FONTERRA ANNUAL MEETING
9 DECEMBER 2021
CHAIRMAN'S ADDRESS

Before going into the formal business of the meeting we will take a look back at the year that's been and how 2022 is shaping up.

In a few minutes I'll ask Miles to come up and share his perspective, along with a short summary of the Co-op's financial performance over the past year.

From my perspective, our Co-op ends 2021 in a strong position on a range of fronts – our financial results, the implementation of our strategy, and just as importantly to me, our relationship with you, our owners.

Despite all of the disruption here at home and out in our global markets, our Co-op has performed well over the past year, demonstrating the value of a New Zealand owned Co-operative of scale.

Fonterra's scale gives us a level of optionality that is unique in New Zealand dairy.
It enables us to manage risk and uncertainty on behalf of our kiwi farming families.
We have benefited greatly from our ability to move your milk between the markets, categories and products that deliver the most value.

Miles and his team did a great job of leveraging this strength to deliver a strong financial performance this year, especially given the difficult COVID-19 operating environment.

For a lot of our team members, 2021 has been incredibly tough. Many of our international team are working away from home, or in densely populated cities where COVID is rife.

I'd like to use this opportunity to say a simple thank you to all of our international team on behalf of us farmers.

The hard work and commitment of all our people was reflected in our key 2021 financial results:

- A final farmgate Milk Price of $7.54, which exceeded our opening forecast for the year.
- Net debt is down $872 million this year to be $3.8 billion, bringing our gearing ratio down to just under 36%.
- Our Total Group normalised EBIT – which reflects the underlying performance of the business – was up 8% to $952 million.
- And normalised earnings per share was 34 cents, leading to total dividend payments of 20 cents for the year.

It was a strong performance under the circumstances, and we've carried that momentum into the first quarter of the new financial year, which Miles will talk to in a moment.

To a large extent, we are now seeing the benefits of changes we have made to the Co-op's culture, which started more than 3 years ago.

Within the management team, that has been led by Miles.

He took on the CEO role at an incredibly difficult time for our Co-operative and has not shied away from making some tough decisions. I'd like to acknowledge his continued leadership.

At the same time, the Board has been addressing its governance culture.
We have sought to realign Fonterra's strategic objectives with its purpose and to better align our risk appetite to that of our shareholders.

We have adjusted our dividend policy, debt targets, and risk appetite statement to be more conservative and strengthen our balance sheet.

That gives us options, as we consider the future and look to grow.

As we complete our business reset, we have turned our attention to the next phase of our strategy, which is to focus on growing value.

In September we released our long-term strategy. If you haven't read the strategy booklet yet, I'd encourage you to do so.

Within it we outline the strategic choices we have made to grow value by making the most of our competitive advantages, reducing our exposure to risks outside of our control and ultimately making our business more sustainable for generations to come.

The strategic direction we have articulated is inherently based on successful changes to our capital structure – which are necessary if we are to maintain the sustainable access to high-quality milk that our strategy, and financial goals are predicated on.

We've looked out to 2030 and can see an exciting future for New Zealand dairy.
At a time when total New Zealand milk supply faces a likely decline, or be flat at best, the world has come calling for more of our sustainably produced milk.

The milk supply pressures we face in New Zealand are not unique to Fonterra.
So, we are looking at a future where you have a highly sought-after product and an increasingly scarce supply. That smells like value to me.

And it's important that we achieve higher value for our milk, as we all look to offset the rising input costs we face on-farm.

In-line with the strategy, our future growth initiatives will look different to how the Co-op has operated in the past.

Exercising a more conservative approach to risk, we will approve capital allocation with more rigour, for a series of investments, rather than betting the farm on one or two big plays.

We believe innovation, research and development, and collaborations with strategic partners are critical to our strategy.

Allocating funding and resources for those initiatives is a priority for the Board.

Out to 2030, we aim to approve funding of $1 billion into moving milk into higher value products within our core business of Ingredients and Foodservice.

And will make $2 billion available for investment into a mix of further growth – including opportunities for nutrition science – and potential returns to shareholders subject to the capital structure outcome.

We also see a significant opportunity to develop and monetize our intellectual property and dairy knowhow that is hugely valuable to our customers.

As I said earlier, the future for New Zealand dairy is exciting.

But we are not being naïve about the very real challenges we all have in front of us right now.

One of my mentors, a former Dairy Board Director often said to me: “Peter, things are never as good as they look, but they’re never as bad as they seem. Take a long-term view”.

I think it’s a pretty powerful message for dairy farmers right now.

Despite the Co-op’s improved performance, I know many of our farmers feel under enormous pressure.

The rate of change on-farm, COVID, labour shortages, and environmental reforms have pushed many farmers into protest, and others out of the industry.

Some of that change is being driven by regulation.

More so, it is being driven by consumer, customer and community expectations.

Last year one of our customers stopped doing business with 47 of their suppliers because they did not meet their sustainability standards and these suppliers couldn’t help them achieve their future sustainability targets.

We need to learn to live with constant change. “The only constant in life is change.”
An industry that understands consumer insights and has a customer orientation will ultimately be successful.

Coordinated change at a national level is also necessary if we want to keep the commercial competitive advantage that comes with being the world’s most carbon efficient dairy farmers.

I've heard Miles say before that, if the world can develop a vaccine for COVID in a matter of months, surely with the same level of attention and resources we can develop solutions for the other changes we face.

I share his confidence.

At the heart of this is a question for us as a country: do we believe in our future as a food and fibre nation?

If we decide yes, then we need to start investing in the future of our food and fibre sector at a level commensurate with the fact that the sector accounted for 79% of New Zealand's merchandise exports in 2021.

Through a science-backed approach and nationally coordinated investment, together both industry and Government can solve our significant challenges of methane and water quality, while continuing to grow the sector's export earnings at a sustainable pace.

Fonterra will do our bit.

One of the responsibilities of being a national co-operative of scale is having a meaningful voice in conversations with the Government about realistic timeframes for the changes that are needed.

Our scale also affords us the mandate and resources to be part of the search for solutions on behalf of farmers.

That's why, as part of our long-term strategy, we announced our intention to approve funding of $1 billion for sustainability initiatives to meet the Co-op's environmental commitments and develop more sustainable offerings for customers.

We also announced an intention to increase spending on research and development to approximately $160 million a year by 2030, that's a 50% increase on today.

In closing, I'd like to thank all of our farmers and shareholders for their loyalty and commitment over the past year.

We have needed to make some more big decisions this year, and I acknowledge the uncertainty that has created, and the impact some of those decisions have had on all shareholders.

But they have us well placed to take advantage of favourable industry dynamics and focused on delivering on our full potential.

I'd now like to pass over to Miles for a recap of the financial year and his perspective on the Co-op's progress since those numbers were announced.

FONTERRA ANNUAL MEETING
9 DECEMBER 2021
CHIEF EXECUTIVE OFFICER'S ADDRESS

E ngā Mana / e ngā reo
Tēna koutou / tēna koutou / tēna koutou katoa
Nau mai / haere mai / ki te hui a tau.
Ka mihi / ki ngā mate
Haere / haere / haere atu ra.
Ko tatou / te hunga ora / e tau nei.
Ka mihi Ki te hau kainga Ngai Tahu
No reira / Tēna koutou / Tēna koutou / Tēna koutou katoa.

I would like to reiterate Tiaki and Peter's words of welcome and acknowledge those who have passed away during the year.

I would also like to acknowledge Ngai Tahu as the host iwi in Invercargill.

There's three important topics I would like to cover today – a summary of our performance in 2021, our long-term strategy and how 2022 is shaping up.

So, let's get into it.

We saw strong performance across all our key metrics last year, and this included people, environment and financial.

From a people perspective, our engagement with employees, farmers and customers improved.

From an environmental perspective, we reduced our carbon emissions from coal by more than 11%, as Te Awamutu completed its first season using renewable wood pellets.

I also appreciate that on-farm you have done a huge amount too – so thank you.

From a financial perspective, Peter has already mentioned the key numbers.

But to recap we improved our earnings at the same time as delivering a $7.54 milk price.

We showed that, to a point, we can have solid earnings and a decent milk price.
We also continued to reduce our debt and achieved our target debt to EBITDA ratio of 2.7x.

That's a significant milestone for our Co-op – it shows that the focus on financial discipline is paying off.

We've got our balance sheet back into a more healthy position and this allows us to look more to the future.

And, as an intergenerational business, that's incredibly important.

We leaned on a number of the Co-op's strengths to get us to this position.

And these strengths have been invaluable as we've faced into the challenges and flow on effects of COVID-19.

The first strength which I would like to talk about today is our New Zealand manufacturing network and the team that operates them.

The network gives us a huge amount of optionality in terms of the products we can make.

And our people are focused on driving efficiency and improving performance at each of our plants.

This continuous improvement creates more value which flows through into the Farmgate Milk Price.

What you see on this slide is some of the ways we measure our efficiency at our sites.

I won't dive into the detail, but the key point is, for the last few years, these measures have been trending in the right direction.

Another huge asset in our Co-operative is our diversification across channels and markets.

Last year our volumes and EBIT were more or less evenly split across our three regions and channels.

This diversification allows us to allocate milk into the products and markets that generate the best overall returns for the Co-op.

In 2021 this saw us allocate less milk to AMENA and more milk to Greater China and parts of Asia Pacific and we did this because that's where demand was the strongest.

Our third strength, or asset, is our global supply chain – including Kotahi, which is our joint venture with Silver Fern Farms.

It's because of our scale that Kotahi could partner with Maersk shipping line and the Port of Tauranga.

And it's because of this partnership that our Co-op could continue to get product to our customers last year.

With all the disruptions to the global supply chain this was something our customers didn't take for granted and we saw this reflected in both milk price and earnings.

2021 also saw our Co-op make the most of what our farmer owners and employees have built over the years – that's a New Zealand co-op which has scale and optionality and can compete internationally.

We can now look out to the future and give clarity about where we want to be in 2030 and the kind of value growth we're going after.

So, let's take a look at that…

The first thing I would say about the future is the fundamentals of dairy – in particular, New Zealand dairy – look strong.

And you're seeing that play out this year.

We know the world's population is growing and living longer.

Asia's middle class is rapidly increasing – they want more protein and more convenience in their life.

People are more aware than ever of the links between nutrition and health.

Put simply, the world wants what we've got – sustainably produced, high-quality, nutritious milk.

This comes at a time when we see milk supply in New Zealand likely to decline or be flat at best.

On one hand, this requires the right capital structure to help ensure we don't lose the benefits of what generations of farmers have built before us.

But on the other hand, it gives us more options to be selective about what we do with your Co-op's milk.

In doing so, we are confident we can increase the value we generate over the next decade.

To make this happen we have made three strategic choices – continue to focus on New Zealand milk, be a leader in sustainability and be a leader in dairy innovation and science.

We've heavily stress tested these choices and know they can give us a competitive edge, mitigate risks and position us to have a sustainable future well beyond 2030.

We believe New Zealand milk is the most valuable milk in the world due to our grass-fed farming model, which means our milk has a carbon footprint around 70% lower than the global average.

We have an opportunity to differentiate New Zealand milk further by focusing our capital here.

That’s why we’ve started a divestment process for our Soprole and Prolosur businesses in Chile and also why we’re looking at various ownership options for Fonterra Australia.

By successfully completing these processes – and also continuing to hit our business targets – we intend to return a significant portion of the net sale proceeds from these transactions to our shareholders and unit holders by FY24.

We will direct some of our capital towards improving our sustainability.

As I mentioned earlier, we already have a unique low-carbon position.

When I was talking with CEOs and other industry leaders in Europe recently, it was very clear that sustainability is also the top of their lists.

They all recognise that it’s increasingly a ticket to the game and an important competitive advantage.

Customers want to know where their food comes from and the environmental impact it leaves.

This is why we have an aspiration for our Co-op to be net zero carbon by 2050.

It’s also why over the next decade we will invest around $1 billion in reducing carbon emissions and improving water efficiency and treatment at our manufacturing sites.

We also know that to maintain our carbon footprint advantage against the northern hemisphere we must look to solve the methane puzzle.

Our investment in sustainability will allow us to tell a compelling New Zealand sustainable nutrition story through our brands.

This in turn will support growth in Foodservice and momentum in our Consumer channel across our key markets.

It will also allow us to gain more value through our Ingredients channel by helping customers meet their own sustainability goals.

Another area where we will invest to differentiate our Co-op’s New Zealand milk is in carving out a leadership position in dairy innovation and science.

Our Co-op has a long and proud heritage of dairy innovation.

We are building on this and developing new solutions which aim to solve problems our customers face in their operations and help people live healthier and longer lives.

Being a leader in dairy innovation and science will require us to increase our investment in R&D and innovation, as Peter has already talked to.

This will be used to develop more products to reach new customers and make the most of opportunities in Active Living.

But we also believe that the next phase of the nutrition journey is just being discovered.

Food has evolved over many years from a simple energy source towards what consumers of today are looking for – taste, convenience and pleasure.

We are now seeing that some types of food, like dairy, could help answer many of life's challenges – such as immunity, cognition and even stress.

And when you combine these benefits with technology and data we've got something really powerful.

It's an area called Nutrition Science.

We believe it could unlock more value from our specialty ingredients.

And to help us narrow down and prioritise where we can build a competitive advantage, we have set up a small dedicated team.

By taking this path and focusing on New Zealand milk, sustainability and dairy innovation, we are going after a number of key value targets at the same time as a sustainable milk price.

We're aiming for a 40-50% increase in operating profit from FY21.

With the reduced interest from having less debt, this should give us the ability to steadily increase dividends to around 40-45 cents per share by FY30.

And by 2030, we're also targeting a Group Return on Capital of 9-10%, up from 6,6% in 2021.

Peter has talked about the capital investment that's sitting behind these targets and you can see that on this slide.

But I also want to highlight that through our planned divestments and improved earnings, we also intend to return about $1 billion or 60 cents per share to shareholders and unit holders by FY24.

We're also intending to make available around $2 billion for a mix of investment in further growth and potential returns to shareholders.

Because these targets go out to 2030, we've had to make a number of assumptions and, as is always the case in the global markets, there is risk and uncertainty which could mean our actual results are different – but these targets are what we are all aiming for.

Every year we need to steadily put in place the building blocks to get us there.

With this in mind, we've got four priorities this year:

We need to make the shift from a reset to growth.

We will progress the work to divest our integrated Chilean business and prepare the process of deciding the most appropriate ownership structure for Fonterra Australia.

We also need to narrow down and prioritise the areas within Nutrition Science Solutions where we believe we can build a competitive advantage.

And, of course, we need to keep hitting our environment, people and business performance targets.

And we're off to a good start.

For example, we've formed a dairy science collaboration with Vitakey to further unlock the benefits of our probiotic strains.

Vitakey specialises delivering the right nutrients to the right part of the body at the right time.

We've also made good progress in finding a solution to the challenge of on-farm emissions.

We have been working on Kowbucha™, a probiotic which could switch off the bugs that create methane in cows. Initial lab results have been promising, showing a 50% reduction in methane, and we're now at the stage of trialling it on farm.

We're progressing with the divestment of our Chilean business and the ownership review of Australia.

And you would have seen we delivered $190 million of EBIT in Q1.

We've also lifted and narrowed the forecast Farmgate Milk Price range to $8.40 - $9.00 per kgMS.

This increases the midpoint of the range to NZD $8.70 per kgMS.

The higher milk price saw the Co-op revise its earnings guidance to 25-35 cents per share from 25-40 cents per share as margins come under pressure.

As we move through the year, we will continue to be faced with the challenge of COVID but the team and I will stay focused on our four priorities, keeping an eye on today but also looking out to the future.

Let's keep working together. Thank you.

Nō reira,/ me uu tātou / ki te kōrero / tātou, tātou
Tēna koutou
Tēna koutou

Tēna koutou katoa

Thank you and I will now hand back to Peter.

Fonterra
Dairy for life

Fonterra Co-operative Group Limited
Annual Meeting 2021

ILT Stadium Southland, Invercargill
9 December 2021

Agenda

Welcome

Chairman’s Review

Chief Executive Officer’s Address

Agenda

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Approval of remuneration of Shareholder Elected Directors

Resolution 2

Approval of remuneration of Co-operative Councillors

Resolution 3

Approval of remuneration of Members of Directors' Remuneration Committee

Resolution 4

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

Resolution 5

Ratification of appointment of Mr Clinton Dines

Agenda

Resolution 6 — Approval of Milk Price Panel related amendments to the Constitution

Resolution 7 — Approval of Governance and Representation Review related amendments to the Constitution and the Co-operative Council By-laws

Resolution 8 — Approval of 2020 Review of Council related amendments to the Constitution and the Co-operative Council By-laws

Co-operative Council Report – James Barron

Resolution 9 — Approval of the Co-operative Council programme and budget

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General Business

Closing


Fonterra
Dairy for life
Fonterra Co-operative Group Limited
Annual Meeting 2021

Chairman's Address

Peter McBride

Chief Executive Officer’s Address

Miles Hurrell

Delivered strong results across the Co-op in 2021

Stakeholder engagement up

Employee, farmer and customer engagement scores up

Progress on emissions

Reduced carbon emissions from coal use by more than 11%

Earnings and Dividend[1]

34c
Normalised EPS

Dividend
20c

Farmgate Milk Price

$7.54 per kgMS

Debt down, within target range

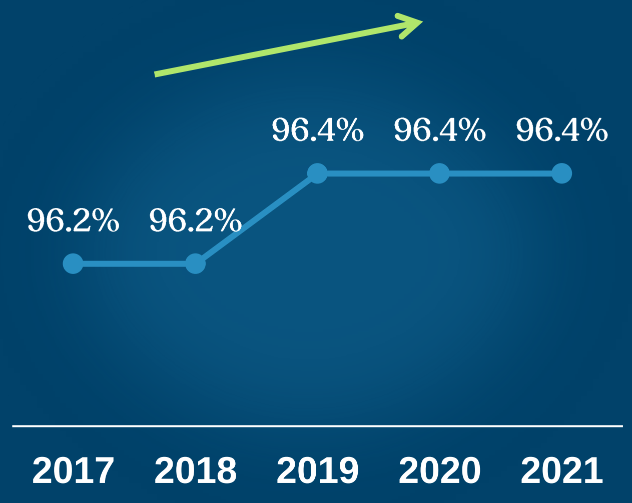
Net debt down
$872m

Gearing ratio[2] of 36%, down from 41%

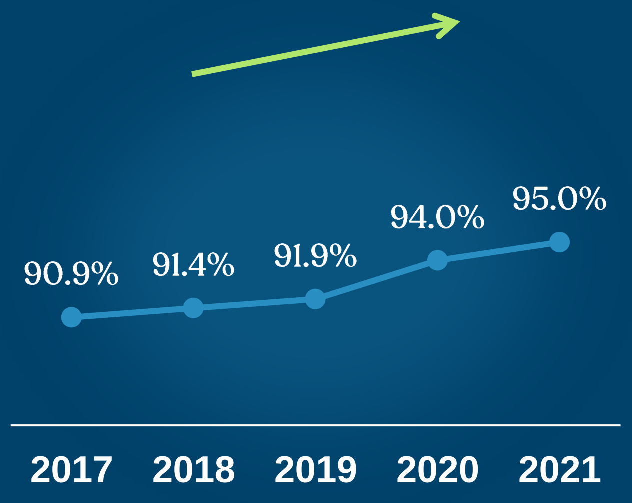
1. Attributable to equity holders of the Co-operative, excludes non-controlling interest
2. Economic net interest-bearing debt (ENIBD) gearing ratio, refer to Glossary for definition

Improved New Zealand manufacturing performance

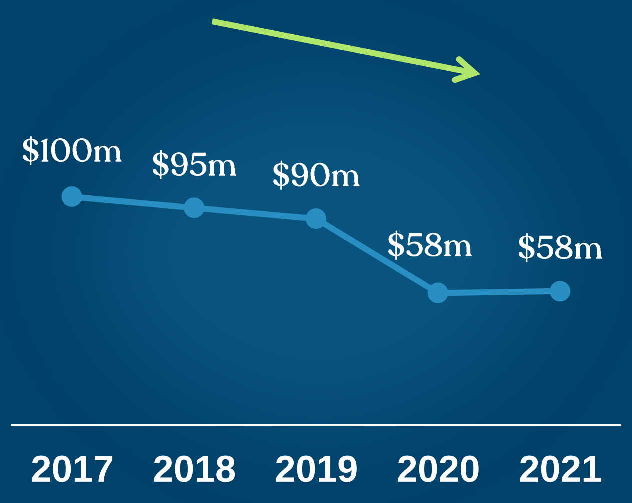
Milk Utilisation



Made Right First Time



Cost of Quality



Note: Metrics are for the year ended 31 July

Diversified across markets and products

	Asia Pacific	AMENA	Greater China	Total
Volume ('000 MT)[1]	1,386 ↓ 1%	1,352 ↓ 6%	1,176 ↑ 15%	3,914 ↑ 1%
EBIT contribution[1,2]				
Ingredients	$44m ↓ 70%	$211m ↓ 47%	$130m ↓ 27%	$385m ↓ 47%
Foodservice	$79m ↑ 193%	$15m ↑ -	$275m ↑ 23%	$369m ↑ 51%
Consumer	$182m ↑ 184%	$110m ↑ 57%	$(2)m ↑ 94%	$290m ↑ 196%
Total	$305m ↑ 28%	$336m ↓ 28%	$403m ↑ 10%	

Note: Figures are for the year ended 31 July 2021. Comparative information has been restated for consistency with the current period, and FY21 quarterly breakdown has been restated for increased accuracy of attribution

1. Prepared on a normalised Continuing Operations basis. Normalised EBIT contributions sum to $1,044 million, and does not align to reported Continuing Operations due to excluding unallocated costs and eliminations
2. Inclusive of Group Operations' EBIT attribution

Our robust supply chain provides value to customers, farmers and New Zealand

The fundamentals of dairy are strong

The world's population is growing[1]

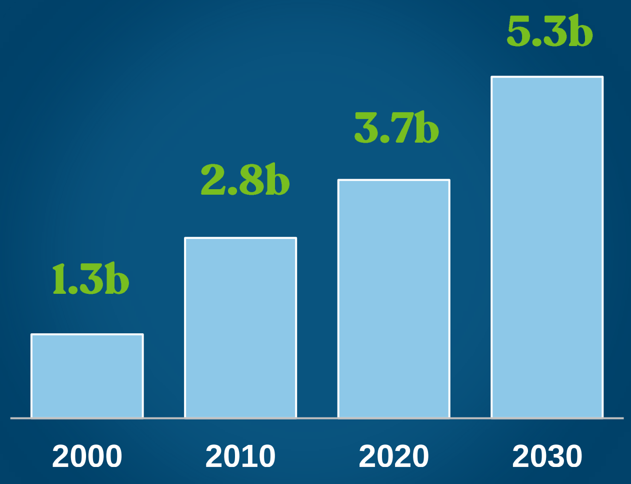
NEXT 5 YEARS
400m

NEXT 10 YEARS
800m

NEXT 15 YEARS
1100m

There will be more people needing nutrition.

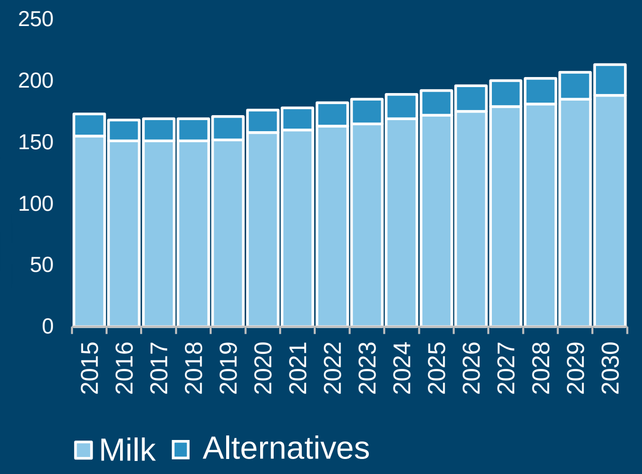
The world's middle class is growing – there will be more people able to afford dairy and wanting to consume it[1]



The world wants sustainably produced, high-quality, nutritious milk.

Global market share of retail drinking milk products and alternatives[2]

By retail value RSP (US$b)



Global demand for dairy is expected to continue to increase by about 2% per annum out to 2030[3].

This comes at a time when we see milk supply in New Zealand as likely to decline, and flat at best.

1. Oxford Economics (www.oxfordeconomics.com) – Global Economics Databank, August 2021. Estimate based on earning 2X median household income.
2. Euromonitor International (www.euromonitor.com) – Euromonitor Passport, August 2021.
3. IFCN Dairy Research Network (www.ifcndairy.org) – IFCN Annual Dairy Sector Data with Long Term Outlook, September 2021.

To differentiate New Zealand milk, we have made three strategic choices

Focus on
New Zealand milk

Be a leader in
sustainability

Be a leader in dairy
innovation and
science

The value targets we are aiming to achieve by 2030

$6.50-$7.50
per kgMS
Average Farmgate Milk Price range for the decade

40-50%
Increase in operating profit from FY21

~9-10%
Group Return on Capital, up from 6.6% in FY21

~$1b
Invested in sustainability

~$1b
Invested in moving milk to higher value products

~$1b
Intended to be distributed to shareholders by FY24 after asset sales

~$2b
Available for investment in a mix of further growth and return to shareholders

Note: *The figures on this slide are targets that we are aiming to achieve only. They should not be taken as forecasts or as a guarantee of returns to shareholders. They are subject to successfully completing a number of business initiatives, and assumptions, each of which could materially affect the actual outcomes. The key assumptions and risks relating to these targets are set out in the Appendix of the booklet titled Our Path to 2030. Please also refer to the important cautions and disclaimer at the beginning of this presentation.*

2022 priorities

1. Make the shift from a reset to value growth.

2. Progress the work to divest our integrated Chilean business and prepare the process of deciding the most appropriate ownership model for Fonterra Australia.

3. Narrow down and prioritise the areas within Nutrition Science Solutions where we can build a competitive advantage.

4. Keep hitting our environment, people and business performance targets.

First quarter progress

Vitakey collaboration to unlock the benefits of probiotics

Kowbucha™ moves to on farm trials after showing a methane reduction of up to 50% in the lab

Making good progress with the divestment of **Chilean business and ownership review of the Australian business**

EBIT of **$190 million** delivered in Q1, despite a significantly higher milk price

Forecast Farmgate Milk Price range **$8.40 – $9.00** per kgMS

Full year earnings guidance of **25-35 cents per share**

Fonterra
Dairy for life

Fonterra Co-operative Group Limited

Annual Meeting 2021

Resolution 1

Approval of remuneration of Shareholder Elected Directors

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FONTERRA
CO-OPERATIVE
COUNCIL

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Resolution 8

Approval of 2020 Review of Council related amendments to the Constitution and the Co-operative Council By-laws

FONTERRA
CO-OPERATIVE
COUNCIL

Chairman - Fonterra Co-operative Council

James Barron

Resolution 9

Approval of the Co-operative Council programme and budget

Fonterra Co-operative Group Limited

Annual Meeting 2021

General Business

Fonterra Co-operative Group Limited

Annual Meeting 2021