic and NGO reports, including those published by the International Labor Organisation, the Australian and New Zealand governments, the Business and Human Rights Resource Centre and Anti-Slavery International.
- Media monitoring.
- Engagement with industry bodies.

Determining our role in relation to modern slavery risk

Our risk assessment and subsequent business response considers the levels of involvement a business may have in relation to adverse human rights impacts, from directly causing or contributing to adverse impacts, through to being linked to adverse impacts because of our business relationships. The table below explains how Fonterra's business activities or relationships could be linked to modern slavery risk.

Cause	An enterprise may cause modern slavery as a direct result of its own activities.	For example, a manufacturing worker at an owned or controlled site could be exploited and forced to work under duress or without pay.
Contribute	An enterprise may contribute to modern slavery through its activities or by facilitating or incentivising another party.	For example, if unreasonable requirements are placed on a supplier by a company, this may contribute to the supplier breaching labour standards to meet the requirements.
Directly linked	An enterprise may be directly linked to modern slavery through its business relationships, even if it has not directly contributed to those impacts.	For example, a company could unknowingly purchase ingredients or other materials sourced or produced using forced labour, which are then used in end products that are sold to customers and consumers.



Brown Farm, Bay of Plenty

Key risks across our operations and supply chain

We consider the risk of modern slavery in our direct operations to be low, based on the controls, policies, and procedures we have in place.

We believe our greatest exposure to modern slavery risk is through our extended supply chain, particularly in areas that have direct links to our operations, products, or services. We have also identified risk associated with a range of indirect goods and services in our supply chain, such as electronics, clothing, and personal protective equipment.

Our prioritised risks are outlined in more detail below.

Risk	Risk indicators	Our connection to the risk
Sourcing of raw milk from supplier dairy farms	Reliance on temporary or migrant labour Use of third-party recruitment Geographic isolation	Raw milk supply is a fundamental part of our supply chain. Most of our milk supply comes from New Zealand and Australia, where there is independently documented risk of worker exploitation and forced labour in the agricultural sector, particularly among migrant workers.
Sourcing of certain commodities for use as ingredients, packaging materials, stock feed and as fertilisers	Reliance on low-skilled labour Sourcing from high-risk geographies Complex, global supply chains with reliance on sub-contracting services	Some of the commodities we source are linked to sectors or regions with documented cases of human rights breaches and environmental degradation, including palm products, sugar, cocoa, timber-based products, and fertilisers.
Third-party manufacturing and distribution services	Reliance on low-skilled labour Locations in high-risk geographies Geographic isolation	We rely on a global network of third-party manufacturing and distribution services to help produce and distribute our products. Some of these operations are in geographies that are considered to have a higher risk of modern slavery.
Third-party catering, cleaning, security services and contingent labour	Reliance on temporary, low skilled or migrant labour Use of third-party recruitment Locations in high-risk geographies	We procure catering, cleaning and security services at our corporate offices and manufacturing sites. We also indirectly employ some workers through third-party agencies across our global business.
Merchandising and promotion services	Locations in high-risk geographies Use of third-party recruitment Reliance on low-skilled labour	We procure merchandising and promotional services, including indirect promotional staff, gifts and point of sale materials, in some markets with higher geographic risk of exploitation.

Taking action to address our modern slavery risks

Our actions to address modern slavery are guided by our due diligence framework (see page 9). We have four broad areas of focus:

- Having the right supporting policies and procedures in place.
- Ongoing assessment and engagement with suppliers.
- The development of risk-based action plans.
- Training and development for our people and suppliers.

Our policy framework

A key aspect of our mitigation activity is having a robust policy framework that provides clarity on our labour standards and respect for universally recognised human rights.

The table to the right describes the most relevant policies and standards related to our commitment to respecting human rights and how these are implemented in practice. Our key policies and standards are available on Fonterra.com.

Policy or standard	Purpose	Implementation
'The Way We Work' Code of Business Conduct	Sets out expected behaviours for our employees towards each other, our customers, and the wider community, and the expectation for our suppliers and business partners to uphold the standards and principles of the Code.	Our Code of Business Conduct is updated every second year and was last updated in November 2023. All new employees are provided with a copy of this Code, along with our other global policies. We also assign an annual e-learning about the Code to senior leaders and those in sensitive roles.
Global Ethical Behaviour Policy	Sets out our beliefs, commitments and expectations of employees in relation to ethical behaviour, including acting with integrity, honesty, and transparency.	This policy is updated every three years and was last updated in February 2024. It is supported by our ethical behaviour, conflict of interest, and employee lifecycle global standards. These detail our requirements for enabling a consistent and positive experience for all employees.
Global Health, Safety and Wellbeing Policy	Articulates our ambition to achieve zero harm for our people, including contractors and visitors to our sites, and communicates our commitment to fostering a culture of shared ownership for health, safety and wellbeing.	This policy is updated every three years and was last updated in February 2023. All employees have access to health, safety and wellbeing training and a range of supporting tools and resources, including mental health and wellbeing services such as EAP.
Respect for Legitimate Land Tenure Rights Position Statement	Recognises the rights (including the human rights) of legitimate land tenure holders and stands against illegal activities in our supply chain.	Shared with interested parties as needed and available on Fonterra.com
Supplier Sustainability Code of Practice	Sets out our expectations for suppliers to align with our values and codes of conduct, including upholding human rights and fair working conditions.	We published an updated Code in April 2024. The updated code is aligned with our internal policies and reflects international best practice and regulation. The Code is referenced in our supplier terms and conditions and master services agreements.
Forest and Agricultural Products Standard	Defines our requirements for sourcing and procuring forest and agricultural products, including our expectations of suppliers to respect human rights, protect the environment, and operate with transparency.	Launched as a new standard during 2023 to guide the ethical procurement of primary-linked commodities, including palm oil and palm products, timber and wood fibre products, maize, cocoa, coffee and soy. In FY24, we conducted a detailed risk assessment against our most material primary-linked commodities.

Engaging with our farmer suppliers

Farmers are at the heart of our Co-op and our approach is to work alongside them to help improve their practices, including those that support positive outcomes for people.

Farm Source is the connection point between our farmers and the Co-op. Working at a local level across the length and breadth of our farm base, these teams get alongside farmers to help them continue to lead the way in sustainable, efficient dairy farming.

Each year, Fonterra requires an approved Farm Dairy Assessor to carry out an annual assessment of each dairy farm and the wider property with a focus on structures, facilities, sanitation, environmental sustainability, animal health, treatment records, milk quality management system, farm dairy water, farm access and farm dairy presentation.

Setting expectations for supplying farms

Our Terms of Supply sets expectations for farmers when it comes to people, the environment, animal health and welfare, biosecurity, and food safety and quality. Failure to comply with the Terms of Supply has a range of consequences depending on the severity of the non-compliance. These may include increased on-farm audit frequency, undertaking corrective actions, financial penalties, placement under performance management, suspension of milk collection and notification to the relevant regulatory agency. The Terms of Supply also specify that farms must be compliant with all applicable legislation, including laws and regulations related to labour, employment, and health and safety.

We refresh our Terms of Supply on an annual basis and each new edition is approved by the Co-operative Relations Committee and is sent to our farmers in February, along with a list of substantive changes.

Australian farmers have a locally adapted version of the Terms of Supply. It sets similar expectations to, and is benchmarked against the New Zealand version, as well as incorporating local legislative requirements. Fonterra Australia also has a Farm Source professional in each region who is dedicated to supporting farmer suppliers on people management issues including farm labour obligations.

The Co-operative Difference

The Co-operative Difference framework recognises New Zealand farmers who have made positive changes on farm and encourages other farmers to do the same. It identifies and considers what we need to do today, what we need to be thinking about for tomorrow, and what we need to consider in the longer term so the Co-op can continue to meet its customer needs.

The five areas in the framework are: Milk, People and Community, Environment, Animals, and Co-operative and Prosperity. For each of these areas, ‘Our Core’ covers the things we can never afford to compromise on such as regulatory compliance, producing safe, high-quality milk and looking after people, animals and the environment.

The programme encourages farmers to consider how they engage with their workers and communities through taking the DairyNZ Workplace 360 assessment. This assessment helps to identify strengths and weaknesses in a work environment, shows opportunities for improvement, and helps monitor progress.

Completing a DairyNZ Workplace 360 assessment and achieving 100% on the foundational level is one of the criteria required for achieving the Te Pūtake level, or first level of performance. Farms reaching Te Pūtake are eligible to receive a Co-operative Difference payment of an extra 7 cents per kgMS on all milk supplied. Over 7,000 farmer suppliers have achieved at least Te Pūtake level.

Collaboration with partners

We have proudly partnered with the Rural Support Trust, a charity dedicated to helping rural communities in New Zealand, since 2022. The Trust provides a free and confidential employee information and support service, which can support on-farm workers with information about employment rights and living and working in New Zealand. It also provides a support line for farmer employers and helps facilitate good working relationships between employers and employees.

Fonterra is a member of the Sustainable Dairy Partnership (SDP), which is an industry collaboration aimed at driving continuous improvement in sustainability. Through this partnership, Fonterra reports annually using the Dairy Sustainability Framework, which includes minimum standards in relation to deforestation, human rights, animal welfare and legal compliance for procurement from farmers. These reports are available to customers and other stakeholders who are members of SDP. We also collaborate with industry on people-focused issues through DairyNZ and Dairy Australia. This includes membership of Dairy Australia's modern slavery working group.

Training and awareness

This year we conducted a comprehensive review and update of our employee e-learning on human rights, worker exploitation and modern slavery. The learning module guides employees through an essential overview of these important topics, Fonterra's approach and responsibility, and our expectations of our people. It also includes important information about how to spot the signs of worker exploitation and modern slavery. We deployed this e-learning to over 1,850 employees in FY24. Our target audience for this learning module was employees in leadership roles, as well as those in the procurement, farm source and people and culture functions.

We also provided modern slavery briefings to our procurement teams during FY24, as part of the launch of our updated Supplier Sustainability Code of Practice. These briefings included information about what modern slavery is, its global prevalence and how it can occur, and information about key risk indicators in our supply chain.

Our broader employee learning and development programme includes training that supports our respect for human rights, including understanding diversity, equity and inclusion, navigating unconscious bias, supporting mental health and wellbeing in the workplace, and employee relations.

Migrant worker exploitation in New Zealand and Australia's agriculture sectors

International workers play an important role in New Zealand and Australia's primary sectors by filling critical skills gaps and labour shortages. However, breaches of labour standards involving migrant workers employed in the dairy sector have been reported in both countries. Vulnerability among migrant workers can stem from a limited understanding of the local context, particularly legal rights, and this may be exacerbated by a lack of formal education and limited understanding of English.

In FY24, a New Zealand-based Fonterra farmer supplier was found to have breached New Zealand employment law and was subsequently fined NZD$215,000 for the exploitation of three migrant workers.

The breaches included not paying minimum wage or holiday pay, manipulating payslips, unlawful wage deductions and not keeping accurate wage records. As soon as Fonterra became aware of the Employment Relations Authority (ERA) investigation into this complaint, it put the supplier on notice under the Fonterra Terms of Supply. Final notice was issued to the supplier following the ERA's ruling and this farmer is no longer supplying milk to the Co-op.

There were no reported incidents of modern slavery or worker exploitation on our Australian-based or Sri Lankan-based supplier farms in FY24.

Engaging with our non-milk suppliers

We are proud of the strong relationships we have with the people and organisations that supply us with products and services to help us achieve our strategic goals. It's a great example of our purpose 'Tātou Tātou – Good Together' in action.

We launched an updated version of our Supplier Sustainability Code of Practice in April 2024. The Code sets out our expectation for suppliers to align with our values and policies, including our commitments to social and environmental responsibility. The Code was last updated in 2019. The underlying principles and commitments set out in the Code remain the same, but the expectations are more stringent than previous versions. The updates reflect alignment with Fonterra's policies and commitments, increasing customer and regulatory requirements, emerging legislation, and global best practice.

Identifying high risk suppliers

Our vendor risk management framework, which was launched in 2022, helps us better understand and manage the risks associated with our vendors, including those related to labour rights and working conditions. The framework, supported by an online portal and a robust business process, allows us to assess and manage our vendors in an efficient and consistent way, both during initial selection and on a proactive ongoing basis.

Our framework has primarily focused on new vendors and is expanding to existing vendors. Each new vendor is initially assessed by our procurement team. As part of this screening, we check if the vendor meets any of our risk indicators for modern slavery, such as operating in a high-risk geographical region or providing goods or services that have known modern slavery risks attached. If we assess that there is a risk of modern slavery, we request further, detailed information from the vendor to better understand the risk profile, and what steps they are taking to mitigate the identified risk and meet the standards set out in our Supplier Sustainability Code of Practice. This information is reviewed by our procurement team as well as internal subject matter experts. We will then work with the vendor to develop time-bound action plans if required. As of 31 July 2024, around 600 vendors had been assessed using the framework.

Access to grievance and remediation

We fund an independently administered whistleblower hotline (The Way We Work Hotline), facilitated by Deloitte. The hotline is available to all Fonterra stakeholders globally, including employees, farmers, suppliers and workers in our supply chain, with a confidential and anonymous channel (by phone, email, mail, or online) to report concerns about serious wrongdoing or behaviour that does not meet the standards described in The Way We Work Code of Business Conduct.

All reported concerns are initially reviewed by a Deloitte analyst who will summarise the information provided, consider its severity, and submit an anonymous report to Fonterra. Reported concerns and issues are then investigated by a senior Fonterra team not involved in the substance of the concern (eg. employment relations, internal audit, other specialist teams or, where appropriate, an external investigator) before appropriate action is taken. Timely updates are made available to the whistleblower through the hotline.

The Fonterra 'The Way We Work' Investigation Guidelines require that anyone who raises a complaint through the hotline is not victimised or punished for doing so and that all individuals involved be treated with sensitivity, respect and courtesy. We also take steps to ensure that strict confidentiality is maintained and that the subject of the complaint, and any witnesses, are protected from identification.

There were 38 disclosures to the hotline during FY24. This is an increase on FY23, where 30 disclosures were received. There were no disclosures related to modern slavery or worker exploitation in FY24.

Independent evaluation and certifications

Our manufacturing sites are subject to regular internal and third-party audits. Internal audits are conducted by employees independent of the site and are used to identify areas for improvement. Third-party audits give regulatory authorities and our customers independent assessments of our performance. For example, independent audits against the Sedex Member Ethical Trade Audit (SMETA) standard for labour practices, environment, health and safety and business practices are required by some of our customers.

Other customers require us to undertake an annual assessment by EcoVadis. EcoVadis is a third-party risk management platform that allows organisations to assess suppliers on their ESG (environmental, social and governance) performance. It provides a globally recognised assessment and rating. We received a Gold medal from EcoVadis in FY24, which places Fonterra in the top 5% of companies assessed by EcoVadis in the past 12 months.

Tracking the effectiveness of our actions

We are focused on building and maintaining an effective due diligence programme that helps us proactively manage modern slavery risk in line with global best practice and standards.

This year, we undertook a complete review of our modern slavery due diligence approach. This found that while we have established a good foundation for managing the risk of modern slavery, we also have areas for improvement, including:

- formalising our due diligence framework
- improving internal governance and cross-functional ownership
- increasing capability and engagement
- updating and expanding our impact assessment so that we have an up-to-date view of risk.

The table to the right outlines how we monitor effectiveness and progress against the key pillars of our due diligence programme.

We acknowledge that there is more to learn and do to prevent modern slavery from occurring in our supply chain. We will continue to monitor the effectiveness of our actions and continuously identify opportunities to improve. The next section outlines more information about our focus areas for FY25.

Due diligence pillar	What good looks like	Our FY24 performance
Leadership and governance	There is clear accountability for modern slavery at an executive level and regular reporting through to the Fonterra Board.	Our Managing Director, Co-operative Affairs and Managing Director, People and Culture are accountable for our modern slavery due diligence programme. In FY24, we established a new Modern Slavery Steering Committee to provide senior day-to-day oversight of the programme and reporting. The Steering Committee was established in February 2024 and met monthly between March and July 2024. Regular updates were provided to Fonterra Management and the People, Culture and Safety Committee.
Impact assessment	Regular risk assessments are undertaken, and these consider the severity, scale and scope of the impact as well as our degree of responsibility. Appropriate actions plans are developed in response to our risk assessments.	We updated our risk assessment in FY24, with a focus on our upstream supply chain. We prioritised directly linked modern slavery and worker exploitation risks for further due diligence in FY25. We note that a best practice approach to human rights due diligence is broader in scope, and we will look to expand our assessment refresh to review all human rights in the future.
Mitigation	Policies and procedures are reviewed on a regular basis and modern slavery risks are integrated into systems and strategies. We have effective supplier engagement programmes and provide appropriate training and capability building for our teams.	Our policies and procedures are regularly reviewed by our governance team and subject matter experts. In FY24, we conducted a gap analysis on our human rights-related policies and procedures and identified opportunities to better communicate our respect for human rights and expectations of our people. These updates will made as part of our FY25 work programme. We updated our human rights e-learning and deployed this as a required learning to over 1,850 employees. The deployment of the e-learning does not extend to all of our employees as we believe a tailored approach is best. Part of our future due diligence efforts will include developing training programmes for our waged employees and those operating in markets where English may be a second language.
Remediation	We have appropriate remediation systems in place for impacted workers and collaborate with stakeholders to address modern slavery risk.	Our global whistleblower hotline is our primary mechanism for stakeholders to raise any concerns about modern slavery or other human rights breaches in our operations or supply chain. We understand that impacted workers may not be aware of our hotline and have begun to scope opportunities to improve access to grievance mechanisms with our partners. This work will continue in FY25.
Monitoring and reporting	We regularly track our actions and their effectiveness, feeding any learnings into our ways of working. We communicate regularly with our stakeholders.	We undertook a detailed review of our overall due diligence approach and reporting in the first half of FY24 and this has directly informed our annual activity and FY25 plans.

Looking ahead

Preventing and addressing modern slavery risk is part of an ongoing journey. As such, we are committed to developing and enhancing all aspects of our approach to modern slavery and broader human rights due diligence.

Our focus for the coming year will include:

- Providing more information and support to our farmers to help them enhance the experience they provide their own employees.
- Better articulating our values and expectations of farmer suppliers when it comes to respecting human rights and promoting fair working conditions.
- Refreshing our policies and standards to better reflect our respect for human rights and the expectations we have of our employees and partners.
- Enhancing our external monitoring so we can readily respond to actual or potential human rights breaches in our supply chain.
- Conducting further due diligence on suppliers that have been identified as high risk for modern slavery and worker exploitation.
- Continuing to implement our third-party vendor risk management programme.
- Continuing to build internal capability and awareness.
- Continuing to provide workers with access to grievance and remediation.


Michael & Kimberly, Southland

Appendix: Compliance with the Australian Modern Slavery Act 2018 requirements

Mandatory reporting criteria	Location of information
Identify the reporting entity	Contents – page 2 Our structure, operations and supply chain – page 4
Describe the reporting entity's structure, operations and supply chains	Our structure, operations and supply chain – page 4 Governance and approach – page 8
Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls	Modern slavery risks across our operations and supply chain – page 10
Describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediation processes	Taking action to address modern slavery risks – page 13 Governance and approach – page 8 Looking ahead – page 18
Describe how the reporting entity assesses the effectiveness of such actions	Tracking the effectiveness of our actions – page 17
Describe the process of consultation with any entities that the reporting entity owns or controls	Governance and approach – page 8
Any other information that the reporting entity, or the entity giving the statement, considers relevant	Message from the CEO and Chair of the Board – page 3 Looking ahead – page 18

Modern Slavery Statement 2024

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Dairy for life

Fonterra Co-operative Group Limited

Distribution Notice

Section 1: Issuer information				
Name of issuer	Fonterra Co-operative Group Limited			
Financial product name/description	Fonterra Co-operative Group Limited Shares			
NZX ticker code	FCG			
ISIN (If unknown, check on NZX website)	NZFCGE0001S7			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year	X	Quarterly	
	Half Year		Special	
	DRP applies			
Record date	2/10/2024			
Ex-Date (one business day before the Record Date)	1/10/2024			
Payment date (and allotment date for DRP)	11/10/2024			
Total monies associated with the distribution[1]	$401,773,794			
Source of distribution (for example, retained earnings)	Retained earnings			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution[2]	$0.25000000			
Gross taxable amount [3]	$0.25000000			
Total cash distribution[4]	$0.25000000			
Excluded amount (applicable to listed PIEs)	Not Applicable			
Supplementary distribution amount	Not Applicable			

[1] Based on the number of units on issue at the date of the form

[2] "Gross distribution" is the total cash distribution plus the amount of imputation credits, per financial product, before the deduction of Resident Withholding Tax (**RWT**).

[3] "Gross taxable amount" is the gross distribution minus any excluded income.

[4] "Total cash distribution" is the cash distribution excluding imputation credits, per financial product, before the deduction of RWT. This should *include* any excluded amounts, where applicable to listed PIEs.

Section 3: Imputation credits and Resident Withholding Tax[5]		
Is the distribution imputed	~~Fully imputed~~	
	~~Partial imputation~~	
	No imputation	
If fully or partially imputed, please state imputation rate as % applied[6]	Not Applicable	
Imputation tax credits per financial product	Not Applicable	
Resident Withholding Tax per financial product	0.08250000	
Section 4: Distribution re-investment plan (if applicable)		
DRP % discount (if any)	Not Applicable	
Start date and end date for determining market price for DRP	Not Applicable	Not Applicable
Date strike price to be announced (if not available at this time)	Not Applicable	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	Not Applicable	
DRP strike price per financial product	Not Applicable	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	Not Applicable	
Section 5: Authority for this announcement		
Name of person authorised to make this announcement	Anya Wicks	
Contact person for this announcement	Anya Wicks	
Contact phone number	(09) 374 9341	
Contact email address	Anya.wicks@fonterra.com	
Date of release through MAP	25/09/2024	

[5] The imputation credits plus the RWT amount is 33% of the gross taxable amount for the purposes of this form. If the distribution is fully imputed the imputation credits will be 28% of the gross taxable amount with remaining 5% being RWT. This does not constitute advice as to whether or not RWT needs to be withheld.
[6] Calculated as (imputation credits/gross taxable amount) x 100. Fully imputed dividends will be 28% as a % rate applied.

Fonterra Co-operative Group Limited

Distribution Notice

Section 1: Issuer information				
Name of issuer	Fonterra Co-operative Group Limited			
Financial product name/description	Fonterra Co-operative Group Limited Shares			
NZX ticker code	FCG			
ISIN (If unknown, check on NZX website)	NZFCGE0001S7			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year		Quarterly	
	Half Year		Special	X
	DRP applies			
Record date	2/10/2024			
Ex-Date (one business day before the Record Date)	1/10/2024			
Payment date (and allotment date for DRP)	11/10/2024			
Total monies associated with the distribution[1]	$241,064,277			
Source of distribution (for example, retained earnings)	Retained earnings			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution[2]	$0.15000000			
Gross taxable amount [3]	$0.15000000			
Total cash distribution[4]	$0.15000000			
Excluded amount (applicable to listed PIEs)	Not Applicable			
Supplementary distribution amount	Not Applicable			

[1] Based on the number of units on issue at the date of the form
[2] "Gross distribution" is the total cash distribution plus the amount of imputation credits, per financial product, before the deduction of Resident Withholding Tax (**RWT**).
[3] "Gross taxable amount" is the gross distribution minus any excluded income.
[4] "Total cash distribution" is the cash distribution excluding imputation credits, per financial product, before the deduction of RWT. This should *include* any excluded amounts, where applicable to listed PIEs.

Section 3: Imputation credits and Resident Withholding Tax[5]		
Is the distribution imputed	~~Fully imputed~~	
	~~Partial imputation~~	
	No imputation	
If fully or partially imputed, please state imputation rate as % applied[6]	Not Applicable	
Imputation tax credits per financial product	Not Applicable	
Resident Withholding Tax per financial product	0.04950000	
Section 4: Distribution re-investment plan (if applicable)		
DRP % discount (if any)	Not Applicable	
Start date and end date for determining market price for DRP	Not Applicable	Not Applicable
Date strike price to be announced (if not available at this time)	Not Applicable	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	Not Applicable	
DRP strike price per financial product	Not Applicable	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	Not Applicable	
Section 5: Authority for this announcement		
Name of person authorised to make this announcement	Anya Wicks	
Contact person for this announcement	Anya Wicks	
Contact phone number	(09) 374 9341	
Contact email address	Anya.wicks@fonterra.com	
Date of release through MAP	25/09/2024	

[5] The imputation credits plus the RWT amount is 33% of the gross taxable amount for the purposes of this form. If the distribution is fully imputed the imputation credits will be 28% of the gross taxable amount with remaining 5% being RWT. This does not constitute advice as to whether or not RWT needs to be withheld.
[6] Calculated as (imputation credits/gross taxable amount) x 100. Fully imputed dividends will be 28% as a % rate applied.