

**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.