



## Market Announcement

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17 October 2022

### Fonterra announces new Sustainable Finance Framework

As part of Fonterra's commitment to sustainability and implementation of its strategy, the Co-operative has today released its Sustainable Finance Framework (Framework). This Framework aligns Fonterra's funding strategy with its sustainability ambitions and reflects the evolving preferences of lenders and debt investors in this area.

Fonterra's Framework outlines how the Co-operative intends to issue and manage any sustainable debt, which could include Green Bonds and Sustainability-Linked Bonds and Loans. The Framework has been developed with Joint Sustainability Co-ordinators HSBC and Westpac NZ and has been independently verified by ISS Corporate Solutions confirming alignment with globally agreed sustainable finance principles.

"This new Framework is a step on our sustainable financing journey – aligning with our Co-operative's broader sustainability ambitions," says Simon Till, Fonterra Director Capital Markets.

"Over the next decade we intend to significantly increase our investment in sustainability-related activities and assets throughout our supply chain to both mitigate environmental risks and continue to differentiate our New Zealand milk. By FY30 we intend to invest around NZ\$1 billion in reducing carbon emissions and improving water efficiency and treatment at our manufacturing sites. In doing so, we will be taking significant steps towards our aspiration to be Net Zero by 2050 and we plan to align our funding with this approach."

The Framework, the opinion issued by ISS Corporate Solutions and a presentation to update debt investors are attached. This announcement comes off the back of strong annual sustainability performance reported in September 2022.

Fonterra Chief Operating Officer Fraser Whineray says that the Co-operative is making solid progress towards its sustainability targets.

"In our sixth year of independently assured reporting, we are pleased with progress. Fonterra's GHG emissions (Scope 1&2) are 11.2% lower than FY18 and well on their way to our goal of 30% by 2030. With our supplier owners, we are ahead of target for delivery of Farm Environment Plans (FEP), with 71% of farmers now having plans, against a target of 67% for FY22 and on track for 100% by 2025."

This year Fonterra has also seen close to double the number of farmers achieving the Co-operative Difference to last year, with more than 70% achieving it at some level. From the 2021/22 season, farms became eligible for The Co-operative Difference payment of up to 10 cents per kg for milk solids, based on meeting specific criteria, covering milk quality and an on-farm demonstration of care for the environment, animals, people and community.

The Co-operative is also working with partners and other stakeholders on a wide range of potential solutions to help reduce biological emissions. Fonterra, along with other Agribusiness leaders, recently entered into a joint venture with the Government, as part of the new Centre for Climate Action on Agricultural Emissions. Under the MOU, industry partners have already made an indicative commitment up to around \$35 million. This could see around \$172 million invested over the next four years to develop and commercialise practical tools and technologies for farmers.

“Over the next four years we’re looking to scale up an investment in methane reduction of around \$50 million through this Joint Venture.

“We know we can, with the Government, achieve more by partnering with others and are looking forward to working together to find solutions that will benefit our farmer owners along with the rest of New Zealand” says Whineray.

At the heart of our Co-operative are people. Whether that is on-farm, at one of our sites, or the customers who can play a part in addressing food security and improve health and wellbeing. Across the Co-op we’re committed to helping people reach their full potential.

Continued focus on training has seen New Zealand employees spend more than 500,000 hours upskilling, an average of 45 hours per learner. To date more than 1,000 employees have taken part in the Leadership Essentials Programme that develops current and future frontline leaders.

There has been a continued positive trend in regard to female representation in global senior leadership from 32.4% to 34.8% in FY22. The beginning of Fonterra’s new financial year has seen two more women promoted to key roles on our Fonterra Management Team with the appointment of Komal Mistry-Mehta to Chief Innovation and Brand Officer and Emma Parsons as Managing Director Strategy and Optimisation. This year we have set a new goal of 40:40:20 (40% female, 40% male, 20% any gender) which sends a positive signal on direction. The 20% provides flexibility of female, male or non-binary gender.

**Other progress includes** (please see attached Sustainability Progress Against Targets table for further information):

### Planet

- Water use by our manufacturing sites in water-constrained regions decreased by 4.2%, taking us to a 6.6% absolute reduction against our 2018 baseline. Going forward, we are broadening our water target with our aim to reduce water use across manufacturing sites by 15% by 2030 from a 2018 baseline. Further, all sites will have refreshed bespoke water improvement plans by the end of FY24.
- New Zealand’s first electric tanker, Milk-E, was launched as part of our fleet decarbonization plans. The percentage of e-vehicles continue to increase. There are now 693 electric vehicles (cars, forklifts, milk collection tanker) and the network of e-charging stations has expanded to 81.
- On a total tonnage of packaging basis, 89% of our packaging is now recycle-ready, up from 87% last year.

### People

- 87.7% of products meet our independently endorsed nutritional guidelines through further improvements to the composition of everyday and advanced nutrition products.
- 50 million KickStart breakfasts have been served since the programme began.
- 100% of Fonterra’s manufacturing sites are certified to a leading food safety management system.
- We increased in on-the-job training and reskilling hours, ahead of our plan to double on-the-job training and reskilling hours by 2025 from a 2020 baseline, in line with our Aotearoa New Zealand Skills Pledge.

### Animals

- Farmer insight reports have been extended to include key insights relating to animal wellbeing including somatic cell count, milking efficiency, mastitis rates, lameness and the potential impact of heat stress.
- 76% of farms in New Zealand agreed an Animal Wellbeing Plan with their vet this year.

Attachments

- Sustainable Finance Framework
- Investor Presentation
- ISS Corporate Solutions Second Party Opinion (SPO) – Use of Proceeds
- Sustainability Progress Against Targets Table
- Sustainability Scorecard

ENDS

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