Fonterra Shareholders' Fund 2021 Annual Meeting

13 December 2021

John Shewan

Chair

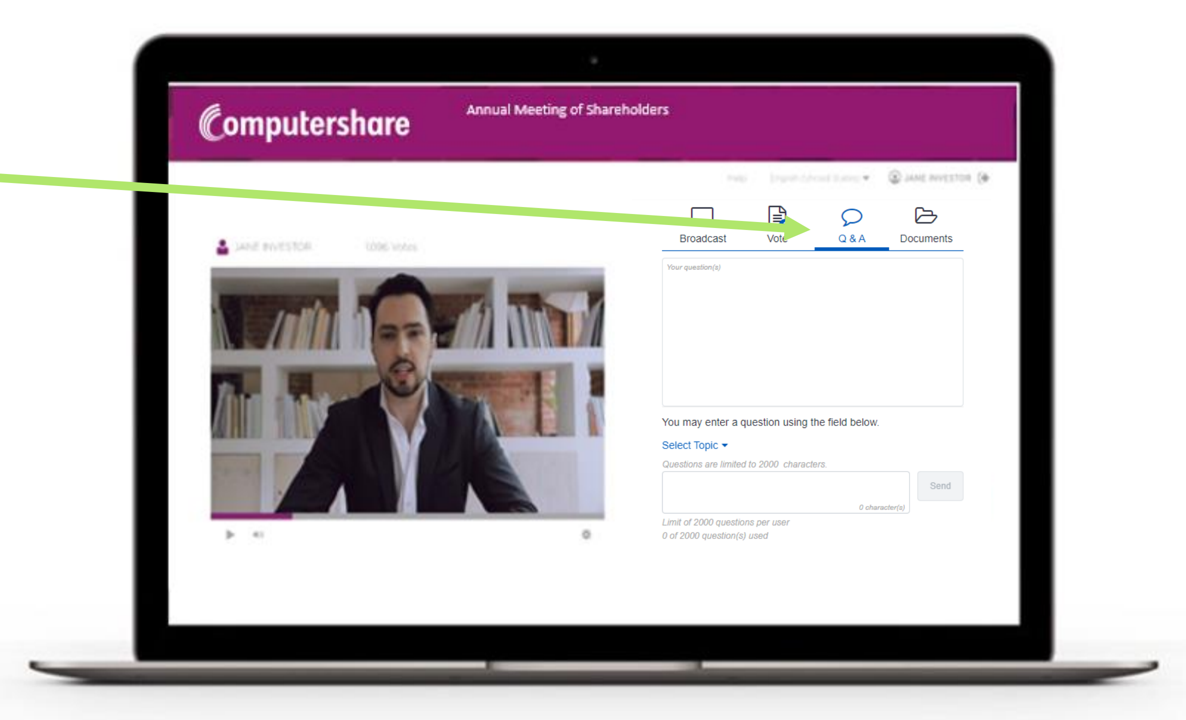
FSF Management Company

Online question process

Shareholder & Proxyholder Q&A Participation

Written Questions:

- Questions may be submitted ahead of the meeting
- If you have a question to submit during the live meeting, please select the Q&A tab on the right half of your screen at anytime
- Type your question into the field and press submit
- Your question will be immediately submitted



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Online voting process

<u>**Shareholder & Proxyholder Voting**</u>

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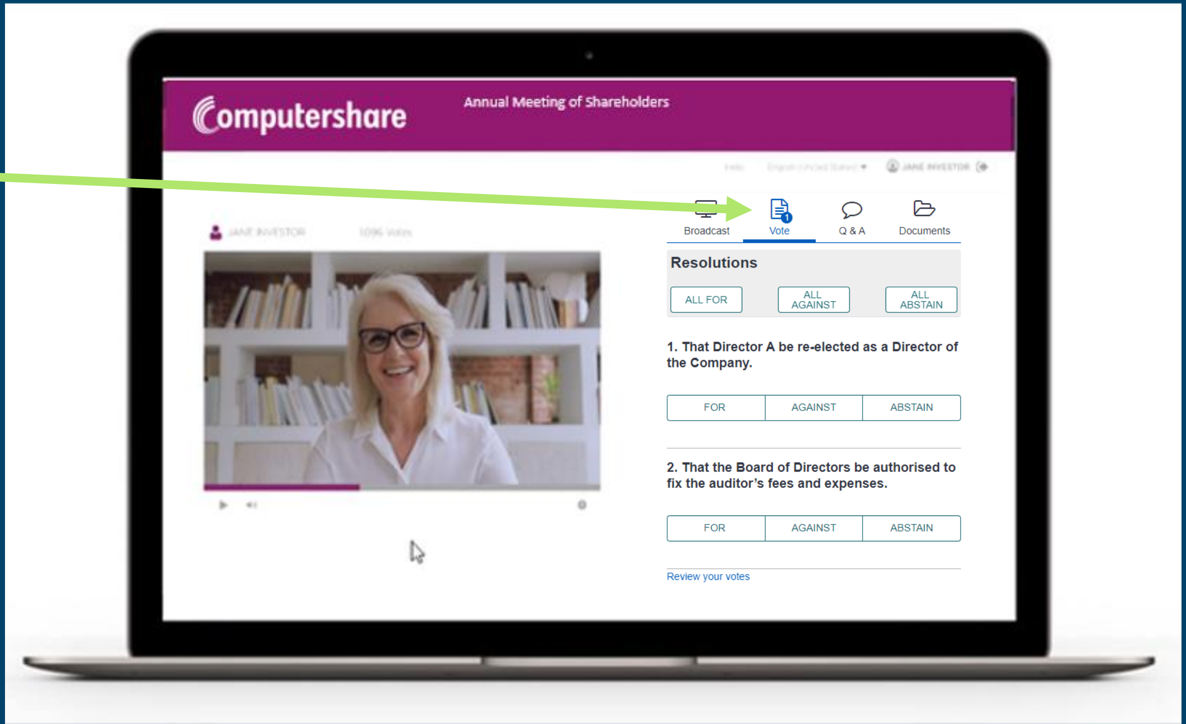


Agenda

Welcome and introductions	John Shewan
FSF Management Company Chair's address	John Shewan
Fonterra Chair's address	Peter McBride
Fonterra CEO's address	Miles Hurrell
Questions	
Resolution to re-elect John Shewan	Mary-Jane Daly
Address by John Shewan	John Shewan
General business	John Shewan

Fonterra Shareholders' Fund Board of Directors

John Shewan
Chair

Kim Ellis

Mary-Jane Daly

Donna Smit

Andy MacFarlane

Fonterra Team

Peter McBride

Miles Hurrell

Marc Rivers

FSF Management Company Chair's address

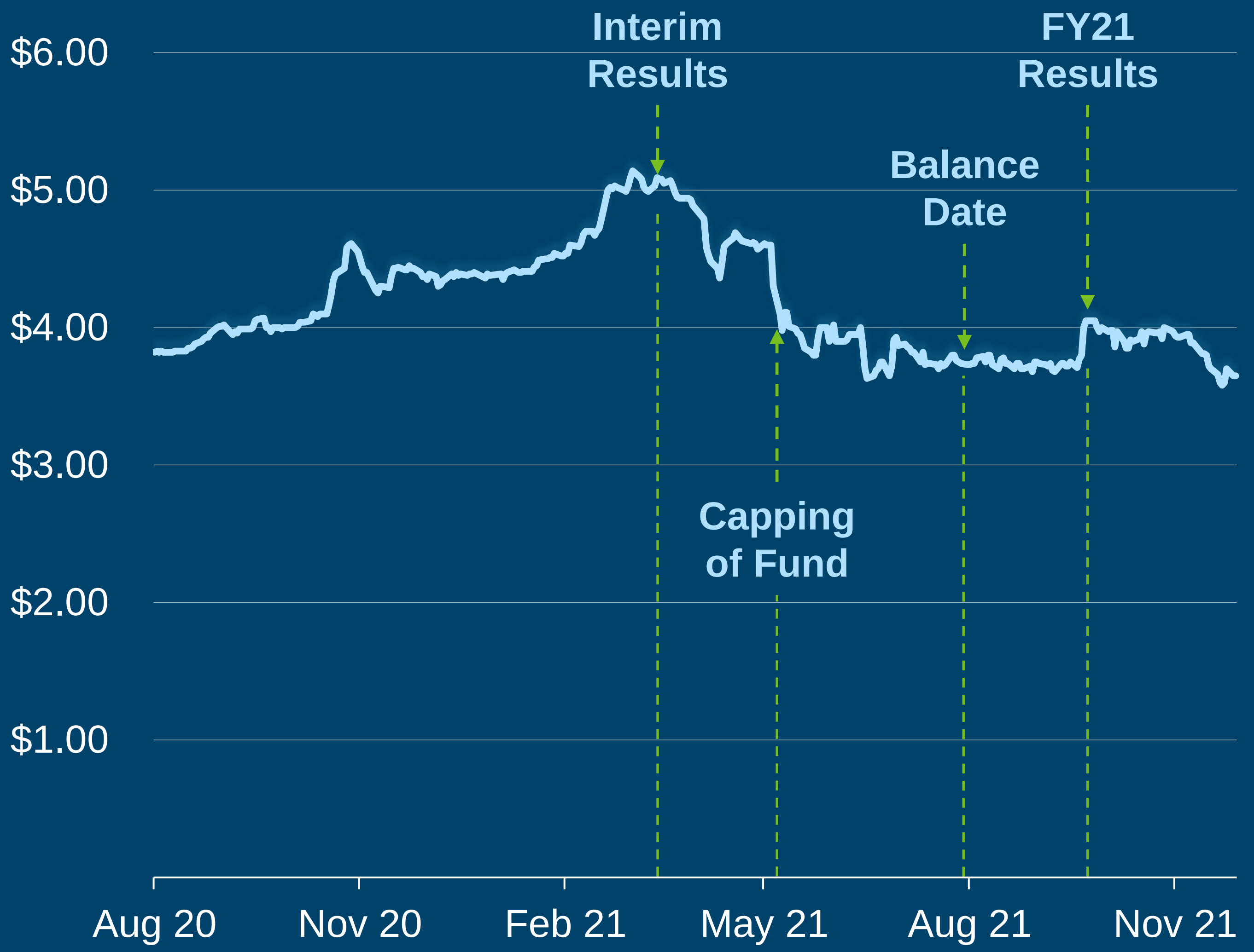
Improved performance in 2021

- Fonterra continued to demonstrate resilience during COVID-19
- Fonterra delivered a strong financial result, driven by its diversified portfolio across channels and regions
- Fonterra continued to significantly reduce its debt
- Increased distributions to the Fonterra Shareholders' Fund

Reported profit after tax[1]	**$599** million
Normalised profit after tax[1]	**$588** million
Earnings per share[2]	**34** cents
Net debt reduction	**$0.9** billion

Note: For the year ended 31 July 2021.
1. Includes Continuing and Discontinued Operations. Includes amounts attributable to non-controlling interests.
2. On a normalised basis and excludes amounts attributable to non-controlling interests.

Unit price impacted by capping of the Fund



- **Release of FY21 interim results**

  Up 33%, from $3.82 to $5.08

  (1 August 2020 – 17 March 2021)

- **As at FY21 balance date**

  Down 2%, from $3.82 to $3.74

  (1 August 2020 – 31 July 2021)

- **Release of FY21 annual results**

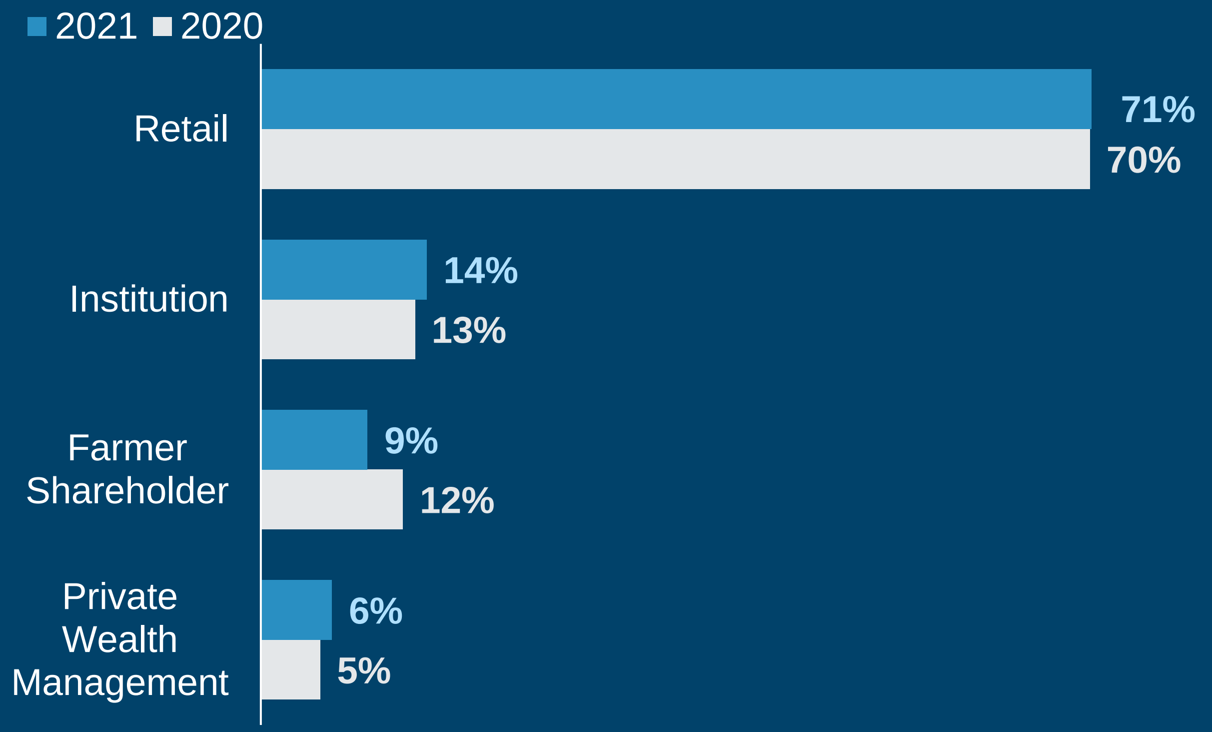
  Up 5.5%, from $3.82 to $4.00

  (1 August 2020 – 23 September 2021)

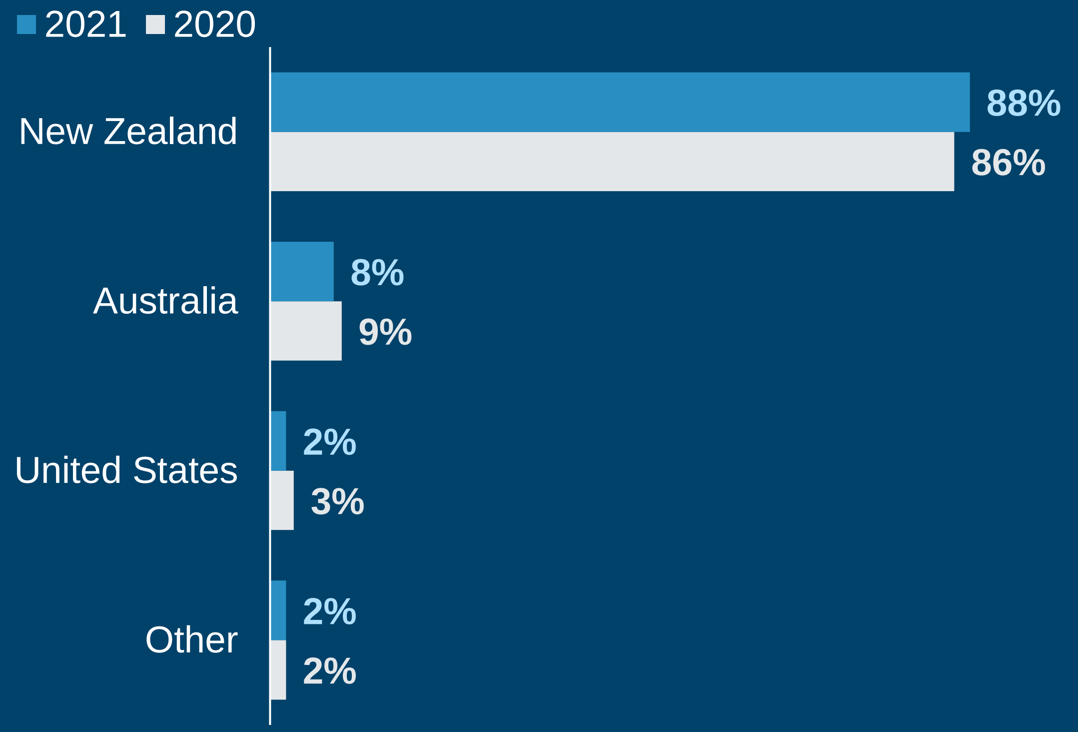
Unit register analysis

- Small increase in retail, institution and private wealth management holdings
- Majority of register held in New Zealand, with further reduction in offshore holdings

Investor Type



Investor Location



Note: Register data for 2020 and 2021 is as at 30 November.

Key Fund statistics as at 30 November 2021

Units on Issue[1]:	**107 million**	1m
Fund Market Capitalisation[1]:	**$392 million**	75m
Fonterra Market Capitalisation[1]:	**$5.0 billion**	2.1b
Fund Size[1,2]:	**6.7%**	0.1%
Unit Price 12-month High/Low[3]:	**$5.14** (5 Mar 21) / **$3.57** (29 Nov 21)	

1. At 30 November 2021, relative to 30 November 2020.
2. Fonterra Shareholders' Fund units on issue as a percentage of Fonterra Co-operative Group shares on issue.
3. 12 month period, 30 November 2020 – 30 November 2021.

Peter McBride

Chair

Fonterra Co-operative Group

Miles Hurrell

Chief Executive Officer

Fonterra Co-operative Group

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

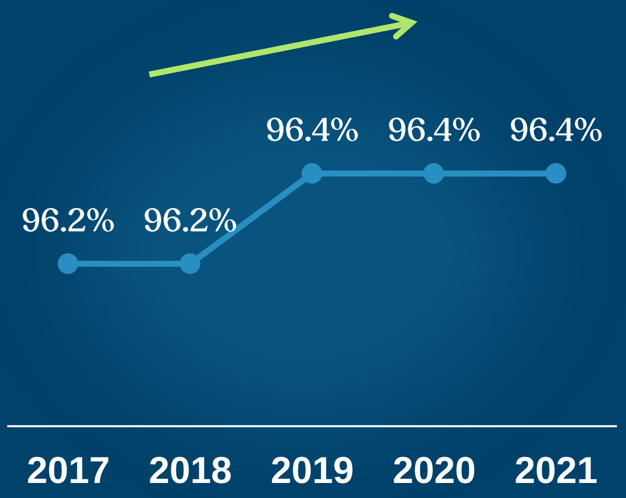
Net debt down
$872m

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

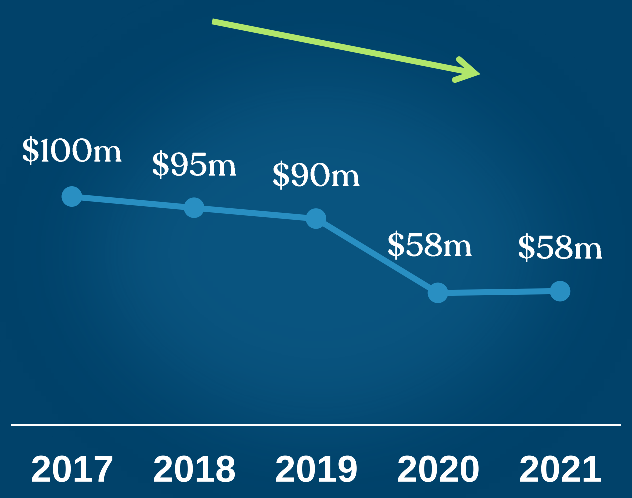
Improved New Zealand manufacturing performance

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

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]

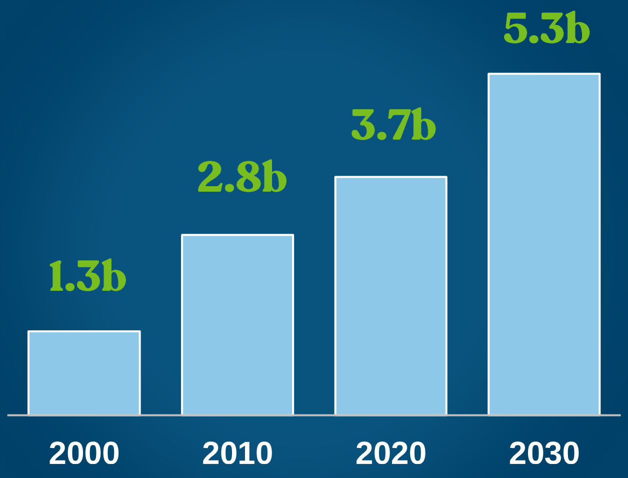
NEXT 5 YEARS
400m

NEXT 10 YEARS
800m

NEXT 15 YEARS
1100m

There will be more people needing nutrition.

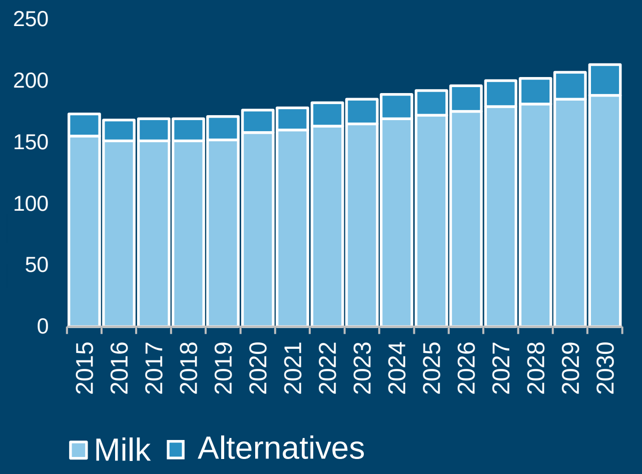
The world's middle class is growing – there will be more people able to afford dairy and wanting to consume it[1]



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**

Questions

Online question process

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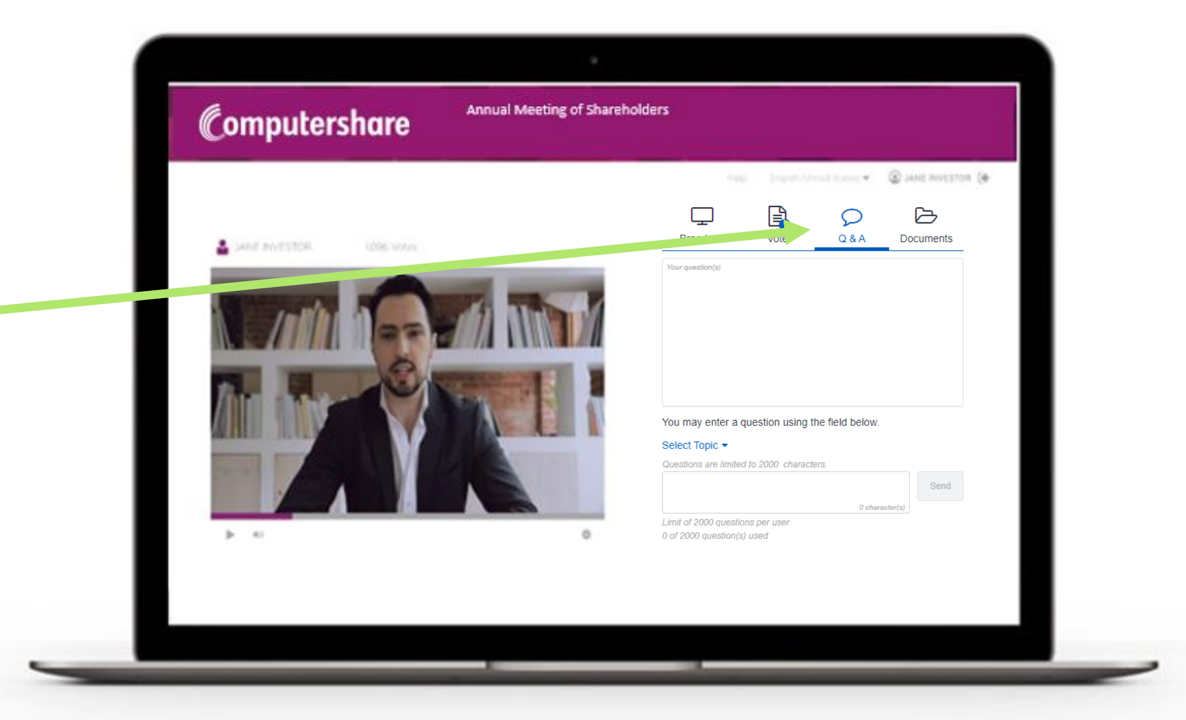

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Resolution 1

Re-election of John Shewan

Resolution 1

To re-elect John Shewan, who retires by rotation and stands for re-election, as a director of the Manager of the Fund

John Shewan

Director Nominee

FSF Management Company

Resolution 1

To re-elect John Shewan, who retires by rotation and stands for re-election, as a director of the Manager of the Fund

Proxy voting

To re-elect John Shewan

96.5%
16.4m units
FOR

0.1%
0.01m units
AGAINST

3.4%
0.6m units
DISCRETIONARY

0.3%
Board

3.1%
Non-Board

As at 10am Saturday 11 December 2021

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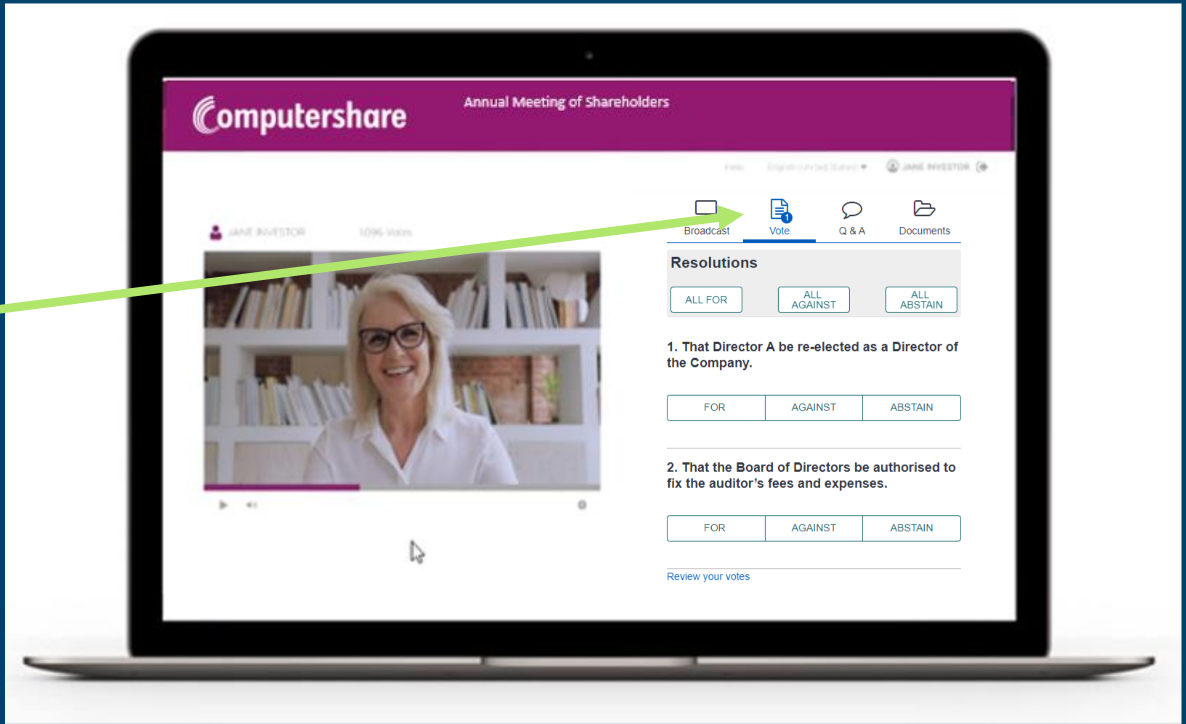

FONTERRA SHAREHOLDERS' FUND.

Fonterra Shareholders' Fund 2021 Annual Meeting

13 December 2021

General Business

Thank you, meeting closed

FONTERRA SHAREHOLDERS' FUND ANNUAL MEETING
13 DECEMBER 2021
FSF MANAGEMENT COMPANY CHAIRMAN'S ADDRESS

Against the backdrop of COVID-19, market uncertainty and global supply chain disruption, Fonterra has built on last year's performance with a strong financial result. Peter and Miles will speak to this, but it's appropriate that I highlight a few aspects of particular relevance to the Fund.

The reported profit after tax was $599 million. Normalised earnings per share came in at the top end of the forecast range, at 34 cents per share.

Fonterra declared a final dividend of 15 cents per share. As a result, unit holders received a final distribution of 15 cents per unit, which was paid on the 15th of October.

This brought total distributions for the 2021 financial year to 20 cents per unit, a welcome improvement on the 5 cents per unit distribution in 2020 and the zero distribution in 2019.

Fonterra's underlying performance improved $190 million on last year, with normalised profit after tax of $588 million.

Strong operating earnings, combined with the $748 million in proceeds from asset sales, enabled Fonterra to reduce net debt by $872 million during the year. Fonterra's gearing ratio is now down to 36%.

When it released its annual results in September Fonterra provided quite detailed guidance on where it wants to be by 2030. We welcome this increased visibility on the Co-operative's future plans.

From a financial perspective, highlights include a 40% to 50% increase in operating profit by 2030 relative to 2021, which would give Fonterra the ability to steadily increase dividends to around 40-45 cents per share by FY30, and increase its return on capital from the current level of about 6.6% to 9 to 10%.

Through planned divestments and improved earnings, Fonterra intends to return to shareholders and unit holders around $1 billion by FY24. At Thursday's AGM Fonterra indicated this would be about 60c per share and unit. This will be in addition to normal dividends and distributions. They also plan to generate around $2 billion of additional capital that can be available for a mix of investment in further growth and returns to shareholders and unit holders.

Before I move on to discuss the performance of the Fund, I want to briefly explain the role of the Board of the Manager.

The Board has statutory responsibilities for the activities of the Management Company and the Fund. These include monitoring compliance with regulatory requirements and ensuring that unit holders' interests are managed and protected in accordance with the constituent documents that relate to the Fund.

Directors have no role in the governance or operation of Fonterra.

Although we have no decision-making role in these areas, we do consider it important to actively represent the interests and views of unit holders to Fonterra, and we do that.

This representation role has been an important function of the Board during the consultation process that Fonterra has undertaken on its capital structure.

The Board formed a subcommittee, comprising its three independent directors, to consider the implications of the Capital Structure Review for the Fund and its unit holders.

The subcommittee has met 13 times since the capital structure consultation period kicked off in May and has had a number of meetings with senior management and Fonterra board members.

The subcommittee has also engaged with expert external advisors where required.

Let’s now take a close look at the performance of the Fund over the past year.

The graph currently on the screen shows that over the course of the first half of the 2021 financial year there was good growth in the unit price – it rose 33% from the start of the year on 1 August to $5.08 at the time Fonterra released its interim results in March.

There was some selling at this price level, and the unit price levelled out at around $4.60 over late April and early May.

On 5 May, Fonterra and the Fund went into a trading halt, and on 6 May Fonterra announced it was starting a review and consultation process on capital structure options.

As part of the review process, farmers were no longer able to convert shares in Fonterra into units. This had the effect of capping the size of the Fund. At this early stage of the consultation process Fonterra said that the Fund could be retained, or an offer could be made to unit holders to buy it back. It explained that, at that time, it had reached a preliminary view that the preferred option was to buy the Fund back.

There was an immediate downward impact on the price of both the Fonterra shares and units in the Fund. The unit price declined 13% over the subsequent 3 days.

Fonterra's capital structure consultation has created significant uncertainty for unit holders and potential investors over both the future of the Fund and its value. This is shown very clearly by the drop in the unit price from its 12-month high of $5.14 in early March and the recent low of $3.55, The unit price closed last Friday at $3.85 following the strong farmer vote in favour of the proposed new capital structure – 85% voted in favour – on Thursday. This is about 30 cents up on the price in the days leading up to the vote.

I will comment further on the capital structure review and the impact on the Fund shortly.

Looking now at the current make-up of the Fund's unit register.

The various investor types have been relatively stable year-on-year.

The most significant movement has been in units held by Farmers, which reduced from 12% to 9% of total units on issue.

This reduction is most likely related to the capping of the Fund. Since May 6 no farmers have been able to move their shares to units due to the capping. However, farmers do have the ability to transfer units back to shares – which some have chosen to do.

The continued increase in units being held by investors based in New Zealand is predominantly driven by increasing retail holdings. However, this year we have also seen a small increase in holdings by New Zealand institutions.

Moving on to some of the key Fund statistics.

The Fund is currently capped at 107.4 million units – at a closing unit price of $3.65 on 30 November, this puts the market capitalisation at around $392 million at that date.

The number of units on issue was quite flat year on year, and with no additional Fonterra shares issued over the period the Fund size as a percentage of the total Fonterra shares also remained largely unchanged year-on-year at 6.7%.

As I mentioned a moment ago, Fonterra's capital structure review project has had a significant adverse impact on the unit price. The market capitalisation of the Fund fell by some 16%, a drop of $75 million, between 30 November last year and 30 November this year.

The unit price immediately prior to the May trading halt was $4.60. Since that time the price has dropped by about 21% based on the price of $3.65 on 30 November. The Fonterra share price fell by 32% over the same period.

Throughout this period, the subcommittee of independent Directors of FSF has kept unit holders informed through releasing a series of market updates. The most comprehensive of these was issued on 23 September, immediately following Fonterra's annual results announcement, when it also released details of the updated capital structure proposals.

I will not repeat the detail contained in these updates, but I do want to highlight a few points.

The subcommittee of independent directors understands and respects Fonterra's right to introduce the changes that it is making to its capital structure.

We recognise the strongly held view of the Fonterra Board, supported by the farmer vote last Thursday, that the new ‘Flexible Shareholding’ structure is critical to the future success of the Co-operative. Fonterra has concluded that the Co-operative’s future success, and execution of their strategy, relies on their ability to maintain a sustainable milk supply in an increasingly competitive environment, and in a market where New Zealand milk supply is likely to decline, or remain flat.

We are however very concerned at the impact these proposed changes have had on the Fund’s unit price during the consultation period, and we remain of the view that Fonterra should have proceeded with its initial preference to make an offer to unit holders to buy the Fund back at fair price. For reasons I will detail in a moment, we think that was the fair, right and proper course of action to take. We regret that this action was not taken.

Following initial consultation with its stakeholders, Fonterra revised its proposal in September. Instead of buying the Fund out it proposed the alternative of the Fund being retained, but with its size capped.

Under this option, Fonterra farmers would no longer be able to exchange the economic rights relating to Fonterra shares into units in the Fund. Farmers holding units in the Fund would continue to be able to exchange them for shares in Fonterra. This would mean that the Fund may reduce further in size over time.

As we said in our 23 September update, the independent Directors were disappointed by Fonterra's revised proposal to the extent of the features relevant to the Fund.

In short, we felt that the reasoning Fonterra set out in support of its new capital structure showed clearly that the key rationale for the Fund being set up in the first place back in 2012, being the provision of a stable capital base through the removal of redemption risk, is no longer relevant because of course farmers can no longer redeem their shares. In short, the Fund has run its course. The Capital Structure Review provides a natural break point in the life of the Fund.

There is another key consideration that puts the Fund in a difficult position. The information booklet issued by Fonterra in May, the subsequent updates, and the explanations at last Thursday's annual meeting, all attach significant weight to the critical importance to farmers of protection of farmer ownership and control.

Even the small – currently about 6.7% – and non-voting interest held by unit holders through the Fonterra Shareholders' Fund is a cause of significant concern.

This really goes to the heart of the issue of whether Fonterra is a corporate or a co-operative, which Peter McBride addressed directly at last week's AGM. He said that the current model where Fonterra is trying to have a foot in both camps is not sustainable. I agree, and that is why I believe the Fund should be bought out.

The challenge with this lingering issue is that it perpetuates the perception in the minds of investors of potential conflicts between the interests of farmers and the interests of unit holders. Buying the Fund back is a logical and timely solution.

In our 23 September update we also expressed concern that the capping of the size of the Fund at its current level would potentially limit its relevance to investors over time. We said that retaining the Fund, but removing features that support growth, liquidity, and relevance to investment markets, could put downward pressure on the unit price.

As I mentioned earlier, the subcommittee of independent directors has held numerous meetings with Fonterra and has conveyed these concerns. Our discussions have been respectful and constructive. Fonterra has outlined its counter arguments but, on the central issue of whether an offer should be made to buy the Fund back, we agree to disagree.

In the final capital structure proposal that was voted on last week, one of the changes made that we welcome is a modification of the proposal on capping the size of the Fund.

The overall size of the Fund will now be capped at 10% of the total Fonterra shares on issue rather than at the current size, which is around 6.7%.

This change goes part way to addressing the size-related concerns outlined in our September update to unit holders. Subject to approval by the Fonterra Board, the amended proposal provides the scope for the Fund to be increased in size at a suitable time in the future to address the liquidity and other size related considerations outlined in our September update.

The capital structure review has been a lengthy, and often challenging, process. Throughout this we have endeavoured to promote the best interests of unit holders. Although our argument that the Fund be bought back has not, at least at this time, been accepted, and that is disappointing, I do want to draw your attention to the positive aspects of the strategic plan and operating outlook plans outlined by Fonterra over the past few months.

As I said earlier, Fonterra is changing its capital structure in the best interests of the Co-operative. In short, the Fonterra Board is confident that the dairy company will be much more successful with them than without them. If that proves to be correct then all Fonterra shareholders, and all unit holders, will benefit. To that extent, there is an alignment of interests.

Further, as a result of the reduced capital requirement on farmers, there will now be a much greater number of farmer and retiring farmer shareholders in Fonterra who, like unit holders, will be focusing solely on dividends and share value. This is because whereas in the past they were required to hold one share for every kg of milk solid, now they will only require around one share for every 3kg of milk solid. So, over the period that farmers continue to hold these shares a number of them, for some farmers as many as three out of four, will be held for investment purposes. The financial return on these shares will be dividends and movements in the share price, which puts them in the same boat as unit holders.

I am also positive about the road map and associated earnings outlook that Fonterra is aiming to achieve over the balance of this decade. If these targets are achieved, then the substantially sub-par financial returns that unit holders have experienced should improve markedly.

FONTERRA SHAREHOLDERS' FUND ANNUAL MEETING

13 DECEMBER 2021

FONTERRA CHAIRMAN'S ADDRESS

Good morning everyone.

I look forward to taking your questions shortly, but first I want to make a few comments about the Co-op's financial performance, the rationale for our capital structure changes, and what you as unit holders can expect from us in the future.

From my perspective, our Co-op ends 2021 in a strong financial position and with a clear strategy out to 2030.

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 shareholders.

We have benefited greatly from our ability to move our 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 financial year, given the difficult COVID-19 operating environment.

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 made to the Co-op’s culture, which started more than 3 years ago.

As we complete our business reset, we have turned our attention to the next phase of our strategy 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.

The strategic direction we have articulated is inherently based on sustainable access to New Zealand milk – which was the key driver of the change in our capital structure.

At a time when total New Zealand milk supply faces a likely decline, or being flat at best, the world has come calling for more of our sustainably produced milk.

So, we are looking at a future where we have a highly sought-after product and an increasingly scarce supply. That smells like value to me.

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 allocate capital 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 implementing our strategy.

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

Out to 2030, we aim to[1]:

- Invest $1 billion into moving milk into higher value products within our core business of Ingredients and Foodservice.
- Distribute $1 billion to shareholders and unit holders after asset sales and dependent on improved earnings – this is in addition to normal dividends and equates to around 60 cents for each unit
- Make $2 billion available for investment into a mix of further growth – including opportunities for nutrition science – and potential returns to shareholders and unit holders.

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 before, the strategic ambitions for 2030, which we set out in September, were predicated on successfully changing our capital structure.

[1] These targets are subject to successfully completing a number of business initiatives, and various assumptions and risks, each of which could materially affect the actual outcomes. Full details are in the strategy booklet that was released in September.

You will have seen a strong mandate from the farmer owners last week, with 85.16% of votes cast in favour of the recommendation.

With a clear farmer mandate for change, we will continue working with the Government on how this can be given effect under the Dairy Industry Restructuring Act – the legislation that enabled the formation of Fonterra back in 2001.

I believe we are philosophically aligned with the Government and remain confident that we can find a regulatory framework that supports the Flexible Shareholding structure.

The Flexible Shareholding structure will come into effect once the Board is satisfied that any steps necessary for implementation have been (or will be) completed.

We are aiming to implement the changes as soon as possible from the beginning of next season.

Share compliance obligations will remain on hold until at least six months after the new structure is effective.

The cap on the Fonterra Shareholders' Fund will remain in place as this cap is a feature of the Flexible Shareholding structure.

So as unit holders, what can you expect from the Co-op under the new Flexible Shareholding structure?

When you accept anyone's capital it should be treated with respect, which includes paying a respectable return on capital over time. It's fair to say Fonterra's track record on that hasn't met expectations, regardless of whether you're a farmer or a unit holder.

We all expect a competitive return on our invested capital. In that regard, all of the Co-operative's owners are united.

Under Flexible Shareholding all farmers would have greater choice about their level of investment in Fonterra. Like unit holders, the decision will likely be based on Fonterra's financial performance.

This will increase the constructive tension for the Co-operative to deliver a competitive return on invested capital, as well as strong milk prices.

The changes we are making to our capital structure will help us to retain our scale efficiencies that lead to better utilised factories, lower processing costs, and increase our ability to pay a competitive milk price and to generate earnings.

Having made the decision to retain the Fund, Fonterra's Board is committed to ensuring its strong performance.

The Fund and unit holders will remain a meaningful part of our Co-operative. As the Fund is listed on the NZX and ASX, it will continue to provide a means by which non-dairy farmers can invest in the future of the Co-operative.

I'd like to finish by thanking you all for your continued support.

Since the Fund was established in 2012, unit holders have been an important and integrated part of our Co-operative. We look forward to continuing that relationship into the future.

Thank you.

FONTERRA SHAREHOLDERS' FUND ANNUAL MEETING

13 DECEMBER 2021

FONTERRA CEO'S ADDRESS

Kia ora

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. Our farmers have also done a lot on farm.

From a financial perspective, 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 towards 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 we 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 the 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 a billion dollars 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 also 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 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.

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 cents per share by FY30.
And by 2030, we’re also targeting a Group Return on Capital of 9-10%.
We’re clear about the capital investment that’s sitting behind these targets – about $1b invested in sustainability and about $1b invested in moving milk to higher value products.
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 you.
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 may differ – 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:

Firstly, 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 in 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 help 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 taking these to farm trial.

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 $8.70 per kgMS.
The higher milk price has seen the Co-op revise its earnings guidance to 25-35 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.
Thank you.