

Good Together

from one generation
to the next

Corporate Governance
Statement & Statutory
Information 2022

Pūrongo Kawanatanga Rangatōpū
me ngā Pārongo ā-Ture Te Mātāpuna



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[Sustainability Report 2022](#)
(Referenced as SR)

[Corporate Governance Statement & Statutory Information 2022](#)
(Referenced as C&S)

[Modern Slavery Statement 2022](#)
(Referenced as MS)

[Farmgate Milk Price Statement 2022](#)
(Referenced as MP)

OUR REPORTS ARE AVAILABLE FROM [FONTERRA.COM/NZ/EN/INVESTORS.HTML](https://www.fonterra.com/nz/en/investors.html)



Corporate Governance Statement

Fonterra recognises the critical role governance plays in the success of the Co-operative. Fonterra's Board, Co-operative Council and Management are committed to achieving the highest standard of corporate governance, representation and leadership and have developed governance systems to reflect Fonterra's unique characteristics and requirements as a globally competitive New Zealand based dairy co-operative. These are regularly reviewed and updated to align with best practice.

Compliance with Best Practice Governance Standards

Fonterra's governance framework takes into consideration contemporary standards in New Zealand and Australia, including the principles in the NZX Corporate Governance Code.

Fonterra focuses on governance in a way that promotes:

- the interests of its key stakeholders, including farmer shareholders, unit holders, debt investors, employees, customers, governments and the communities it operates in;
- Good Together - Fonterra's purpose, values and strategy;
- transparency and meaningful engagement to provide its key stakeholders with the information they need to assess Fonterra's performance;
- effective risk management and compliance to meet Fonterra's business objectives and legal requirements; and
- an appropriate balance between the roles and responsibilities of the Board and Management.

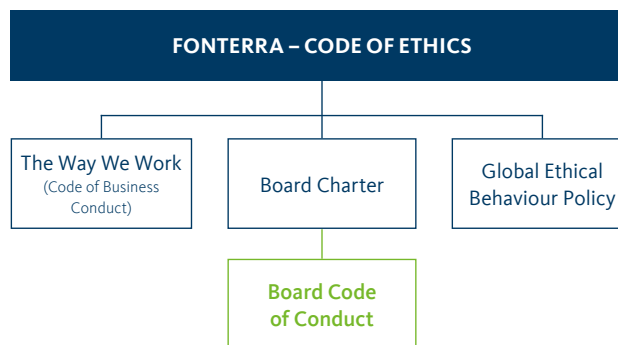
Principle 1: Code of Ethical Behaviour

Code of Ethics

Fonterra believes an environment that inspires its people to act, think and behave with honesty, integrity and transparency is integral to Fonterra's commitment to its purpose and delivery of its strategy.

Fonterra expects its Directors, officers and employees to maintain high ethical standards and to operate ethically and legally in the countries where it does business, reflecting Fonterra's guiding philosophy, Good Together, through all their behaviours, choices and decisions.

Fonterra's Code of Ethics comprises the following core documents:



The Way We Work, Fonterra's Code of Business Conduct, reflects Good Together and provides a comprehensive outline of Fonterra's position across a wide range of internal and external operating practices, its values, and expected behaviour and conduct. The Board also owns and is guided by the Board Code of Conduct for Directors.

The Way We Work is available in multiple languages on [fonterra.com](https://www.fonterra.com), together with other core global policies. These documents, along with Fonterra's employment agreements, underpin delivery of its Code of

Ethics. They lay out clear expectations for Fonterra's people regarding ethical behaviour, including:

- the requirement for the highest standard of integrity, honesty and transparency;
- how to deal with conflicts of interest;
- the use of corporate information, assets and property;
- competition and antitrust;
- procedures for giving and receiving gifts;
- procedures for whistle blowing; and
- how to manage breaches of the Code of Ethics.

All of Fonterra's Global Policies, including the Global Ethical Behaviour Policy, and The Way We Work are also available on MilkyWay, the Fonterra intranet. All Fonterra managers are required to introduce new employees to these core expectations during their induction programme. In addition, Fonterra's annual e-learning and certification process reiterates and supports the ongoing awareness and understanding of the Fonterra Global Policy Framework by its people. In FY22, this certification was completed by 5,146 employees (99% of its target audience), being Fonterra's people leaders, managers and other key roles. A global refresher learning programme on Fonterra's ethical behaviour commitments, expectations, systems and processes is also required learning for all Fonterra employees.

All Fonterra employees are required to record actual or potential conflicts using the Fonterra Conflict of Interest register and mitigating actions must be approved by their manager. 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.

Fonterra funds an independently administered whistle-blowing hotline (The Way We Work Hotline), facilitated by Deloitte, that provides all Fonterra stakeholders globally 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. Disclosures are investigated by a

Fonterra team not involved in the substance of the concern (Internal Audit, other specialist teams or, where appropriate, an external investigator) before appropriate action is taken. Timely updates are made available to the whistle-blower through the hotline.

In the year ended 31 July 2022, 29 disclosures were made to The Way We Work Hotline: 15 disclosures were made by people based in New Zealand, 11 came from other countries and in three cases the person did not specify their location.

Employee Assistance Programme

Fonterra also provides a free and confidential Employee Assistance Programme where employees can seek guidance and counselling in any area of concern in their personal or working life. It provides independent professional support to address issues such as anxiety, grief and work-related stress. Targeted support is also available to assist employees dealing with workplace change and restructuring.

Securities Trading Policy

Fonterra has adopted a Securities Trading Policy that details the rules for trading in shares, capital notes, retail bonds, units, derivatives, any swap contract, contract for difference, futures contract or options contract that settles to the Fonterra Farmgate Milk Price, and any other listed securities of Fonterra or the Fonterra Shareholders' Fund. This policy applies to Directors, officers, employees and contractors of the Fonterra Group around the world and members of the Co-operative Council and Milk Price Panel and is in addition to legislative requirements for trading securities in New Zealand and Australia.

The Securities Trading Policy and Standard and other key Global Policies are available on [fonterra.com](https://www.fonterra.com). All Fonterra Directors comply with the legislative requirements for disclosing interests in listed voting securities of Fonterra and its related companies.

Principle 2: Board Composition and Performance

Board Charter

The Board Charter includes details about the Board's role, responsibilities, obligations, composition and procedures including the Chair's election and role, the Board's relationship with Management, incident management engagement, training provided to Directors, and the process for assessing the Board's performance.

The Board Charter is reviewed regularly and is available on [fonterra.com](https://www.fonterra.com).

Board Appointments

Fonterra's Constitution provides for a maximum of 11 Directors and sets out how they are appointed. Up to seven Directors are elected by farmer shareholders (Elected Directors) and up to four Directors are appointed by the Board (Appointed Directors). All Directors enter into written agreements establishing the terms of their appointment.

The Board is committed to building its capabilities, ensuring a good balance of experience on the Board, and maintaining the highest standards of governance in accordance with best practice. To achieve this, 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 farmer shareholders when assessing the candidates put forward for election.

Elected Director Selection Process

The Elected Director selection process involves a three-member Independent Selection Panel (ISP) that assesses and recommends appropriate candidates to be put to farmer shareholders for election. The members of the ISP are independent of Fonterra and are jointly appointed by the Board and Co-operative Council. In addition to candidates assessed and recommended by the ISP, there is a non-assessed candidate process where candidates can propose themselves for election as Elected Directors with the support of 35 shareholders. Elected Directors are elected by postal ballot and online voting by farmer shareholders. The voting packs circulated to all farmer shareholders include biographical information on each candidate including relevant skills and experience. The Elected Director elections are overseen by the Co-operative Council.

Appointed Director Selection Process

Appointed Directors are selected to enable the Board to access the skills and competencies needed to lead an enterprise of Fonterra's 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 the Fonterra Board

There were a number of changes to the Fonterra Board during the financial year ended 31 July 2022:

- In December 2021, Elected Directors Peter McBride, Leonie Guiney and John Nicholls were re-elected to the Fonterra Board.
- In July 2022, Elected Director Donna Smit announced she will retire from the Board following the Annual Meeting in November 2022.

Disclosure

Information about the experience, length of service, independence and attendance at Board and Committee meetings of each Director is disclosed at [pages 06 and 08](#) of this report and [pages 42-44](#) of the Annual Review 2022.

The ownership interests of each Director are disclosed at [page 26](#) of this report.

Diversity and Inclusion

Fonterra publishes its Diversity and Inclusion Policy on fonterra.com. Information about Fonterra's Diversity and Inclusion Policy, and performance against its targets and objectives across senior leadership can be found in the Investing in People section of the Sustainability Report 2022.

Board Gender Composition

As the majority of Directors are elected by farmer shareholders through an independent process, the Board has not adopted Board gender targets in 2022. The Board is committed to addressing the gender composition of the Board through the appointment of Appointed Directors, building a pipeline of diverse Directors through the Fonterra Governance Development programme and through the Elected Director election process. The gender composition of the Board did not change between 2021 and 2022, as shown in the table below.

BOARD	GENDER				
	TOTAL	MALE	FEMALE	GENDER DIVERSE	UNDECLARED
AS AT 31 JULY 2022	11	7	4	–	–
		64%	36%	0%	0%
AS AT 31 JULY 2021	11	7	4	–	–
		64%	36%	0%	0%

Officer Gender Composition

The gender composition of the Officers of Fonterra is shown in the table below.

OFFICERS	GENDER				
	TOTAL	MALE	FEMALE	GENDER DIVERSE	UNDECLARED
AS AT 31 JULY 2022	8 FTE ¹	6	2	–	–
		75%	25%	0%	0%
AS AT 31 JULY 2021	8 FTE ^{1,2}	6	2	–	–
		75%	25%	0%	0%

¹ Full time equivalent.

² As of 31 July 2021, the position of Managing Director, People and Culture was vacant and therefore not included in this calculation.

Ongoing Training

Following appointment to the Board, Directors undertake an induction programme to familiarise themselves with Fonterra and its global business. Areas covered include:

- business strategy and planning;
- an overview of key financial metrics to monitor business performance;
- an overview of material areas of the Fonterra business, including through meetings with key executives and visits to key offshore markets, where possible; and
- Fonterra's Constitution and other governance systems

Directors are expected to keep themselves abreast of changes and trends in the business, Fonterra's environment and markets, and the economic, political, social and legal climate generally. 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 issues. Board visits to Fonterra's manufacturing sites and global businesses occur regularly.

Assess Performance

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. There is a requirement under Fonterra's Constitution for the Board to provide the Co-operative Council with quarterly reporting on Fonterra's consolidated and key business unit operations for review and discussion. For FY23 and future years Fonterra will report via the Integrated Scorecard, which will be published annually with key performance targets. The Board is responsible for reviewing the Chief Executive Officer's performance.

Director Independence

The Fonterra Shareholders' Market Listing Rules (FSM Rules) require Fonterra to have at least two Independent Directors. In order to be an Independent Director under the FSM Rules, a Director must not be an 'employee' of Fonterra or have a 'disqualifying relationship'.

A Director has a disqualifying relationship where they have a direct or indirect interest, position, association or relationship that could reasonably influence, or could reasonably be perceived to influence, in a material way, the Director's capacity to bring an independent view to decisions relating to Fonterra, to act in Fonterra's best interests and to represent the interests of Fonterra's financial product owners generally. The FSM Rules contain specific examples of what may give rise to a disqualifying relationship. Appointed Directors cannot be shareholders and are expected to maintain independence for the length of their term.

Elected Directors must be qualified as farmer shareholders under section 12.3 of the Constitution and are therefore not considered independent.

Fonterra currently has four Appointed Directors. As at 31 July 2022, Clinton Dines, Bruce Hassall, Holly Kramer and Scott St John each did not have (and continue not to have) any disqualifying relationship in relation to Fonterra and were therefore Independent Directors.

Division of Roles

Peter McBride, who is an Elected Director, is the Board-elected Chairman. The Chairman and Chief Executive Officer roles at Fonterra are not exercised by the same individual.

Principle 3: Board Committees

Fonterra has a number of permanent Board Committees, as detailed below. Additional Board 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 or issues and to develop recommendations to the Board.

Board Committees have standard 'Terms of Reference' and each permanent Committee has a charter, which defines the scope and responsibilities of that Committee and is approved by the Board regularly. The charters of the permanent Board Committees are available on fonterra.com. The papers considered by, and the minutes for each of the Board Committees' meetings, are provided to the Board for review.

In February 2022, the Board reviewed its Committee structure and determined:

- That following the successful Flexible Shareholding Capital Structure vote in December 2021, the Capital Structure Committee, a non-permanent Board Committee, was no longer required and was disbanded.
- The Safety and Risk Committee was disbanded with the responsibility for oversight of enterprise-wide risk transitioning into the Audit, Finance and Risk Committee and responsibility for health, safety and wellbeing transitioning to the People, Culture and Safety Committee. As part of this review and re-allocation of responsibilities, the Appointments and Remunerations Committee was renamed to the People, Culture and Safety Committee and the Audit and Finance Committee was renamed to the Audit, Finance and Risk Committee.
- The Divestment Review Committee became a permanent Board Committee, with continued oversight of material divestments and similar transactions.
- The Disclosure Committee became a permanent Board Committee, with continued oversight of Fonterra's continuous disclosure obligations.

The membership and purpose of each Board Committee is outlined on the following page.

COMMITTEE OR GROUP	MEMBERSHIP AS AT 31 July 2022	PURPOSE
Audit, Finance and Risk Committee	Bruce Hassall ¹ (Chair) Brent Goldsack Holly Kramer ¹ Cathy Quinn Donna Smit Scott St John ¹	To assist the Board in fulfilling its corporate governance responsibilities relating to: <ul style="list-style-type: none"> – Fonterra’s financial management and internal control frameworks, financial reporting, audit activities, capital markets matters, and funding activities. – Fonterra’s management and monitoring of allocated Group risks including Food Safety and Quality, Innovation, Market Access, Liquidity and Funding, Milk Supply, Regulatory, Market Price and Currency, Supply Chain and Manufacturing, Information Technology, Legal and Compliance and Licence to Operate. – Fonterra’s management and monitoring of Climate Risk, including approval of the Climate Risk financial disclosures in the Financial Reports.
Co-operative Relations Committee	Andrew Macfarlane (Chair) Clinton Dines ¹ Brent Goldsack Leonie Guiney John Nicholls	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 Fonterra’s Co-operative Principles periodically, assist the Board in fulfilling its corporate governance responsibilities relating to the supply of milk from Fonterra suppliers and aspects of milk pricing, seek to resolve supplier complaints before reference to the Milk Commissioner and undertake activities relating to the annual Fonterra Co-operative Council elections.

COMMITTEE OR GROUP	MEMBERSHIP AS AT 31 July 2022	PURPOSE
Disclosure Committee	Cathy Quinn (Chair) Bruce Hassall ¹ Peter McBride John Nicholls Scott St John ¹	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.
Divestment Review Committee	Cathy Quinn (Chair) Clinton Dines ¹ Brent Goldsack Bruce Hassall ¹ Scott St John ¹	To assist the Board in fulfilling its corporate governance responsibilities in relation to material divestments and similar transactions, including any decision to exit from a market or product category, or to permanently cease using a plant or asset.
Milk Price Panel	Scott St John ^{1,2} (Chair) Bill Donaldson ³ Brent Goldsack Bruce Hassall ^{1,2} Fred Ohlsson ^{2,3} Prof. Hamish Gow ^{2,4} Cathy Quinn (observer)	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 for the Board.
People, Culture and Safety Committee	Holly Kramer ¹ (Chair) Clinton Dines ¹ Leonie Guiney Andrew Macfarlane Peter McBride Bruce Hassall ¹ (observer)	To assist the Board in fulfilling its corporate governance responsibilities relating to: <ul style="list-style-type: none"> – Fonterra’s management of Health, Safety and Wellbeing, including promoting a safe and healthy working environment for all Fonterra employees, contractors and members of the public as required. – The recruitment, retention, remuneration and development of Directors, executives and other employees.

1 Independent Director.

2 Independent Member.

3 Appointed by Co-operative Council.

4 Nominated by the Minister of Agriculture under subsection 150E(1A) of the Dairy Industry Restructuring Act 2001.

Board and Committee Attendance

	BOARD		AUDIT, FINANCE AND RISK COMMITTEE		CO-OPERATIVE RELATIONS COMMITTEE		DISCLOSURE COMMITTEE ¹		DIVESTMENT REVIEW COMMITTEE ¹		MILK PRICE PANEL		PEOPLE, CULTURE AND SAFETY COMMITTEE		SAFETY AND RISK COMMITTEE ²	
	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	Eligible to attend	Attendance
Clinton Dines	17	16	–	–	6	6	–	–	3	2	–	–	8	7	2	1
Brent Goldsack	17	16	6	5	6	6	–	4	8	7	7	7	–	–	–	–
Leonie Guiney	17	17	–	1	6	6	–	1	5	4	–	–	3	4	2	2
Bruce Hassall	17	17	6	6	–	–	12	9	8	8	7	7	8 ³	6 ³	–	–
Holly Kramer	17	16	3	2	–	–	–	–	–	–	–	–	8	8	2	2
Andrew Macfarlane	17	16	–	–	6	6	–	–	–	–	–	–	8	8	–	–
Peter McBride	17	17	2 ⁴	2 ⁴	–	–	12	11	–	–	–	–	8	8	–	–
John Nicholls	17	17	–	–	6	6	12	11	–	–	–	–	–	–	2	2
Cathy Quinn	17	17	6	6	–	1	12	11	8	8	7 ³	5 ³	–	–	–	–
Donna Smit	17	17	6	6	–	1	–	–	–	–	–	–	–	–	2	2
Scott St John	17	17	6	6	–	–	12	10	8	8	7	7	–	–	2	2

1 Became a permanent Board Committee as of February 2022. All meetings that occurred during the financial year ended 31 July 2022 have been included.

2 Disestablished as of February 2022.

3 Eligible to attend as an observer.

4 Eligible to attend as the Chairman of the Board.

Audit, Finance and Risk Committee

The Audit, Finance and Risk Committee comprises three Appointed Directors and three Elected Directors. The Committee is chaired by Bruce Hassall, who is an independent Appointed Director and a Fellow of the New Zealand Institute of Chartered Accountants.

Majority Independent Directors – Audit, Finance and Risk Committee and People, Culture and Safety Committee

The Audit, Finance and Risk Committee and People, Culture and Safety Committee do not comprise 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. There is currently no headroom for Fonterra, based on having 11 Directors, to have more than four independent Appointed Directors, as the Elected Directors fill each of the seven positions open to them (and as noted above, the Elected Directors are not considered independent). Given this, it is difficult for Fonterra to appoint a majority of Appointed Directors to these Committees without excluding Elected Directors or significantly increasing the workload of the Appointed Directors.

Fonterra does not consider that this is a significant issue, as the Audit, Finance and Risk Committee and the People, Culture and Safety Committee are chaired by independent Appointed Directors.

Employees attend 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 requires that the Chair and a majority of the members of the Milk Price Panel are independent. The Panel currently consists of two Appointed Directors, one Elected Director, two appropriately qualified persons nominated by the Co-operative Council (at least one of whom must be independent) and one member who is nominated by the Minister of Agriculture (who must be independent). The Chair must be one of the independent Appointed Director members. As at 31 July 2022, Scott St John, Bruce Hassall, Fred Ohlsson and Prof. Hamish Gow were (and continue to be) independent members of the Milk Price Panel.

Following the successful Flexible Shareholding vote in December 2021, the Ministry for Primary Industries has proposed changes to the Dairy Industry Restructuring Amendment Act 2020 (DIRA) that may impact the size and composition of the Milk Price Panel. On 13 September 2022, the relevant amendments to DIRA were introduced into Parliament. The proposed amendments provide that the Milk Price Panel must consist of (a) two members nominated by the Minister for Agriculture; (b) a chair nominated by Fonterra who is approved by the Minister and who must not have a meaningful association with Fonterra or with a shareholder of Fonterra; (c) two, three or four members appointed by Fonterra; and (d) an additional member nominated by the Minister if the chair is one of the two members of the Milk Price Panel nominated by the Minister under (a).

Nominations Committee

The People, Culture and Safety Committee fulfils the role of a nominations committee in respect of the appointment of Appointed Directors. The election and selection process for Elected Directors and Appointed Directors is explained above under Board Appointments at [page 04](#) of this report.

Governance of Sustainability

The Board has formed a Sustainability Advisory Panel, made up of five external experts who provide independent guidance on Fonterra's strategy from a sustainability perspective.

Principal governance oversight of sustainability is at the Board level, with Board Committees taking on governance responsibility for the elements of sustainability that align to their activities and areas of oversight.

Oversight of sustainability issues by the Board includes reviewing and guiding strategy and risk management policies (including approval of the Group Environmental Policy), public policy positions, specific sustainability commitments and targets and major investment plans required to support achievement of these goals. In addition to considering and approving specific matters relating to sustainability, the Board receives regular updates on the progress of sustainability initiatives across Fonterra and reviews and approves the annual Sustainability Report.

There are two Committees that assist the Board with oversight of sustainability:

- The Co-operative Relations Committee assists the Board and management in developing and building relationships with key external stakeholders regionally, nationally and globally, recommending actions as appropriate, including environmental and other policy positions. It has responsibility for oversight and monitoring of climate, risk and sustainability initiatives in relation to practices behind the farmgate and regional community initiatives.
- The Audit, Finance and Risk Committee assists the Board in fulfilling its corporate governance responsibilities relating to management and monitoring of enterprise-wide risks. It has responsibility for oversight and monitoring of climate risk and of other sustainability related group risks (in conjunction with other Board Committees where appropriate), and oversight and approval of the climate risk financial disclosures.

Accountability for sustainability rests with the Board, the Chief Executive Officer and the Fonterra Management Team (FMT). Regular performance updates are provided at this governance level. Accountability for individual elements of sustainability performance cascades through the organisation and from FY20 has been integrated into the Group Short-Term Incentive scheme for permanent employees. The related Key Performance Indicators cover Fonterra's environmental, economic and social performance.

The Chief Operating Officer and Managing Director, Co-operative Affairs report directly to the Chief Executive Officer and sit on the FMT.

Responsibilities of the Chief Operating Officer include oversight of sustainability, New Zealand manufacturing and the safety, quality and regulatory teams. This includes responsibility for integrating sustainability into strategy and business planning and ensuring sustainability-related issues are monitored and reported to the FMT.

Responsibilities of the Managing Director, Co-operative Affairs include oversight of Fonterra's farmer-facing services (Farm Source), corporate sustainability, global stakeholder affairs, governance and risk management, legal, inclusion and Māori strategy.

Takeover Offer

The Board does not believe that it is necessary to establish protocols for a takeover offer, given Fonterra's co-operative structure and the thresholds on share ownership in its Constitution.

Principle 4: Reporting and Disclosure

Disclosure Policy

Fonterra is committed to promoting well-informed and efficient markets in its shares, units issued by the Fonterra Shareholders' Fund and debt securities. The Board has approved a Global Disclosure Policy to facilitate its compliance with the NZX and Fonterra Shareholders' Market Listing Rules regarding continuous disclosure and to govern Fonterra's communications with investors and market participants. The Global Disclosure Policy and the associated Global Disclosure Standard are available on fonterra.com.

Fonterra and the Manager of the Fonterra Shareholders' Fund have entered into 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 Fonterra Shareholders' Market Listing Rules and the listing rules of the NZX or the ASX (as the case may be) is disclosed simultaneously to the Fonterra Shareholders' Market, the NZX Main Board and the ASX. Fonterra simultaneously discloses relevant information on the ASX on behalf of the Fonterra Shareholders' Fund.

Website Disclosure

Fonterra has the following documents available on fonterra.com:

- Board Charter
- Board Code of Conduct
- Audit, Finance and Risk Committee Charter (previously the Audit and Finance Committee)
- Co-operative Relations Committee Charter
- Disclosure Committee Charter
- Divestment Review Committee Charter
- People, Culture and Safety Committee Charter (previously the Appointments and Remuneration Committee)
- Milk Price Panel Terms of Reference
- The Way We Work (Code of Business Conduct)
- Global Disclosure Policy and Standard
- Global Diversity and Inclusion Policy
- Global Health, Safety and Wellbeing Policy
- Global Environmental Policy
- Global Ethical Behaviour Policy
- Global Nutrition Policy
- Global Privacy Policy
- Global Securities Trading Policy and Standard
- Modern Slavery Statement
- Sustainability Code of Practice
- Tax Principles

Fonterra does not have a Director Remuneration Policy for the reasons noted on [page 11](#) under 'Director Remuneration'.

Non-Financial Reporting

Fonterra is guided by international best practice and, reflecting the core role of sustainability within its strategy, it is on a journey towards more integrated reporting.

In the 2022 Annual Review and suite of supporting reports Fonterra provides coverage of both financial and non-financial matters. Non-financial reporting includes coverage of social, environmental and governance matters and Fonterra covers these in a concise and integrated way within its Annual Review. Supporting the Annual Review is an integrated suite of reports that provide further detailed information according to the stakeholder's interest. For example, governance details are provided in this Corporate Governance Statement and Statutory Information report, financial performance details are provided in the Financial Statements and further details on Fonterra's sustainability activities and performance are covered by the Sustainability Report.

In September 2021 Fonterra issued its fifth Sustainability Report, which was prepared in accordance with the Global Reporting Initiative (GRI) Standards and is independently assured. This further expands the coverage of Fonterra's non-financial reporting, including consideration of material environmental, social and governance (ESG) factors and performances against targets. Fonterra has adopted this internationally recognised reporting framework to help users of its sustainability performance information more easily compare its disclosed information and performance with others. Consistent with last year, Fonterra plans to release its sustainability performance information annually as part of its suite of reports and it will continue to be assured against GRI Standards. To remain aligned with leading practices, Fonterra will continue to monitor the emergence of global standards and local regulatory requirements (for example, from the International Sustainability Standards Board) and will comply with new reporting obligations (for example, climate-related disclosures in New Zealand).

In December 2021, Fonterra released its second Modern Slavery Statement to meet the regulatory disclosure requirements in the Australian Modern Slavery Act 2018. From this year, Fonterra will release its Modern Slavery Statement at the same time as the Annual Review, as part of its suite of supporting reports. The Statement sets out the actions taken by Fonterra to address modern slavery risks in its business and supply chain for the financial year ending 31 July 2022.

Principle 5: Remuneration

Fonterra's remuneration framework is designed to attract, retain and motivate high-quality Directors and senior management.

Director Remuneration

Fonterra's Constitution modifies the Board's discretion to set remuneration of Elected Directors. Farmer shareholders elect an independent committee of six farmer shareholders (the Directors' Remuneration Committee) to consider and make recommendations at the Annual Meeting on the remuneration for Elected Directors, which is required to be approved by farmer shareholders.

The members of the Directors' Remuneration Committee as at 31 July 2022 were Glenn Holmes (Chair), Ellen Bartlett, John Gregan, Scott Montgomerie, Stephen Silcock and Richard Stalker. Directors and employees only attend Directors' Remuneration Committee meetings at the invitation of the Committee.

The Board has full discretion over the remuneration of Appointed Directors, with such remuneration not being 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.

Given the arrangements outlined above, Fonterra does not have a specific policy for remuneration of Directors.

Further details of the Directors' remuneration are contained on [page 25](#) of this report.

Remuneration of Fonterra's People

This section is intended to provide transparency on the principles, approach and structure of how Fonterra rewards and recognises its Chief Executive Officer, Fonterra Management Team (FMT) and people. It also provides details on Fonterra's FY22 performance and the impact this has had on the remuneration outcomes for its Chief Executive Officer.

Role of the People, Culture and Safety Committee

The remuneration of Fonterra's Chief Executive Officer and FMT is governed by the People, Culture and Safety Committee (PCSC) who assist the Board in fulfilling its corporate governance responsibilities relating to remuneration, recruitment and retention of Directors, Chief Executive Officer and Executives. The PCSC charter (previously the Appointments and Remuneration Committee charter) is available on fonterra.com.

The PCSC also oversees and provides counsel on Fonterra's People Strategy including key priorities and milestones as well as noting Fonterra's progress on health and safety, culture, wellbeing, talent and leadership activities and diversity and inclusion.

An independent consultant is engaged to provide guidance on Chief Executive Officer and FMT rewards, to provide the PCSC with an independent view in addition to the advice provided by management or advisors commissioned by management.

Remuneration Strategy

Fonterra's remuneration strategy has been designed to align and support its philosophy of Good Together through its:

- Purpose;
- Values; and
- Business strategies and goals.

These are the foundation of the Co-operative and the lens through which all behaviours, decisions and choices are made.

Executive Remuneration Framework

Fonterra's executive remuneration framework follows three simple principles:



Remuneration Framework Changes for FY23

Through FY22, a review of Fonterra's Executive Remuneration Framework was undertaken. This review was undertaken with the purpose of aligning the most senior leaders to the financial interests of Fonterra's farmer shareholders and Long Term Aspiration strategy (LTA strategy). The remuneration framework in place had a greater focus on shorter term outcomes, with a large portion of the framework weighted to achievement of annual goals.

The key changes that will apply from FY23 as a result of this review include the replacement of the Executive Incentive Plan (EIP) with a Long-Term Incentive plan (LTI) focused on sustainable prosperity for farmers, and Co-operative value. A separate Short-Term Incentive plan (STI) will operate with all measures included in the scheme aligning 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 – and key people measures of Health and Safety and Diversity. In addition, the cap on incentive opportunity has been reduced from 150% of on-target earnings under the EIP with the new STI capped at 125% of on-target earnings. A summary of Fonterra's Executive Remuneration Framework for FY23 with the respective incentive plans is provided on the right. These apply to the Chief Executive Officer and eligible FMT members (Eligible FMT).

This new remuneration framework ensures we have a suitable balance between short and long-term measures setting us up to deliver on our LTA strategy. The STI scheme focuses our most senior leaders on achievement against annual goals aligned with our three strategic choices, and our LTI scheme focuses on sustainable outcomes for our farmers ensuring the reward outcomes of our leaders are aligned with those of our farmers.

	FIXED ELEMENT	SHORT-TERM INCENTIVE (STI)	LONG-TERM INCENTIVE (LTI)
How it's delivered	Cash	Cash	Cash (delivered after six years)
How it works	<ul style="list-style-type: none"> Consists of base salary and KiwiSaver or Superannuation and insurances. Benchmarked against the external market using comparable companies in the country or region where they're located. Reviewed annually based on performance and behaviours. 	<ul style="list-style-type: none"> CEO Target – 72% of Base Remuneration. Eligible FMT Target – 60% of Base Remuneration. Calculated based on achievement against a Fonterra Group Scorecard which aligns to Fonterra's three strategic choices; as well as key people measures. Achievement is determined over a one-year performance period (1 August – 31 July, aligned to Fonterra's financial year). The incentive is capped at 125% of on-target earnings. 	<ul style="list-style-type: none"> CEO Target – 48% of Base Remuneration. Eligible FMT Target – 40% of Base Remuneration. The value of the LTI will increase or decrease in value relative to sustainable farmer prosperity and Co-operative value over a six-year period. 50% of the LTI is based on the change in on-farm profitability per hectare over the six-year period as measured through the DairyNZ Economic Survey. The remaining 50% is based on performance of a Co-operative Share on the Fonterra Shareholders' Market (FSM) over the six-year period. Dividend equivalent payments will be made during the performance period based on dividends paid to FSM shareholders. Achievement is determined over a six-year performance period.
What it does	Attracts and retains key talent in the markets in which Fonterra operates.	Aligns the CEO and Eligible FMT on delivering exceptional results over both the short and long term for farmer shareholders.	Aligns the CEO and Eligible FMT on delivering exceptional results over the long term for farmer shareholders and rebalances remuneration packages to be less weighted on short term outcomes.

The remuneration pay-mix graph below shows the percentage of each remuneration element that makes up the Chief Executive Officer's total on-target remuneration for FY23. The long-term component of the Chief Executive Officer's remuneration package increases at target under this new remuneration framework from 17% to 22%, and the short-term component decreases from 38% to 33% supporting a longer-term view on sustainable growth.

FY23 On Target pay-mix



Remuneration Framework for FY22

The details included in this section relate to the remuneration framework in place for FY22. The remuneration framework for Fonterra's Chief Executive Officer and FMT is based on a Total Remuneration approach which is delivered through fixed remuneration and variable (at risk) components as outlined below.

The Chief Executive Officer and Eligible FMT participate in an Executive Incentive Plan (EIP), rather than separate Short-Term Incentive (STI) and Long-Term Incentive (LTI) programmes. The purpose of the EIP is to have a fit-for-purpose long-term incentive that focuses the Chief Executive Officer and Eligible FMT on the execution of Fonterra's strategy. The current design is a deferred STI which focuses management on annual strategy execution whilst deferring a portion of the incentive against longer-term goals over three years. The final vesting of the deferred value is modified using a long-term performance hurdle of Return on Capital (ROC) over the Milk Price Weighted Average Cost of Capital (WACC).

Both the fixed and variable remuneration components of the Chief Executive Officer and Eligible FMT for FY22 are outlined in the table on the right.

Executive Remuneration Benchmarking

Pay benchmarking for the Chief Executive Officer, Eligible FMT and certain senior roles is conducted using an independent third-party remuneration adviser appointed by the PCSC.

Given Fonterra's size and global scale is unique to New Zealand, the peer group for these roles is comprised of 20 Australian listed companies matched to the size, complexity and operational scope of Fonterra, allowing appropriate benchmarking of senior executive remuneration. The benchmark also reflects that senior positions within Fonterra require global expertise, and are typically recruited from competitive global talent markets, particularly Australia and Asia. Fonterra aims to pay Total Remuneration at the 65th percentile of the benchmark peer group for Fonterra's senior executives.

	FIXED ELEMENT	VARIABLE ELEMENT
	FIXED REMUNERATION	EXECUTIVE INCENTIVE PLAN (EIP)
How it's delivered	Cash	Cash (with a cash component deferred for three years)
How it works	<ul style="list-style-type: none"> Consists of base salary and KiwiSaver or Superannuation and insurances. Benchmarked against the external market using comparable companies in the country or region where they're located. Reviewed annually based on performance and behaviours. 	<ul style="list-style-type: none"> CEO Target – 120% of Base Remuneration. Eligible FMT Target – 110% of Base Remuneration. Calculated based on achievement against a Fonterra Group Scorecard which aligns to Fonterra's three goals of Healthy People, Healthy Environment and Healthy Business. Fonterra's measures within the scorecard include Health and Safety, Gender Diversity, Food Safety Quality, Global Complaints, Lowering Fonterra's Environmental Footprint, Group Return on Capital (ROC) and Farmgate Milk Price. Achievement is determined over a one-year performance period (1 August – 31 July, aligned to Fonterra's financial year). The EIP comprises 70% cash paid in the year earned and 30% deferred cash which vests three years after grant. The incentive is capped at 150% payment of on-target earnings. The deferred cash is subject to continued employment and a performance hurdle of Group ROC over the Milk Price WACC which could result in a payment of 0 – 150%.
What it does	Attracts and retains key talent in the markets in which Fonterra operates.	Aligns the CEO and Eligible FMT on delivering exceptional results over both the short and long term for farmer shareholders.

The remuneration pay-mix graph below shows the percentage of each remuneration element that makes up the Chief Executive Officer's total on-target remuneration for FY22.

FY22 On Target pay-mix



Chief Executive Officer Remuneration

Total Remuneration Paid FY22

Total Remuneration Paid reflects the remuneration in the period it is received, rather than the performance period to which the payment relates.

Miles Hurrell has held the role of Chief Executive Officer for the full financial year. His annual fixed remuneration as at 31 July 2022 is \$2,300,000. The variable pay component paid in FY22 was for the FY21 plan year and relates to the 70% portion of the EIP that is paid in cash directly following the end of the financial year. The FY21 EIP achievement was 118.5% resulting in a payment of \$1,941,030 with a further 30% or \$831,870 deferred until 2024, subject to the performance hurdle being met. The total remuneration received by Mr Hurrell in FY22 was \$4,308,178, as shown in the table below.

FIXED REMUNERATION		PAY FOR PERFORMANCE	TOTAL REMUNERATION PAID
SALARY	BENEFITS ¹	EIP PAID	
\$2,241,667	\$125,481	\$1,941,030 ²	\$4,308,178

1 Employer superannuation contribution.

2 The value of EIP represents the non-deferred component of the FY21 EIP Plan.

Total Remuneration Earned FY22

Total Remuneration Earned aligns remuneration outcomes with performance periods, providing what Fonterra believes is a more transparent indication of pay for performance. Variable pay outcomes are listed against the relevant performance period, regardless of when the payment is made. Fonterra believes this reporting approach provides the right balance of transparency and disclosure while accurately reflecting the outcomes for a given fiscal year.

The FY22 EIP achievement for Mr Hurrell was 109.0% resulting in a payment of \$2,105,880 with a further 30% or \$902,520 deferred until 2025, subject to the performance hurdle being met. The total earned by Mr Hurrell in FY22 was \$5,380,493, as shown in the table below.

	FIXED REMUNERATION		PAY FOR PERFORMANCE		TOTAL REMUNERATION
	SALARY	BENEFITS ¹	EIP EARNED (70%)	EIP DEFERRED 3 YEARS (30%)	
FY22	\$2,241,667	\$130,426	\$2,105,880	\$902,520 ²	\$5,380,493
FY21				\$831,870 ³	
FY20				\$949,104 ⁴	

1 Employer superannuation contribution.

2 Subject to meeting the required long-term performance hurdles, this is due to be paid in October 2025. If the performance hurdle has not been met, no payment will be made.

3 The deferred component of the FY21 EIP shown above remains at risk. If at the vesting date (October 2024) the performance hurdle has been met, the deferred component will be paid in cash. If the performance hurdle has not been met, no payment will be made. The performance hurdle is a longer-term measure of Group ROC over Milk Price WACC.

4 The deferred component of the FY20 EIP shown above remains at risk. If at the vesting date (October 2023) the performance hurdle has been met, the deferred component will be paid in cash. If the performance hurdle has not been met, no payment will be made. The performance hurdle is a longer-term measure of Group ROC over Milk Price WACC.

Principle 6: Risk Management

Risk Management Framework

The Board, supported by the Audit, Finance and Risk Committee, has responsibility for overseeing the implementation of Fonterra's purpose-built risk management framework.

Fonterra's Risk Appetite Statement specifies the amount of risk Fonterra is willing to take or accept in pursuit of its strategy. It indicates the parameters within which Fonterra will conduct its operations. Fonterra's approach is to respect and minimise risk to people and the natural, financial, intellectual, asset and infrastructure, and relationship capital associated with its business; whilst accepting and managing an increased degree of risk in areas where it is appropriate, and in pursuit of its strategy. This approach includes the effective identification of risks, using a risk-adjusted decision-making process and the establishment of measures to mitigate and continuously monitor Fonterra's risk position.

Fonterra's Global Risk Management Policy and Standard are aligned to the Australian/New Zealand Risk Management Standard "AS/NZS ISO31000:2018 Risk management – Principles and Guideline", outlining Fonterra's risk management principles and accountabilities, and setting out the requirements for managing and reporting risk across its 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 Fonterra's key risks.

Fonterra's Risk Management Framework supports the implementation of risk management across Fonterra and is aligned with the three lines model. Fonterra's first line is its people. Managers and individual business units hold clear risk management responsibilities for business risk management, including requirements to comply with external obligations as well as Fonterra's Global Policy standards. Fonterra's second line consists of the risk management and assurance processes delivered by its 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 review of key business activities, and providing reporting to the Fonterra Management Team and to the Board via the Audit, Finance and Risk Committee.

Continuous monitoring of the risk environment occurs via Fonterra's integrated business planning process, specific technical risk councils and audit outcomes, with a focus on the key risks faced globally in implementing its business strategy. As part of its risk management responsibility, the Board and the Audit, Finance and Risk Committee receives 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 People, Culture and Safety Committee also receive regular reports on the health, safety and wellbeing of Fonterra's people as part of Fonterra's risk management framework.

Key Risks

KEY RISK	RISK DESCRIPTION	RISK MITIGATIONS
Environmental Sustainability	Failure to enact measures to mitigate the impact (or perceived impact) of Fonterra's activities on the environment and/or mitigate the effects of climate change on Fonterra.	Resourcing plans to make progress against environmental targets. Refer to the Sustainability Report for Fonterra's sustainability goals and performance. Proactive engagement with farmer shareholders, industry, Iwi, government, 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.	The Global Quality Management framework, designed to ensure the purchase, supply, production and release of food is aligned with global regulatory standards as a minimum. Covid-19 restrictions have required additional measures that control and manage Fonterra's increased risk profile. Fonterra's global third-party sourcing network undergoes specific food safety and quality audits by specialists from Fonterra. External global regulatory bodies undertake independent audits of Fonterra's global management system and manufacturing footprint.

KEY RISK	RISK DESCRIPTION	RISK MITIGATIONS
Health, Safety and Wellbeing	Failure to manage the health, safety and wellbeing of Fonterra's people in the workplace.	<p>A rigorous Process Safety Assessment (PSA) methodology to ensure Fonterra understands significant hazards, their credible risks, and how best to control them.</p> <p>Engaging employees to develop risk management plans to improve their safety.</p> <p>Robust investigations of events and implementation of preventative actions. Reporting of events, near misses and hazards in the enterprise wide First Priority event management tool.</p> <p>Protect health from workplace exposures, prevent health harm through proactive health education, and promote a healthy work and life balance.</p>
Information Technology	Failure to establish, maintain and safeguard an appropriate information technology and data management framework, that ensure the confidentiality, integrity and availability of Fonterra's data, systems and supply chain.	<p>Implementation of programmes to improve awareness of cyber risk and build capability to protect against, and respond to any incidents.</p> <p>Ongoing investment in software and hardware including the Future Business Systems programme of work to improve reliability, stability, simplicity, and resilience of Fonterra's IT landscape, including data protection.</p>
Innovation	Inability to innovate effectively to respond to market trends and disruptions.	<p>Insights and outputs from strategic development and implementation processes feed directly through to integrated innovation forums.</p> <p>Executive structure aligned to Fonterra's strategy, with Innovation and Research & Development represented on the Fonterra Management Team.</p>
Legal and Compliance	Failure to manage, or respond to changes in, Fonterra's Legal and Compliance obligations, within the markets in which Fonterra operates.	<p>Annual Employee Policy Commitment (including certification of compliance with Fonterra Legal and Compliance policies and standards).</p> <p>Regular legal and compliance training (both broad based and market/function specific), accessible legal and compliance guidance, and reporting systems and processes.</p> <p>Support and advice from internal Legal, Regulatory and Trade Strategy teams, supplemented by specialist external support as required.</p>
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 and stakeholder interests.	<p>Fonterra's guiding philosophy - Good Together - bringing together our purpose, values, and strategy.</p> <p>A dedicated community engagement programme.</p> <p>Active stakeholder engagement programme in New Zealand and key international markets.</p> <p>Achievement of key environmental and other relevant targets.</p>
Liquidity and Funding	Inability to access sufficient funds to meet financial obligations, and/or take advantage of opportunities.	<p>Established financial assurance framework including oversight from the Financial Risk Committee.</p> <p>Active management of debt, debtors, and cashflow forecasting.</p> <p>Regular review of relevant policies, standards, and procedures to maintain a robust control framework.</p>

KEY RISK	RISK DESCRIPTION	RISK MITIGATIONS
Market Access	The risk that changes within global markets, including economic volatility, geopolitical instability, market access and market concentration adversely impacts business operations and sales.	Trade Strategy, advocacy and government relationship management. Active central portfolio management including consideration of concentration risk. Multimarket, diverse product and channel offerings.
Market Price and Currency	The risk that market price volatility, including foreign exchange and interest rates, is not appropriately responded to, adversely impacting price 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.
Milk Supply	Inability to retain milk supply driven by disruption (e.g. biosecurity/weather event), unfavourable returns and/or adverse regulatory settings.	Continued financial performance including delivery of a competitive milk price, and achievement of strategic milestones and commitments. Execution of Capital Structure changes, delivering positive outcomes for improved share flexibility. Comprehensive activity focused on winning and retaining New Zealand milk, including initiatives focused on land use change and farm sales. Insights to farmers in improving on farm productivity through resource optimisation with a strong link to strategy and milk volume support.
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 and wellbeing, capabilities, talent, leadership and HR foundations. People and Culture operating model, designed to improve business partnering capability, provide guidance for effective self-service tools, and enable a strategic initiative focus for supporting individual and team performance. Embedding diversity and inclusion across all facets of our strategy . Programme Office, providing governance structure, rigor and cohesiveness for all strategic People and Culture initiatives.
Regulatory	Failure to manage or respond to changes in the regulatory environment in which Fonterra and its farmers operate.	Proactive engagement with government officials and regulators, and monitoring of policy and regulatory changes. Support and advice from Internal 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 ambitions, enable opportunity, leverage its competitive advantage 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 Management and Board consideration.

KEY RISK	RISK DESCRIPTION	RISK MITIGATIONS
Strategic Execution	Sub optimal execution of strategic initiatives.	<p>Strategy and Optimisation represented on the Fonterra Management Team, with oversight of integrated, continuous strategic development and implementation.</p> <p>Strategic Implementation business partnership approach to support the development of strategically aligned plans, delivered in line with expectations.</p> <p>Strategic deployment milestones and decision points are integrated into management systems and business planning.</p> <p>Regular review and reconciliation of business activity and results against strategic expectations and targets.</p>
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.	<p>Reliable and efficient collection, treatment and distribution of milk.</p> <p>Strong focus on global supply chain management: implementing resilience strategies to mitigate impacts of global shipping disruption.</p> <p>Established, robust business continuity plans to address identified supply chain risks.</p>

Risk Management Focus in FY22

As part of developing Fonterra's strategy, Group Risk Appetite settings were assessed to provide clarity of the acceptable levels of risk in pursuit of its longer-term strategic objectives. The table above defines the key risks and provides an overview of mitigation activity for Fonterra's key risks in FY22.

A review of the Global Risk Management Standard was also undertaken, which considered business applicability, and continued alignment to the Australian/New Zealand Risk Management Standard "AS/NZS ISO31000:2018 Risk management – Principles and Guideline.

Fonterra's risk management framework has been actively deployed to identify, assess, and monitor existing, new, and emerging risks. This activity includes continuously assessing the appropriateness and accuracy of the measures used to monitor risk status, in addition to the key controls managing these risks within Fonterra's risk appetite. To strengthen Fonterra's risk culture and embed a consistent approach to risk management across the business, risk management analysis, training, and education programmes have been delivered globally.

Covid-19

Fonterra's response to the global Covid-19 outbreak was first initiated in January 2020. As with many businesses, the pandemic has had varying levels of impact across Fonterra, including its supply chain and within the global markets in which it operates. Fonterra has utilised its Group Crisis Response plan and Incident Management Team to enable an expedited and appropriate response at each stage of the situation globally. Key areas of impact include:

- Supply chain disruptions;
- Health risks to Fonterra's people, including any resulting in workforce impacts;
- Market volatility;
- Social distancing and increased safety measures at Fonterra manufacturing and distribution sites; and
- Fluctuations in customer demand and changes to global consumption habits.

Fonterra's response to the pandemic is ongoing. To maintain the continuity of Fonterra's operations during FY22, several control measures, including promoting and facilitating better understanding and access to the Covid-19 vaccine, have been put in place to mitigate risks to Fonterra's operations. While Fonterra's Incident Management framework has allowed its operations and core business activities to continue, ongoing challenges will be presented to the organisation by Covid-19. These challenges, which include the economic impacts of the virus on the global markets in which Fonterra operates, will require continued monitoring, analysis and management for a sustained period.

Principle 7: Auditors

Auditor Framework

The Audit, Finance and Risk Committee is responsible for making recommendations to the Board regarding the appointment of the external auditor. The external auditor is appointed by farmer shareholders at the Annual Meeting. KPMG was appointed as Fonterra's external auditor for the financial year ended 31 July 2022.

Fonterra has a Group Audit Independence Policy. This policy provides for the auditor to be able to carry out its statutory audit role in a manner where its independence is not impaired or could be perceived to be impaired. The policy sets 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. The policy stipulates the rotation of the lead external audit partner at least every five years.

As per the policy, all non-audit services to be undertaken by the auditor require approval by the Chief Financial Officer or 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 Audit, Finance and Risk Committee reviews the independence of the auditor, external audit fees, terms of engagement and the annual audit plan.

The Chairman of the Audit, Finance and Risk Committee communicates regularly with the external auditor and the Audit, Finance and Risk Committee meets with the external auditor without Management at least twice a year.

The fees paid to Fonterra's auditor, KPMG, are detailed in Note 6 (page 20) of the Financial Statements for the year ended 31 July 2022.

Annual Meeting

The external auditor attends Fonterra's Annual Meeting and is available to answer questions from farmer shareholders in relation to the audit.

Internal Audit

Fonterra has an internal audit function that provides independent and objective assurance to both the Audit, Finance and Risk Committee and Management on the adequacy of risk management, control and governance processes.

Fonterra's internal audit approach is based on the principle of line management responsibility for risk and controls. Management is responsible for implementing, operating and monitoring the system of internal controls to provide reasonable assurance of achieving business objectives. Internal Audit is responsible for:

- delivering a reasonable degree of assurance, as determined by the Audit, Finance and Risk Committee, over business risk
- assisting the business with special reviews or investigations
- 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 develops the annual internal audit plan, which is endorsed by the Audit, Finance and Risk Committee, and is accountable for its implementation. The Audit, Finance and Risk Committee regularly monitors progress of the implementation of the internal audit plan.

Principle 8: Shareholder Rights And Relations

Website

Fonterra's website (fonterra.com) provides investors and interested stakeholders access to financial and operational information and key corporate governance information about Fonterra as an issuer.

Co-operative Council

One of the Board's most important relationships is with the Co-operative Council. The Council, Fonterra's representative body established under the Constitution, is independent of the Board and as at 31 July 2022 comprised 25 farmer shareholders elected as Councillors, representing the interests of all members of the Co-operative in 25 wards across New Zealand. The functions of the Council are set out in the Constitution. The Council publishes an annual report, commenting on its activities which is emailed to all members of the Co-operative and made available on the Farm Source™ website.

The Council, Board and Management have a working interface document which sets out the principles to facilitate the working partnership between the Board, the Council and Management and the way operational issues will be dealt with by the Board and the Council.

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.

Farmer Communications

Fonterra is committed to maintaining and improving communication with its farmers. An extensive farmer and supplier relations programme is managed by the Farm Source™ team. Channels for electronic communication are provided through the Fonterra and Farm Source™ websites and the My Co-op mobile application. In addition, Fonterra provides farmers with the ability to receive communications (such as the Annual Report) from Fonterra electronically. Webinars are used where appropriate.

Fonterra's communications with farmers include regular face-to-face meetings, a regular Global Dairy Update, Farm Source™ magazine, My Co-op app posts and regular emails from the Chairman, Chief Executive Officer, Group Director Farm Source and Regional Heads. Fonterra releases all material information to the NZX and ASX (where applicable) and complies with the Fonterra Shareholders' Market Listing Rules with respect to shareholder communications.

Farmer Meetings

A schedule of regular meetings with farmer shareholders, sharemilkers and farm workers are usually held across the country at least twice each year. Often these are run in conjunction with the Co-operative Council and Farm Source™ regional teams.

Elected Directors also regularly attend other farmer meetings during the year on specific topics. In addition, the Board consults with farmers on specific issues as they arise.

Fonterra.com and Farm Source™ Digital Tools

An overview of Fonterra's operations, financial presentations and public announcements are all available on [fonterra.com](https://www.fonterra.com).

The Farm Source™ website enables farmer shareholders, their employees and business partners to transact online with Fonterra and access information and tools on milk production and quality, online statements and up-to-the-minute news and weather. This site is also used to provide information on the business to farmer shareholders.

The My Co-op app provides updated news and information from across the Co-operative and the industry including Milk Price announcements and updates from the Chairman and Chief Executive Officer. 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.

Annual or Special Meeting

The Board views the Annual Meeting of farmer shareholders, which is held at a different venue around New Zealand each year, as an opportunity to communicate directly with farmer shareholders and adequate time is provided at these meetings for farmer shareholders to raise issues or ask questions from the floor. The Chief Executive Officer attends the Annual Meeting.

The Constitution describes the process whereby a farmer shareholder can 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](https://www.fonterra.com) at least 10 working days before the meeting in line with Fonterra's Constitution and the Companies Act 1993. The notice of annual meeting for Fonterra's 2021 Annual Meeting was made available to farmer shareholders on 17 November 2021.

Annual Report

The Group's Annual Report (which this year is comprised of the Annual Review, the Financial Statements, the Business Performance Report and this Corporate Governance Statement and Statutory Information), together with the half-year report and other material announcements, are designed to present an integrated, balanced and clear view of Fonterra's activities and prospects and are available on [fonterra.com](https://www.fonterra.com).

Other Disclosures

Information on the Group's performance, annual and half-year financial results, Director changes, and other significant matters, is advised to the market through the NZX and ASX in accordance with relevant laws and listing rules. Farmer shareholders and other stakeholders receive regular updates on these and other issues relevant to them and all media and market releases are available on [fonterra.com](https://www.fonterra.com).

Voting

Shareholders have the right to vote on major transactions (as defined in the Companies Act 1993) 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 involves 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.

Statutory information

Co-operative Status

In accordance with section 10 of the Co-operative Companies Act 1996, the Directors of Fonterra Co-operative Group Limited (Fonterra) unanimously resolved on 11 August 2022 that Fonterra was, for the year ended 31 July 2022, 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 1996).
- Throughout that period not less than 60 per cent 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 1996).

Employee Remuneration Framework

A well-designed remuneration framework helps the Co-operative attract and retain talent, and both motivates and recognises the role our people play in the success of Fonterra.

Fonterra’s remuneration framework for salaried staff is based on a ‘total remuneration’ approach, which is consistent with best practice globally. This includes base salary, benefits (superannuation and insurance), and variable remuneration (incentives).

The amounts Fonterra pays its employees are benchmarked against comparable companies in relevant markets, using information obtained from independent remuneration consultants. Adjustments to packages may occur on a cyclical basis, such as an annual salary review, or on an as-needed basis to recognise additional responsibilities.

The framework is designed to take into account budget targets and restraints, market conditions, internal equity, and governance factors such as local legislation, as well as taking into account individual performance.

Fonterra’s incentive programmes are designed to drive performance by:

- focusing on Fonterra’s primary objective of maximising returns for its farmer shareholders;
- promoting collaboration and a one team approach to achieve Fonterra’s goals;
- establishing targets which are challenging yet achievable, and linked to team (such as business unit) and Group performance.

At the end of each financial year, performance is reviewed, and incentive payments for the Chief Executive Officer and eligible Fonterra Management Team members are approved by the People, Culture and Safety Committee (and in the case of the Chief Executive Officer, the Board) at its discretion. The People, Culture and Safety Committee retains absolute discretion in respect of payments for all incentive schemes.

Further detail on Fonterra’s remuneration framework can be found at [pages 11-14](#) of this report.

Employee Remuneration

Fonterra operates in a number of countries where remuneration market levels differ widely. During the year ended 31 July 2022, 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:

REMUNERATION RANGE (\$)		NEW ZEALAND HEAD OFFICE ¹	REGIONAL NEW ZEALAND ¹	OFFSHORE ²	CESSATIONS ³	TOTAL
\$100,000	\$110,000	66	1,952	175	90	2,283
\$110,000	\$120,000	69	891	199	63	1,222
\$120,000	\$130,000	60	688	182	36	966
\$130,000	\$140,000	48	747	241	26	1,062
\$140,000	\$150,000	57	250	193	27	527
\$150,000	\$160,000	42	181	174	13	410
\$160,000	\$170,000	45	127	105	11	288
\$170,000	\$180,000	50	90	89	9	238
\$180,000	\$190,000	38	72	78	9	197
\$190,000	\$200,000	35	66	55	7	163
\$200,000	\$210,000	32	50	37	4	123
\$210,000	\$220,000	30	48	35	7	120
\$220,000	\$230,000	21	21	38	4	84
\$230,000	\$240,000	31	13	41	1	86
\$240,000	\$250,000	19	11	26	4	60
\$250,000	\$260,000	23	20	22	1	66
\$260,000	\$270,000	19	12	14	7	52
\$270,000	\$280,000	12	7	14	3	36
\$280,000	\$290,000	7	10	23	1	41
\$290,000	\$300,000	14	3	15	0	32
\$300,000	\$310,000	9	4	11	2	26
\$310,000	\$320,000	9	2	8	2	21
\$320,000	\$330,000	6	3	13	3	25
\$330,000	\$340,000	11	4	8	0	23

REMUNERATION RANGE (\$)		NEW ZEALAND HEAD OFFICE ¹	REGIONAL NEW ZEALAND ¹	OFFSHORE ²	CESSATIONS ³	TOTAL
\$340,000	\$350,000	7	5	14	1	27
\$350,000	\$360,000	5	0	10	2	17
\$360,000	\$370,000	6	4	12	2	24
\$370,000	\$380,000	2	2	7	1	12
\$380,000	\$390,000	1	4	8	1	14
\$390,000	\$400,000	3	5	8	2	18
\$400,000	\$410,000	5	1	6	0	12
\$410,000	\$420,000	5	1	3	1	10
\$420,000	\$430,000	5	1	2	1	9
\$430,000	\$440,000	2	2	3	0	7
\$440,000	\$450,000	0	1	3	1	5
\$450,000	\$460,000	5	0	6	0	11
\$460,000	\$470,000	2	1	4	0	7
\$470,000	\$480,000	2	0	7	1	10
\$480,000	\$490,000	0	0	1	2	3
\$490,000	\$500,000	1	0	5	1	7
\$500,000	\$510,000	1	0	0	0	1
\$510,000	\$520,000	3	0	5	1	9
\$520,000	\$530,000	1	1	3	0	5
\$530,000	\$540,000	0	1	2	0	3
\$540,000	\$550,000	0	1	0	0	1
\$550,000	\$560,000	2	0	2	0	4
\$560,000	\$570,000	0	0	2	0	2
\$570,000	\$580,000	0	0	2	0	2
\$580,000	\$590,000	0	0	2	1	3
\$590,000	\$600,000	1	0	1	0	2

Employee Remuneration CONTINUED

REMUNERATION RANGE (\$)		NEW ZEALAND HEAD OFFICE ¹	REGIONAL NEW ZEALAND ¹	OFFSHORE ²	CESSATIONS ³	TOTAL
\$600,000	\$610,000	0	0	2	0	2
\$610,000	\$620,000	2	0	1	0	3
\$620,000	\$630,000	1	0	1	1	3
\$640,000	\$650,000	0	0	3	1	4
\$650,000	\$660,000	0	0	1	0	1
\$660,000	\$670,000	0	0	1	1	2
\$670,000	\$680,000	0	1	1	0	2
\$680,000	\$690,000	1	0	0	0	1
\$690,000	\$700,000	2	0	1	0	3
\$700,000	\$710,000	1	0	1	0	2
\$710,000	\$720,000	0	0	3	1	4
\$730,000	\$740,000	0	1	1	0	2
\$740,000	\$750,000	0	0	1	0	1
\$750,000	\$760,000	1	0	2	0	3
\$770,000	\$780,000	0	0	1	0	1
\$780,000	\$790,000	0	0	1	0	1
\$840,000	\$850,000	1	0	0	0	1
\$860,000	\$870,000	1	0	1	0	2
\$870,000	\$880,000	2	0	0	0	2
\$880,000	\$890,000	0	0	1	0	1
\$890,000	\$900,000	1	0	0	0	1
\$900,000	\$910,000	1	0	1	0	2
\$910,000	\$920,000	0	0	1	0	1
\$920,000	\$930,000	1	0	0	0	1
\$930,000	\$940,000	1	0	1	0	2
\$950,000	\$960,000	0	0	1	0	1

REMUNERATION RANGE (\$)		NEW ZEALAND HEAD OFFICE ¹	REGIONAL NEW ZEALAND ¹	OFFSHORE ²	CESSATIONS ³	TOTAL
\$990,000	\$1,000,000	1	0	1	0	2
\$1,040,000	\$1,050,000	0	0	1	0	1
\$1,050,000	\$1,060,000	0	0	2	0	2
\$1,070,000	\$1,080,000	0	0	1	0	1
\$1,170,000	\$1,180,000	0	0	1	0	1
\$1,460,000	\$1,470,000	0	0	1	0	1
\$1,590,000	\$1,600,000	1	0	0	0	1
\$2,140,000	\$2,150,000	1	0	0	0	1
\$2,480,000	\$2,490,000	0	0	1	0	1
\$2,580,000	\$2,590,000	0	0	1	0	1
\$2,950,000	\$2,960,000	1	0	0	0	1
\$3,110,000	\$3,120,000	0	0	1	0	1
\$4,300,000	\$4,310,000	1	0	0	0	1
Totals		833	5,304	1,951	352	8,440

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. 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	1,178
Bay of Plenty	188
Canterbury	869
Manawatu – Wanganui	415
Northland	265
Southland	292
Taranaki	799
Waikato	2,008
Rest of New Zealand	123
New Zealand total	6,137

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	1,042
Greater China	260
Europe	115
Latin America	96
New Zealand	6,137
Rest of Asia	293
Rest of World	66
United States	79
Cessations	352
Global total	8,440

Director Remuneration

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. Elected Directors are those Directors elected by shareholders in accordance with clauses 12.2 and 33.4 of the Constitution.

At the Annual Meeting of shareholders held on 9 December 2021, shareholders approved, on the recommendation of the Directors' Remuneration Committee, the following amounts of remuneration to apply to Elected Directors from the date of that Annual Meeting of shareholders.

Chairman	\$455,000 per annum
Directors	\$185,000 per annum
Discretionary additional payments to the Chair of permanent Board Committees (except when the Chair is the Chairman of the Board of Directors)	\$35,000 per annum

The Board has approved payment of the discretionary additional payment, at the prevailing approved rate, to the Chair of permanent Board Committees.

The Board has discretion to set the fees for Directors appointed under clause 12.4 of the Constitution (Appointed Directors). In the period to 31 July 2022 the Board applied the same remuneration levels as above to the Appointed Directors.

The People, Culture and Safety Committee and the Chairman of the Board of Directors has the discretion to allocate a discretionary pool of up to \$150,000 per annum to remunerate Directors for additional duties, workload and responsibilities. In the period to 31 July 2022 the People, Culture and Safety Committee and the Chairman of the Board of Directors has approved payments from the discretionary pool to recognise the additional workload created by the Capital Structure review in 2021 and additional payments to acknowledge those Directors who were members of four or more Board Committees during 2021.

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 the period from 1 August 2021 to 31 July 2022 are scheduled below:

	BOARD FEES	COMMITTEE CHAIR FEES	DISCRETIONARY POOL	TOTAL REMUNERATION (\$)
Clinton Dines	181,449	–	–	181,449
Brent Goldsack	181,449	–	10,000	191,449
Leonie Guiney (Chair of the Safety and Risk Committee) ¹	181,449	20,416 ²	10,000	211,865
Bruce Hassall (Chair of the Audit, Finance and Risk Committee)	181,449	35,000	20,000	236,449
Holly Kramer (Chair of the People, Culture and Safety Committee)	180,660 ³	35,000	–	215,660
Andrew Macfarlane (Chair of the Co-operative Relations Committee)	181,449	35,000	20,000	236,449
Peter McBride (Chairman of the Board of Directors)	446,122	–	–	446,122
John Nicholls	181,449	–	10,000	191,449
Cathy Quinn (Chair of the Disclosure Committee and the Divestment Review Committee) ⁴	181,449	14,583 ²	20,000	216,032
Donna Smit	181,449	–	10,000	191,449
Scott St John (Chair of the Milk Price Panel)	181,449	35,000	10,000	226,449

1 The Safety and Risk Committee was disbanded as of February 2022.

2 Indicates a part year.

3 Ms Kramer's fees vary for this period due to her remuneration being received a month in arrears.

4 The Disclosure Committee and Divestment Review Committee became permanent Board Committees as of February 2022.

Quoted Financial Products held at Balance Date

In accordance with Rule 2.7.1(d) of the Fonterra Shareholders' Market (FSM) Rules, the following table identifies the Quoted Financial Products in which each Director has a Relevant Interest as at 31 July 2022:

	FSF UNITS ¹	CO-OPERATIVE SHARES
Brent Goldsack	3,493	457,815
Leonie Guiney	–	1,198,824
Andrew Macfarlane	147,041	1,885,990
Peter McBride	–	7,090,320
John Nicholls	930	2,215,164
Cathy Quinn	–	444,280
Donna Smit	9,959	1,281,277

1 Units issued by the Fonterra Shareholders' Fund may be converted to Co-operative shares.

A 'Relevant Interest' in Fonterra securities which is required to be disclosed is explicitly defined in the Financial Markets Conduct Act 2013.

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.

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.

All current Elected Directors have Relevant Interests in Co-operative shares. Some Elected Directors also have interests in Co-operative shares which are not within the definition of 'Relevant Interest' in the Financial Markets Conduct Act 2013, and those interests are not disclosed above.

Entries in the Interests Register

Directors' interests in transactions

General disclosures of interest

The following general disclosures of interest were made in the period from 1 August 2021 to 31 July 2022:

Clinton Dines	<i>Freedom Road Travel</i>	<i>Director (ceased June 2022)</i>
Brent Goldsack	Better Eggs Limited	Indirect Shareholder
	Henergy Cage-Free Limited	Director
	The Hills Golf Club Limited	Director
Bruce Hassall	<i>Marivan Holdings Limited</i>	<i>Director and Shareholder (ceased January 2022)</i>
Holly Kramer	Norfolk Associates	Member
Andrew Macfarlane	SFFF Plantain Potency Project and Practice Programme	Chair
	Edgewater Resort Hotel Limited	Chair and Shareholder
	Waddington Family Trust	Trustee
	Deebury Lismore Limited	Director and Shareholder
	<i>Lincoln University</i>	<i>Councillor (ceased August 2021)</i>
	Peter McBride	New Zealand China Council
John Nicholls	Sequal Holdings Limited	Chair and minority Shareholder
	Sequal Investments Limited	Director
	Sequal Lumber Limited	Chair and minority indirect Shareholder
	Sequal Properties Limited	Director
	<i>Zespri China Advisory Board</i>	<i>Member (ceased November 2021)</i>
Cathy Quinn	Fonterra Farmer Custodian Limited	Director and Shareholder
	Taepu Land Limited	Director
Donna Smit	<i>EastPack Limited</i>	<i>Director (ceased May 2022)</i>
	<i>Fonterra Farmer Custodian Limited</i>	<i>Director and Shareholder (ceased February 2022)</i>
	<i>Seven Mile Farms Limited</i>	<i>Director and Shareholder (ceased June 2022)</i>

During the financial year 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.

Securities dealings of Directors

The following entries were made in the Interests Register during the year.

New Disclosures

No new disclosures of holdings of securities were made by Directors in the period from 1 August 2021 to 31 July 2022.

During the year, Directors disclosed in respect of section 148(2) of the Companies Act 1993 and/or section 297 of the Financial Markets Conduct Act 2013 that they (or their associated persons) acquired or disposed of a relevant interest in financial products as follows:

Co-operative share transactions

DIRECTOR	NUMBER OF SECURITIES ACQUIRED	NUMBER OF SECURITIES DISPOSED	CONSIDERATION \$	DATE
Peter McBride	1,000 ¹	1,000 ¹	–	29 September 2021
Cathy Quinn	64,000 ¹	64,000 ¹	–	19 May 2022
Donna Smit	391,195 ²	391,195 ²	–	1 June 2022

1 Transferred within same entity.

2 Amalgamation of related entities.

Unit transactions

DIRECTOR	NUMBER OF SECURITIES ACQUIRED	NUMBER OF SECURITIES DISPOSED	CONSIDERATION \$	DATE
Donna Smit	642 ¹	642 ¹	–	1 June 2022

1 Amalgamation of related entities.

Retail Bond transactions

DIRECTOR	NUMBER OF SECURITIES ACQUIRED	NUMBER OF SECURITIES DISPOSED	CONSIDERATION \$	DATE
Cathy Quinn		1,000,000 ¹	–	20 October 2021
Cathy Quinn		9,000,000 ²	9,126,504.77	14 June 2022

1 FCG030 matured on 20 October 2021.

2 FCG040.

Wholesale Bond transactions

DIRECTOR	NUMBER OF SECURITIES ACQUIRED	NUMBER OF SECURITIES DISPOSED	CONSIDERATION \$	DATE
Cathy Quinn	2,050,000 ^{1,2}	2,050,000 ^{1,2}	–	23 December 2021
Cathy Quinn	14,510,000 ^{1,3}	14,510,000 ^{1,3}	–	23 December 2021
Cathy Quinn		2,050,000 ^{2,4}	–	25 February 2022

1 Transferred between related entities.

2 FCG at 5.90% maturing on 25 February 2022.

3 FCG at 5.08% maturing on 19 June 2025.

4 FCG at 5.90% matured on 25 February 2022.

Capital Note transactions

There were no transactions by Directors (or their associated persons) in Capital Notes reported during the period from 1 August 2021 to 31 July 2022. No current holdings of Capital Notes have been advised by Directors (or their associated persons).

Subsidiary Company Directors

The following companies were subsidiaries of Fonterra as at 31 July 2022. Directors as of this date are listed below. Those who resigned during the year are denoted with an R. Alternate Directors are denoted with an A.

Assessment Labs Limited:

B K Connolly, J Swales

Canpac International Limited:

B M Ryan, P D Wynen

Dairy Industry Superannuation Scheme Trustee Limited:

M A Apiata-Wade, B J Kerr, B M McCarthy (R), T P McGuinness, R Price, D W C Scott, A K Williams, P D Wynen

Fonterra (Delegated Compliance Trading Services) Limited:

G A Duncan, S D T Till

Fonterra (International) Limited:

G A Duncan, C E Rowe

Fonterra (Kotahi) Limited:

R G Carlyle, F S Whineray

Fonterra (Middle East) Limited:

G A Duncan, C E Rowe

Fonterra (New Zealand) Limited:

G A Duncan, C E Rowe

Fonterra (North Asia) Limited:

G A Duncan, S D T Till

Fonterra Brands (New Zealand) Limited:

B Henshaw, J Swales

Fonterra Commodities Limited:

G A Duncan, B M Turner

Fonterra Dairy Solutions Limited:

G A Duncan, R McNickle

Fonterra Equities Limited:

G A Duncan, S D T Till

Fonterra Farming Ventures Limited:

G A Duncan, C E Rowe

Fonterra Finance Corporation Limited:

G A Duncan, S D T Till

Fonterra Ingredients Limited:

G A Duncan, B M Ryan

Fonterra LATAM Brands Limited:

A J Cordner, G A Duncan

Fonterra Limited:

M R Cronin, F S Whineray

Fonterra PGGRC Limited:

G A Duncan, J P Hill

Fonterra TM Limited:

G A Duncan, S D T Till

Glencoal Energy Limited:

G A Duncan, P D Wynen

Kotahi GP Limited:

D G Boulton, R G Carlyle, B M Ryan, F S Whineray

Lactanol Limited:

G A Duncan, B M Ryan

MIH Limited:

R J Allen, G A Duncan

Milktest GP Limited:

R J Allen, P J van Boheemen, P G Brown, G B McCullough, R G Townshend, T A Winter

MyMilk Limited:

C W Fergusson, K F Shaw

New Zealand Dairy Board:

G A Duncan, C E Rowe

New Zealand Milk (International) Limited:

G A Duncan, R M Kennerley

New Zealand Milk Brands Limited:

G A Duncan, S D T Till

NZAgbiz Limited:

R J Allen, G A Duncan

RD1 Limited:

R J Allen, G A Duncan

SAITL Limited:

G B McCullough, T A Winter

Tangshan Dairy Farm (NZ) Limited:

M R Cronin, G A Duncan

Whareroa Co-Generation Limited:

G A Duncan, P D Wynen

Anchor Insurance Pte. Limited [Singapore]:

G A Duncan, S S Herbert, C E Rowe, H N Toh (A)

Anmum (Malaysia) Sdn. Bhd. [Malaysia]:

R M Kennerley, S S Rapaka, V Tang

Australasian Food Holdings Pty. Limited [Australia]:

R J Dedoncker, G A Duncan

Bonland Cheese Trading Pty. Limited. [Australia]:

R J Dedoncker, G A Duncan

Comercial Dos Alamos S.A. [Chile]:

E Becker, A Rabie, A L R Vargas

Comercial Santa Elena S.A. [Chile]:

J Barria Pina, C F O Bascur, S T Perez

Subsidiary Company Directors CONTINUED**Dairy Enterprises (Chile) Limitada [Chile]:**

A J Cordner, G A Duncan, J P Egaña Bertoglia, R Lavados McKenzie, R Sepúlveda Seminario

Dairy Partners Americas Brasil Limitada [Brazil]:

S Aparecido Flavio, F Carvalho Goncalves, T B Ernesto Barretto, F Liani, M G Guerreiro Pinheiro (R), R de Oliveira Carrelas, L L Rangel

Dairy Partners Americas Nordeste-Produtos Alimenticios Limitada [Brazil]:

S Aparecido Flavio, F Carvalho Goncalves, M G Guerreiro Pinheiro, F Liani, R de Oliveira Carrelas, L L Rangel

Dairymas (Malaysia) Sdn Bhd [Malaysia]:

R M Kennerley, S S Rapaka, V Tang

Darnum Park Pty. Limited. [Australia]:

R J Dedoncker, G A Duncan

Fonterra (Beijing) Farm Management Consulting Company Limited [China]:

A Aggarwal, G A Duncan, G Yuan

Fonterra (Brasil) Limitada [Brazil]:

R F Aracil Filho, B de Luca Zanatta

Fonterra (Canada), Inc. [Canada]:

C L M Courtois (R), G A Duncan, B Kipping, A Geraghty, J H Lees, B M Ryan (R)

Fonterra (China) Limited [Hong Kong]:

M R Cronin, G A Duncan

Fonterra (CIS) Limited Liability Company [Russian Federation]¹:

E Grishina

Fonterra (Europe) Coöperatie U.A. [Netherlands]:

T Bosch, M Boyd, G A Duncan, H E Huistra (R)

Fonterra (France) SAS [France]:

H E Huistra (R), T Bosch

Fonterra (Ing.) Limited [Mauritius]:

A Aggarwal, T Chow, M R Robins (R), C Thomas

Fonterra (Japan) Limited [Japan]:

C L M Courtois (R), K Kumagai, K Kumagai, A Okuyama, Y Saito, K A Wickham

Fonterra (Korea) Limited Liability Company [Korea]:

G A Duncan (R), Y Saito

Fonterra (Logistics) Limited [United Kingdom]:

M Boyd, G A Duncan, G R Sharma (R), T Mackett

Fonterra (Mexico) S.A. de C.V. [Mexico]:

L Barona Mariscal (A), F R Camacho (A), G A Duncan, E P G R Gil (A), J A Del Rio

Fonterra (SEA) Pte. Ltd. [Singapore]:

H Gowans (R), R Kumar, J Mueller-Leiendecker

Fonterra (Thailand) Limited [Thailand]:

R Kumar, K Vunthanadit

Fonterra (USA) Inc. [United States]:

N R Christiansen, C L M Courtois (R), G A Duncan, A Geraghty, J H Lees

Fonterra Australia Holding Company Pty. Ltd. [Australia]:

R J Dedoncker, G A Duncan

Fonterra Australia Pty. Ltd. [Australia]:

R J Dedoncker, G A Duncan

Fonterra Brands (Asia Holdings) Pte. Ltd. [Singapore]:

S Arfelt Rajamand, S Goh, J Swales

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, W Y Chan, G A Duncan

Fonterra Brands (Malaysia) Sdn Bhd [Malaysia]:

R M Kennerley, S S Rapaka, V Tang

Fonterra Brands (New Young) Pte. Ltd. [Singapore]:

A Aggarwal, S Goh, Y Li, C Lin, Y Lin, J Ling

Fonterra Brands (Singapore) Pte. Ltd. [Singapore]:

S Goh, J Swales

Fonterra Brands (Thailand) Ltd. [Thailand]:

P Chaychotchaoen, R M Kennerley, S Nitkitjatorn, S Pronanunt (R), S Totana

Fonterra Brands (Viet Nam) Company Limited [Vietnam]:

S Arfelt Rajamand, R M Kennerley

Fonterra Brands Indonesia, PT [Indonesia]:

D M Irfani, C A Salinas Robeson, G Thiagarajan

Fonterra Brands Lanka (Private) Limited [Sri Lanka]:

R M Kennerley, T Salpitikorala, V Sivaraja

Fonterra Brands Manufacturing Indonesia, PT [Indonesia]:

M A Nasution, C A Salinas Robeson, T A B Siswanto, G Thiagarajan

Fonterra Brands Myanmar Co. Ltd. [Myanmar]:

G A Duncan, S Nitkitjatorn, C D Wickramanayake

Fonterra Brands Phils. Inc. [Philippines]:

R Cook, C Ferrer, R M Kennerley, R A Mendoza, G Santiago, L De Velez (R), M J S Magsajo

¹ Fonterra announced in March 2022 that it will exit its businesses in Russia. This process is currently underway.

Subsidiary Company Directors CONTINUED**Fonterra Chile SpA [Chile]:**

A J Cordner, G A Duncan, J P Egaña Bertoglia (A), R Lavados McKenzie (A), R Sepúlveda Seminario

Fonterra Commercial Trading (Shanghai) Company Limited [China]:

A Aggarwal, C Cao (R), G A Duncan, L Han

Fonterra Commercial Trading (Tangshan) Company Limited [China] (in liquidation):

C Cao, G A Duncan, P D Washer

Fonterra Egypt Limited [Egypt]:

A Anwar, G A Duncan

Fonterra Europe Manufacturing B.V. [Netherlands]:

D Krabbe, B M Ryan

Fonterra Europe Manufacturing Holding B.V. [Netherlands]:

G A Duncan, H Huistra (R), T Bosch

Fonterra Foodservices (USA), Inc. [United States]:

N R Christiansen, G A Duncan, J H Lees

Fonterra Global Business Services Asia Sdn Bhd [Malaysia]:

S S Rapaka, V Tang

Fonterra Hangu (HK) Limited [Hong Kong]:

G A Duncan, G Yuan

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 Milk Australia Pty. Ltd. [Australia]:

R J Dedoncker, G A Duncan

Fonterra Tangshan Dairy Farm (HK) Limited [Hong Kong]:

G A Duncan, G Yuan

Fonterra Venezuela, S.A. [Venezuela]:

G A Duncan, F C Ortega Becea

Inversiones Dairy Enterprises S.A. [Chile]:

A J Cordner, G A Duncan, J P Egaña Bertoglia (A), R Lavados McKenzie (A), R Sepúlveda Seminario, A S Vega (A)

Key Ingredients, Inc. [United States]:

N R Christiansen, C L M Courtois (R), G A Duncan, J H Lees, A Geraghty

Kotahi Logistics Australia Pty Limited [Australia]:

D Ross, J J Ryan (R), S Allan, R Howell

Milk Products Holdings (North America) Inc. [United States]:

N R Christiansen, C L M Courtois (R), J H Lees, A Geraghty

New Tai Milk Products Co. Ltd. [Taiwan]:

A Aggarwal, T Chow, C Lee, G Lee, K Lee, M R Robins (R), 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 (LATAM) Ltd. [Bermuda]:

G A Duncan, F Spinelli (R), N R Christiansen

New Zealand Milk Products (Ethiopia) SC [Ethiopia]:

A B Abubeker, M B Abubeker, M Boyd, C Ebbett, M Woodward

Newdale Dairies (Private) Limited [Sri Lanka]:

R M Kennerley, T Salpitikorala, V Sivaraja

NZMP Fonterra Nigeria Limited [Nigeria]:

G A Duncan, H Huistra (R), G Amade

Prolesur S.A. [Chile]:

M P Campbell (R), H Covarrubias Lalanne, S Diez Arrigada (A)(R), S Jimenez (R), J P Matus Pickering (A)(R), C Perez-Cotapos Subercaseaux (A)(R), R Sepúlveda Seminario (A)(R), E B Tengner, G V Verela Alfonso, A S Vega (A)(R), K A Wickham (R)

Sociedad Agrícola y Lechera Praderas Australes S.A. (“Pradesur”) [Chile]:

E Becker, A Rabie, A L Raddatz Vargas

Soprole Inversiones SA [Chile]:

M P Campbell, H Covarrubias Lalanne, S Diez Arrigada (A), S Jimenez, J P Matus Pickering (A), C Perez-Cotapos Subercaseaux (A), R Sepúlveda Seminario (A), G V Varela Alfonso, A S Vega (A), K A Wickham

Soprole S.A. [Chile]:

M P Campbell (R), H Covarrubias Lalanne, S Diez Arrigada (A)(R), S Jimenez (R), J P Matus Pickering (A)(R), S T Perez, C Perez-Cotapos Subercaseaux (A)(R), R Sepúlveda Seminario (A)(R), G V Varela Alfonso, A S Vega (A)(R), K A Wickham (R)

Tangshan Fonterra Dairy Farm Limited [China]:

A Aggarwal, G A Duncan, Q Jiang (R), G Yuan

United Milk Tasmania Pty. Limited [Australia]:

R J Dedoncker, G A Duncan

Directors' Indemnity and Insurance

Fonterra has given indemnities to, and has effected insurance for, Directors and executives of the Company and its related companies, in accordance with section 162 of the Companies Act 1993, and clause 35 of Fonterra's Constitution, which, except for specific matters that are expressly excluded, indemnify and insure Directors and executives against monetary losses as a result of actions undertaken by them in the course of their duties. Among the matters specifically excluded are penalties and fines that may be imposed for breaches of law.

Analysis of Shareholding

Analysis of Fonterra's shareholding as at 31 July 2022:

FCG Largest Recorded Share Holdings¹

NAME	NUMBER OF SHARES	% OF SHARES
Fonterra Farmer Custodian Limited	107,417,322	6.65
Ellis-Lea Farms (2000) Limited – Lamorna ²	1,326,453	0.08
Cumberland Dairy Farm Limited	1,029,128	0.06
Singletree Dairies 2013 Limited	1,012,776	0.06
E F Deadman Limited	998,052	0.06
Silverdale Farm Limited	973,679	0.06
Southern Pastures (Manako) Farm Limited Partnership	962,757	0.05
Coringa Park Dairies Limited	944,423	0.05
Stewart Partnership Limited	922,500	0.05
Arlanda Limited	920,033	0.05
Moffitt Dairy Limited	910,713	0.05
Rangitata Dairies Limited Partnership t/a Rangitata Dairies	902,623	0.05
Baytown Investments Limited	889,348	0.05
McBain Farms Limited	867,790	0.05
Gerrit Jan Hendrik Amtink & Gerritje Johanna Amtink	854,966	0.05
Auchenbrae Farm Limited	852,456	0.05
Mildara Dairy Limited	841,654	0.05
Bel Group Limited – Ashton	836,353	0.05
Ellis-Lea Farms (2000) Limited – Grandview ²	831,143	0.05
Premier Dairies Limited	824,788	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 persons having the 20 largest holdings of Co-operative shares on the register of Fonterra as at a date not earlier than two months before the date of the publication of the annual report. The list above complies with the FSM Rules and sets out the list of the 20 largest shareholders on the register as at the appropriate date. There is a separate requirement in the FSM Rules to disclose in the annual report those persons who have a 'Relevant Interest' (as defined in the Financial Markets Conduct Act 2013) in Co-operative shares in excess of five per cent, 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, except where Fonterra has been advised that a person has a 'Relevant Interest' in excess of the five per cent threshold.

² Includes Co-operative shares held in respect of a farm which has ceased supplying milk to Fonterra via the listed entity.

Substantial Product Holders

According to notices given to the Company under the Financial Markets Conduct Act 2013, as at 31 July 2022, the substantial product holders in the Company and their relevant interests are noted below. The total number of Co-operative shares on issue as at 31 July 2022 was 1,612,825,585.

SUBSTANTIAL PRODUCT HOLDERS	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

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. The Custodian also holds some Co-operative shares for the Registered Volume Provider in respect of the Fund.

FCG Fonterra Co-operative Shares

Analysis of Fonterra Co-operative Shares as at 31 July 2022:

FROM-TO	HOLDER COUNT	%	HOLDING QUANTITY	%
1-50,000	1,083	11.70	29,107,843	1.80
50,001-100,000	2,373	25.64	182,770,259	11.33
100,001-200,000	3,214	34.72	456,568,161	28.31
200,001-400,000	2,060	22.26	563,390,351	34.93
400,001 and over	526	5.68	380,988,971	23.62

Analysis of Capital Note and Retail Bond Holding

Analysis of Fonterra's Capital Note Holding as at 4 August 2022:

FCGHA Capital Notes

FROM-TO	HOLDER COUNT	%	HOLDING QUANTITY	%
1-1,000	9	1.54	3,974	.00
1,001-5,000	26	4.44	70,843	.07
5,001-10,000	192	32.76	1,364,241	1.33
10,001-100,000	335	57.17	9,418,907	9.19
100,001 and over	24	4.10	91,661,289	89.41

100,001 and over includes Fonterra's holding of 67,435,575.

Analysis of Fonterra's Retail Bond Holding as at 4 August 2022:

FCG040 \$150 million Retail Bond issue

FROM-TO	HOLDER COUNT	%	HOLDING QUANTITY	%
5,000-9,999	57	10.86%	329,000	0.22
10,000-49,999	333	63.43%	6,825,000	4.55
50,000-99,999	64	12.19%	3,968,000	2.65
100,000-999,999	56	10.67%	15,603,000	10.40
1,000,000 and over	15	2.86%	123,275,000	82.18

FCG050 \$100 million Retail Bond issue

FROM-TO	HOLDER COUNT	%	HOLDING QUANTITY	%
5,000–9,999	9	4.09%	65,000	0.07
10,000–49,999	149	67.73%	3,457,000	3.46
50,000–99,999	26	11.82%	1,592,000	1.59
100,000–999,999	20	9.09%	5,604,000	5.60
1,000,000 and over	16	7.27%	89,282,000	89.28

Current Credit Rating Status

Standard & Poor's long-term rating for Fonterra is A- with a rating outlook of stable. Fitch's long-term and short-term default rating is A with a rating outlook of stable. Retail Bonds have been rated the same as the Company's long-term rating by both Standard & Poor's and Fitch. Capital Notes, which are subordinate to other Fonterra debt issued, are rated BBB+ by Standard & Poor's and A- by Fitch.

Exchange Rulings and Waivers

NZX Limited (NZX) has ruled that Capital Notes (FCGHA) are debt securities as defined in the NZX Main Board/Debt Market Listing Rules (Listing Rules). This means that where Capital Notes are quoted on NZX's Debt Market, Fonterra is not required to comply with certain Listing Rules which apply to an issuer of quoted equity securities.

NZX Trading Halts

No trading halts were placed on Fonterra securities by NZX in the financial year ended 31 July 2022.

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 two issues of retail bonds listed and quoted on the NZDX under the codes 'FCG040', and 'FCG050'. Fonterra also has an issue of capital notes listed and quoted on NZDX under the code 'FCGHA' and a Euro Medium Term Note Programme listed on the Singapore Stock Exchange.

As at 31 July 2022 there were 1,612,825,585 Co-operative shares on issue.





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