

Fonterra Shareholders' Fund Annual Report 2025

FOR THE YEAR ENDED 31 JULY 2025

FONTERRA
SHAREHOLDERS'
FUND.

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Adam, Mila & Harriet, Taranaki

Chair Report

Dear unit holders,

2025 was a record year for Fonterra, with \$16.2 billion in cash payments generated.

It consisted of the highest milk price payment to its supplying farmers at \$10.16 per kgMS or \$15.3 billion in milk payments, and the highest dividend at 57 cents per share or \$916 million distributed to shareholders and unit holders.

The fully imputed dividend of 57 cents per share consists of the 22 cent interim dividend received on 8 April 2025, and a final dividend of 35 cents to be paid on 15 October 2025. As a unit holder in the Fonterra Shareholders' Fund you receive the same economic rights as a Fonterra Co-operative Group share, such as dividends and capital returns.

Fonterra's business performance

The Fund, and the Board of FSF Management Company Limited (the Manager) that oversees it, have no direct involvement in Fonterra's operations. However, as a holder of economic rights in Fonterra, the performance of the Fund is tied directly to Fonterra's performance.

It is pleasing to see Fonterra's strong operating performance continue in 2025, with operating profit up \$205 million, or 13%, to \$1,732 million mainly due to higher operating profit in the Ingredients business.

Meanwhile, Foodservice sales volumes continued to grow off the back of continued strong demand in Greater China and key Asia markets for products including UHT cream, butter and mozzarella.

The business proposed to be divested, Mainland Group, benefited from sales volume growth in the Consumer business and the Australia business having a stable milk price against higher global commodity prices.

Fonterra's profit after tax was down \$49 million to \$1,079 million, reflecting the change in tax treatment¹, and includes \$106 million of Mainland Group divestment and separation costs.

Excluding the divestment costs and non-controlling interests, normalised profit after tax is \$1,144 million and equates to earnings per share of 71 cents, which is in line with prior year performance on a normalised basis.

Fonterra's adjusted net debt and debt to EBITDA remain in line with last year at \$2.6 billion and 1.1x, respectively. This robust position supports Fonterra's decision to distribute 80% of earnings, the top end of its dividend policy range, to shareholders and unit holders.

Fonterra's return on capital of 10.9% is above the 5-year average and within the long-term target range of 10-12%.

Divestment of Mainland Group

Fonterra announced in August 2025 that it had agreed the sale of the Mainland Group businesses to Lactalis for \$4.22 billion.

The sale is subject to approval from farmer shareholders on 30 October 2025, as well as separation of the businesses from Fonterra and certain regulatory approvals.

Fonterra is targeting a tax-free capital return of \$2.00 per share, which is approximately \$3.2 billion, following completion of the sale. Unit holders are entitled to any capital return.

The strategic targets and policy settings Fonterra announced in September 2024 remain unchanged if Mainland Group is divested, including a target average Return on Capital of 10-12% from FY26, which is above Fonterra's 5-year average.

Fonterra's operating profit and earnings per share will be impacted in the short term by the divestment of Mainland Group, but Miles Hurrell, Fonterra CEO, said they are targeting earnings to return to current levels in three years.

¹ Fonterra has exhausted its NZ tax losses and NZ tax expenses will generate imputation credits from FY25 onwards. As part of the change, dividends on supply backed shares are no longer treated as tax deductible by Fonterra. For unit holders, when Fonterra declares an imputed dividend, the Custodian for the Fund will be able to use the imputation credits to offset the PIE tax that is deducted from those dividends, before distribution to unit holders.

Fonterra's 2026 outlook and priorities

Fonterra announced its 2026 forecast earnings from continuing operations, which excludes the businesses to be divested, of 45-65 cents per share. Fonterra also left its 2025/26 season Farmgate Milk Price unchanged at \$10.00 per kgMS with a range of \$9.00 - \$11.00 per kgMS.

Miles Hurrell said global demand for Fonterra's products continues to be strong. However, global milk supply is increasing and the risk of potential volatility in commodity prices and exchange rates from geopolitical dynamics remains.

Fonterra has stated its FY26 priorities are:

- **Divestment process** – supporting the farmer shareholder vote on the proposed divestment and, if approved, completing the sale to Lactalis and returning capital to shareholders and unit holders.
- **New manufacturing capacity** – Edendale UHT cream and Studholme proteins completed in 2026 and new butter and cream cheese investments progressed.
- **Fonterra's foundations** – Go-live of Fonterra's new Enterprise Resource Planning system at its first manufacturing site in November 2025.

Miles Hurrell believes the ongoing balance sheet strength, combined with Fonterra's focused strategic direction, means the business is well prepared for the future and positioned to continue delivering strong returns to shareholders and unit holders.

For further clarity and detail on Fonterra's performance, I encourage you to read the other annual results material released by Fonterra, that can be found on its Investor Relations webpage.

Nga mihi,



Mary Jane Daly
Chair



Our Board



Mary Jane Daly

Independent Director appointed by unit holders

Mary-Jane Daly was appointed to the FSF Board in November 2020. She was appointed as Chair in November 2022.

Mary-Jane is a professional director with a wide range of experience across a number of industries. Her executive background is in banking and finance in a variety of roles both in New Zealand and the UK.

Mary-Jane is the Chair of AIG Insurance New Zealand Limited and Partners Life Limited and an Independent Director of Kiwibank Limited. Previous governance roles have included Cigna Life Insurance New Zealand, the Natural Hazards Commission Toka Tu Ake, OnePath Life, Airways Corporation, Auckland Transport, the NZ Green Building Council and Kiwi Property Group Limited. Her last corporate executive role was leading State Insurance.

BCom, MBA



Carlie Eve

Independent Director appointed by unit holders

Carlie Eve was appointed to the FSF Board in November 2022.

Carlie has over 25 years' experience in financial markets and the corporate sector. She has held executive roles across equity research, investment banking, investor relations, corporate strategy and funds management.

Carlie is currently a director of Kiwi Property Group Limited, Chair of the Diocesan School Heritage Foundation and was previously a Director of Hobsonville Land Company Limited.

BSc, BCom



Alastair Hercus

Independent Director appointed by unit holders

Alastair Hercus was appointed to the FSF Board in November 2022.

After 29 years Alastair retired as a Partner at Buddle Findlay, a leading corporate law firm and is now a Consultant to the firm. This followed an earlier career as a diplomat in the Ministry of Foreign Affairs and Trade.

He has significant professional experience working with co-operatives and primary sector businesses, and in corporate governance and economic regulation. He is an experienced director, particularly in the co-operative and mutual sector. He is a former Deputy Chair of the Medical Assurance Society and is currently Chair of Co operative Life Limited.

In the public sector he is a Commissioner at the Natural Hazards Commission Toka Tu Ake, a Director of Invercargill Airport Limited and Chair of the Risk & Advisory Committee at the Ministry of Business, Innovation and Employment.

BA (Hons), LLB



Andy Macfarlane

Appointed to the Board of the Manager by Fonterra

Andy Macfarlane was elected to the Fonterra Board in 2017, and has served on the FSF Board since February 2019.

Andy was a farm management consultant for 38 years and is a past President of the New Zealand Institute of Primary Industry Management (NZIPIM). He is a Director of ANZCO, chairs the SFFF Plantain Project and Edgewater Hotel Lake Wanaka Boards and is a member of the International Farm Management Association (IFMA). Andy is a previous Director of Ngai Tahu Farming Limited and AgResearch, past chair of Deer Industry New Zealand, and served on the council of Lincoln University for 12 years.

Andy and his wife Tricia commenced farming in 1989 and live near Ashburton. His shareholding interests are in Canterbury. He has a strong interest in the governance of food processing and manufacturing, research and development, and strategic use of technology in the farming sector.

B.Agr.Sc



John Nicholls

Appointed to the Board of the Manager by Fonterra

John Nicholls was elected to the Fonterra Board in 2018, and joined the FSF Board in November 2022

An experienced company director, John was the previous chair of MHV Water, New Zealand's largest intergenerational irrigation co-operative.

As the owner of several mid-Canterbury dairy farms forming part of the Rylib Group, John is highly focused on investing in and mentoring the next generation of farmers in New Zealand and on safeguarding the sustainability of farming for the long term. He brings professionalism, cost consciousness and a strategic mindset to governance, ensuring that business operations align with core strategy and are consistently adding value.

John served on the Fonterra Co-operative Council from 2009 to 2011.

B.Agr, PG AgrSci

Financial Statements

FOR THE YEAR ENDED 31 JULY 2025



Bridgeman Farm, Taranaki

Manager's Statement

FOR THE YEAR ENDED 31 JULY 2025

FSF Management Company Limited (the Manager) presents to the unit holders the financial statements for the Fonterra Shareholders' Fund (the Fund) for the year ended 31 July 2025.

The Manager is responsible for presenting financial statements for each financial year which fairly present the financial position of the Fund and its financial performance and cash flows for that period.

The Manager considers the financial statements of the Fund have been prepared using accounting policies which have been consistently applied and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

The Manager believes that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Fund and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013 and the Fonterra Shareholders' Fund Trust Deed.

The Manager considers that it has taken adequate steps to safeguard the assets of the Fund, and to prevent and detect fraud and other irregularities.

The Manager approves and authorises for issue the financial statements for the year ended 31 July 2025 presented on pages 7 to 15.

For and on behalf of the Board of the Manager:

Mary Jane Daly

Chair
FSF Management Company Limited

24 September 2025

Alastair Hercus

Director
FSF Management Company Limited

24 September 2025

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 JULY 2025

(\$ MILLION)

	31 JULY 2025	31 JULY 2024
Net fair value gain on revaluation of Economic Rights of Fonterra shares	327	99
Dividend income	67	59
Investment income	394	158
Net increase in fair value of amounts attributable to unit holders	(327)	(99)
Distributions to unit holders	(67)	(59)
Finance cost	(394)	(158)
Profit before tax	–	–
Tax expense	–	–
Profit for the year	–	–

There are no items of other comprehensive income.

Statement of Changes in Amounts Attributable to Unit Holders

FOR THE YEAR ENDED 31 JULY 2025

(\$ MILLION)

Amounts attributable to unit holders at 1 August 2024	424
Movements:	
Revaluation of amounts attributable to unit holders	327
Amounts attributable to unit holders at 31 July 2025	751
 Amounts attributable to unit holders at 1 August 2023	 325
Movements:	
Revaluation of amounts attributable to unit holders	99
Amounts attributable to unit holders at 31 July 2024	424

The accompanying basis of preparation and notes form part of these financial statements.

Statement of Financial Position

AS AT 31 JULY 2025

(\$ MILLION)

	NOTES	31 JULY 2025	31 JULY 2024
Assets			
Economic Rights of Fonterra shares	2	751	424
Total assets		751	424
Liabilities			
Amounts attributable to unit holders	3	751	424
Total liabilities		751	424

Cash Flow Statement

FOR THE YEAR ENDED 31 JULY 2025

(\$ MILLION)

	NOTES	31 JULY 2025	31 JULY 2024
Cash flows from operating activities			
Cash was provided from:			
– Dividends received		67	59
– Capital return received		–	54
Net cash flows from operating activities	4	67	113
Cash flows from financing activities			
Cash was applied to:			
– Distributions paid to unit holders		(67)	(59)
– Capital return paid to unit holders		–	(54)
Net cash flows from financing activities		(67)	(113)
Net change in cash and cash equivalents		–	–
Cash and cash equivalents at the beginning of the year		–	–
Cash and cash equivalents at the end of the year		–	–

The accompanying basis of preparation and notes form part of these financial statements.

Basis of Preparation

FOR THE YEAR ENDED 31 JULY 2025

a) General information

The Fonterra Shareholders' Fund (FSF or the Fund) is a New Zealand managed investment scheme established to be the 'Authorised Fund' referred to in Fonterra's Constitution. It is an FMC Reporting Entity registered under the Financial Markets Conduct Act 2013 and its governing document is the Fonterra Shareholders' Fund Trust Deed (the Trust Deed) dated 23 October 2012 (as amended) and has a life of 80 years. Under the Trust Deed, the Fund may invest only in authorised investments, which are the Economic Rights of Fonterra shares (Economic Rights), and issue units to investors. It may not invest directly in Fonterra shares (Shares).

At 31 July 2025, the Fund is listed on the NZX Main Board operated by NZX Limited. The activities of the Fund and the issue of units to the public are managed by FSF Management Company Limited (the Manager). The immediate and ultimate parent of the Fund is Fonterra Co-operative Group Limited (Fonterra, or the Co-operative).

The New Zealand Guardian Trust Company Limited (the Trustee) acts as the trustee for the Fund. The Economic Rights assets are held on trust for the Trustee under the Fonterra Economic Rights Trust by Fonterra Farmer Custodian Limited (the Custodian). The trustees of the Fonterra Farmer Custodian Trust also hold one unit known as the Fonterra unit.

The registered office of the Manager is 109 Fanshawe Street, Auckland Central, Auckland 1010, New Zealand.

The financial statements were authorised for issue by the Manager on 24 September 2025.

Fonterra financial statements

Investors are encouraged to read the financial statements of Fonterra, together with the financial statements of the Fund, given that the performance of the Fund is driven by the performance of Fonterra. The Fonterra financial statements can be found in the 'Investors/Results & Reporting' section of Fonterra's website.

Fonterra's capital structure

Under Fonterra's Flexible Shareholding capital structure, the ability for the Fund to acquire Economic Rights and issue units to investors (i.e. to exchange shares for units) on a day-to-day basis is suspended. The Fonterra Board retains the right to regulate this process, and if, in the future, the Fonterra Board considered it was appropriate to increase the Fund size, it could do so up to the overall Fund size limit of 10% of the total number of Fonterra shares on issue as specified in Fonterra's Constitution. As at 31 July 2025, the Fund size is 6.7% (31 July 2024: 6.7%).

During the year ended 31 July 2025, Fonterra did not buy back any shares from shareholders (31 July 2024: 54,114 shares were bought back at a total cost of \$0.1 million). The buyback in the prior year did not have a material impact on the Fund size percentage.

Information about Flexible Shareholding is available in the 'Investors/Capital Structure' section of Fonterra's website.

Activities

The principal activity of the Fund is to acquire and hold Economic Rights and issue units to investors to allow investors in the Fund an opportunity to earn returns based on the financial performance of Fonterra. As reflected in the previous section, the ability to exchange shares for units is suspended under Flexible Shareholding.

Delisting from ASX

In January 2025, the Manager received conditional approval to remove the Fund from the official list of the ASX. The Fund complied with the conditions and was removed from the ASX at the close of ASX trading on 27 February 2025.

FSF units last traded on 25 February 2025. FSF units were placed into a two day voluntary suspension from close of trading on 25 February 2025 to enable ASX trades to settle and units from the ASX to be transferred to the NZX before the Fund was removed from the official list of the ASX. Units continue to be available on the NZX to buy and sell and unit holders continue to be eligible to receive distributions.

Basis of Preparation CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

Economic Rights and units

One Economic Right represents the right to receive dividends and other economic benefits derived from a fully paid share in Fonterra. This does not include the right to hold legal title to the share or to exercise voting rights in Fonterra.

A unit constitutes an undivided interest in the Fund. The Fund is designed to have the effect that each unit on issue in the Fund will represent the Economic Right derived from a single share in Fonterra.

Key attributes of Economic Rights

- The right to receive a distribution equivalent to any dividend declared by the Fonterra Board (before PIE tax, withholding tax or other tax on distribution).
- The right to participate in other transactions in respect of Fonterra shares such as bonus issues, rights issues or buybacks.
- The right to share in any surplus on liquidation of Fonterra.

Key rights and restrictions of unit holders

- Unit holders will be entitled to have passed through to them an amount equal to any dividend payable in relation to a share in Fonterra (adjusted for any PIE tax, withholding tax or any other adjustments for tax in relation to that unit holder).
- If Fonterra reconstructs or adjusts its shares, an equivalent reconstruction or adjustment will be made in respect of units.
- If Fonterra makes bonus issues or rights issues of shares to its shareholders, corresponding issues of units will be made to unit holders.
- If there is an offer to acquire shares held by the Custodian, the Fund will seek instructions from unit holders as to whether the offer should be accepted. If a unit holder directs the Fund to accept the offer, the Fund will redeem units from such unit holder and accept the offer for shares in proportion to that direction. The amount received from the sale of the shares will be paid by the Fund to the unit holder.
- Unit holders are entitled to attend and vote at unit holder meetings and to elect three Directors of the Manager of the Fund. The additional two Directors of the Manager of the Fund are appointed by Fonterra.
- Unit holders do not have any right to attend or vote, or request the Custodian to attend or vote, at any meeting of Fonterra farmer shareholders.

Key rights of the Fonterra unit holder

- The Trust Deed cannot be amended without the prior approval of the holder of the Fonterra unit if that amendment would change the governance structure of the Board of the Manager, the scope and role of the Fund, the exchange mechanism for units and Economic Rights and the individual fund size restrictions.
- In other respects, the holder of the Fonterra unit has the same rights as any other unit holder.

b) Basis of preparation

These financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS Accounting Standards) and have been prepared in accordance with Generally Accepted Accounting Practice (GAAP) applicable to for-profit entities. These financial statements also comply with International Financial Reporting Standards (IFRS Accounting Standards).

These financial statements are prepared on a historical cost basis, except for Economic Rights and amounts attributable to unit holders which have been measured at fair value.

These financial statements are presented in New Zealand dollars (\$), which is the Fund's functional and presentation currency, and rounded to the nearest million, except where otherwise stated.

The same accounting policies are followed in these financial statements as were applied in the financial statements for the year ended 31 July 2024.

The preparation of financial statements requires the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions of accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The judgement that has the most significant effect on the amounts recognised in the financial statements relates to the valuation of the Economic Rights of Fonterra Shares. The valuation approach used for the Economic Rights is described in [Note 1](#).

Basis of Preparation CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

c) Material accounting policies

Operating segments

The Fund's investments only include Economic Rights assets and the Fund's performance is evaluated on an overall basis. Therefore, the Fund is a single-segment entity. All of the Fund's income is from investments in the Economic Rights.

The internal reporting provided to the Board of the Manager, which is the Fund's chief operating decision maker, for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of NZ IFRS Accounting Standards. The Board of the Manager reviews the Fund's internal reporting in order to assess the performance and position of the Fund.

Dividend income

Dividend income from investments in Economic Rights is recognised in profit or loss on the date that the right to receive payment of the dividend is established, when it is probable that the economic benefits will flow to the Fund and the amount of the dividend can be reliably measured.

Distributions to unit holders

Distributions payable to unit holders are recognised in profit or loss as finance costs in the period in which they are declared by the Board of the Manager.

Financial assets and financial liabilities

A financial asset or liability is recognised when the Fund becomes a party to the contractual provisions of the asset or liability (i.e. trade date).

Financial assets are derecognised if the Fund's contractual rights to the cash flows from the financial assets expire or if the Fund transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Fund's obligations specified in the contract expire or are discharged or cancelled.

Economic Rights of Fonterra shares

The Economic Rights of Fonterra shares are measured at fair value. Changes in fair value are recognised as investment income or expense in profit or loss. The Economic Rights are a current asset.

Amounts attributable to unit holders

The Fund has an obligation to repurchase units from Farmers, the Registered Volume Providers and Fonterra, therefore the amounts attributable to unit holders is a financial liability. It is presented as a financial liability because it does not meet the limited set of criteria that would allow it to be presented as equity. The amounts attributable to unit holders is a current liability.

The Fund manages its amounts attributable to unit holders on a fair value basis. Therefore, the Fund has elected to measure the amounts attributable to unit holders at fair value. Changes in fair value are recognised as finance costs in profit or loss.

Tax

The Fund has elected to be a 'foreign investment variable-rate Portfolio Investment Entity' for New Zealand income tax purposes. Due to this election, income is effectively taxed in the hands of the unit holders and therefore the Fund has no tax expense, current tax payable or deferred tax assets or liabilities.

The Fund will attribute PIE income (being Fonterra dividends) to unit holders and pay tax on that income at each relevant unit holder's nominated prescribed investor rate (PIR), being their applicable tax rate, subject to the option to apply the non-resident withholding tax rules in respect of Notified Foreign Investors. When the Fund receives Fonterra dividends the Fund will retain an amount from dividends distributed to a unit holder to satisfy the PIE (or withholding) tax liability in relation to that unit holder and pay amounts owing direct to the IRD. It is not anticipated that the Fund will have a PIE tax loss or excess tax credits which will be attributed to unit holders.

d) New standards and interpretations

Accounting standards effective from 1 August 2024

No new or amended standards and interpretations that became effective for the year ended 31 July 2025 have had a material impact to the Fund.

Accounting standards issued but not yet effective

There are no new or amended standards that are issued but not yet effective that are expected to have a material recognition or measurement impact to the Fund.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2025

1 Financial risk management

The Fund was primarily established to invest in Economic Rights and issue units to investors. As such its only investment comprises of Economic Rights. Through the holding of this investment and issuing units to unit holders, the Fund has limited net exposure to market price risk and liquidity risk. The Fund has no direct exposure to interest rate, foreign exchange or credit risk. The risk management policies employed by the Fund are discussed below.

Market price risk

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual instrument, its issuer or factors affecting all instruments traded in the market.

The Fund's financial instruments primarily comprise of investments in the Economic Rights and amounts attributable to unit holders which are both carried at fair value with fair value changes recognised in profit or loss. Both of these instruments are exposed to market price risk. Any change in the market price of the units will result in an equal and opposite change in the market price of the Economic Rights. Hence, no impact on profit or loss in the Statement of Comprehensive Income is expected due to changes in market prices.

Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund is not exposed to cash redemptions and only certain parties are permitted to redeem their units. Where permitted parties redeem units, the Fund will transfer one Economic Right for each unit redeemed to meet the redemption. Unit holders will not otherwise have the ability to redeem their units or exchange them for Shares. Hence, the Fund does not have significant liquidity risk.

Financial instruments fair value

The Fund measures the Economic Rights and amounts attributable to unit holders at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Fund uses the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. The Fund has no Level 3 instruments.

The Fund's amounts attributable to unit holders is a Level 1 instrument as the unit price is quoted on the NZX Main Board, which is considered to be an active market. The Manager considers market prices to be the most representative measure of fair value as they are used by market participants as a practical expedient for fair value measurement.

Where there is a bid and ask price, the Fund uses the price within that range that is most representative of fair value. Where the last traded price is within that range, the Fund uses the last traded price as fair value. Where the last traded price falls outside that range the Fund uses the mid-point between the bid and ask prices.

The market is monitored on an on-going basis to confirm that it remains active for the purposes of establishing fair value.

Economic Rights are Level 2 instruments as Economic Rights are not listed and there is no active market for Economic Rights assets. Economic Rights are valued using the quoted price of units (which are considered to be a materially comparable instrument) in the Fund listed on the NZX Main Board.

There have been no transfers between the categories in the fair value hierarchy during any of the periods presented.

Capital risk management

The Fund manages its amounts attributable to unit holders as capital, notwithstanding that amounts attributable to unit holders is classified as a financial liability.

While the Fund is capped under Flexible Shareholding, Fonterra continues to monitor the Fund size, relative to total Co-operative shares on issue. Under Flexible Shareholding the aggregate number of Co-operative Shares which are at any time the subject of Fund Arrangements shall not exceed an amount ("Overall Limit") equal to 10% of the total number of Co-operative Shares on issue.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

2 Economic Rights of Fonterra shares

The Economic Rights are held on trust for the Fund by the Custodian under the Fonterra Economic Rights Trust.

	31 JULY 2025	31 JULY 2024
Value of Economic Rights (\$ million)	751	424
Number of Economic Rights	107,410,984	107,410,984

The Economic Rights are measured at fair value, calculated as the number of Economic Rights held multiplied by the established fair value for each Economic Right.

	\$ MILLION	
	31 JULY 2025	31 JULY 2024
Opening value of Economic Rights	424	325
Revaluation of Economic Rights	327	99
Closing value of Economic Rights	751	424

3 Amounts attributable to unit holders

At 31 July 2025, there were 107,410,984 units on issue (31 July 2024: 107,410,984 units), including one Fonterra unit held by the Custodian, which was issued at inception of the Fund.

The amounts attributable to unit holders is measured at fair value, calculated as the number of units on issue multiplied by the market price per unit at the reporting date. At 31 July 2025, the market price per unit was \$6.99 (31 July 2024: \$3.95). The fair value after reflecting market price movements during the year ended 31 July 2025 is \$751 million attributable to unit holders (31 July 2024: \$424 million).

4 Reconciliation of net cash flow from operating activities to profit

	\$ MILLION	
	31 JULY 2025	31 JULY 2024
Reconciliation of profit for the year to net cash flows from operating activities		
Profit for the year	–	–
<i>Adjustments for:</i>		
– Fair value gain on revaluation of Economic Rights of Fonterra shares	(327)	(99)
– Net increase in fair value of amounts attributable to unit holders	327	99
– Distributions paid to unit holders	67	59
– Capital return received	–	54
Net cash flows from operating activities	67	113

5 Net assets per security

As at 31 July 2025, the net assets per unit on issue was \$6.99 (31 July 2024: \$3.95).

6 Commitments and contingent liabilities

The Fund has no material commitments or contingent liabilities as at 31 July 2025 (31 July 2024: nil).

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

7 Related parties

FSF Management Company Limited

FSF Management Company Limited is the Fund's Manager whose sole role is to manage the Fund and its property as a passive investment vehicle under the Trust Deed. Under the Trust Deed, the Manager is not entitled to any fees in respect of its services.

Key Management Personnel

Key Management Personnel (KMP) are those people with the responsibility and authority for planning, directing and controlling the activities of an entity. As the Fund does not have any employees or directors, KMP are considered to be the Directors of the Manager.

As at 31 July 2025 150,541 units with a value of \$1,052,282 were held by KMP (31 July 2024: 150,541 units with a value of \$594,637).

Fonterra Co-operative Group Limited

Under the Authorised Fund Contract, Fonterra provides administrative services in relation to the Fund for the Manager and meets the operating expenses of the Fund, including the fees of the Directors of the Manager.

The Manager and the Trustee have agreed that Fonterra will meet the day-to-day operating costs of the Fund. In addition, the Fund will use corporate facilities, support functions and services provided by Fonterra. All of these services will be provided at no cost to the Fund.

There are some costs that will not be covered by Fonterra. These principally relate to circumstances where the Manager has breached certain obligations or seeks to bring claims outside the ambit of those which Fonterra has undertaken to pay. In these circumstances, the Manager would have to seek funding from other sources. This could include seeking a resolution of unit holders that they agree to bear the relevant costs through a deduction from distributions that would otherwise be made by the Fund.

Contract for Units Scheme

Fonterra's Contract Fee for Units Scheme is no longer available to new participants, but will continue to hold units for existing participants. Under Fonterra's Contract Fee for Units Scheme, Fonterra provided services and financial assistance to The New Zealand Guardian Trust Company Limited, as trustee of The Contract Fee Trust, to acquire, on market, and hold units on behalf of Fonterra's contract milk suppliers participating in the Scheme. The purchase of units under the Contract Fee for Units Scheme was put on hold from 6 May 2021 as part of Fonterra's capital structure review and, as noted above, is no longer available to new participants.

During the year ended 31 July 2025 on behalf of Fonterra's contract milk suppliers participating in Fonterra's Contract Fee for Units Scheme, The New Zealand Guardian Trust Company Limited, as trustee:

- Did not purchase any units (31 July 2024: purchased 2,238 units for \$7,990);
- Sold 4,828 units for \$24,575 (31 July 2024: sold 1,337 units for \$5,241); and
- Distributed 28,607 units to contract milk suppliers (31 July 2024: 55,198 units).

As at 31 July 2025, The New Zealand Guardian Trust Company Limited, as trustee of The Contract Fee Trust does not hold any units for participating contract milk suppliers (31 July 2024: 33,435 units).

Fonterra Farmer Custodian Limited

The Fund has appointed Fonterra Farmer Custodian Limited, a subsidiary of Fonterra, to provide custodian services. The Economic Rights are held on trust for the Trustee by the Custodian under the Fonterra Economic Rights Trust. Custodian services are provided at no cost to the Fund.

As at 31 July 2025, the Custodian holds 107,410,984 (31 July 2024: 107,410,984) Fonterra shares on trust for the Fund.

Fonterra (Delegated Compliance Trading Services) Limited (DCT)

DCT is a wholly owned subsidiary of Fonterra which undertakes delegated compliance trading in the Fund on behalf of Fonterra's farmer shareholders.

On 4 October 2024, DCT made a net purchase of 7,684 units for \$27,431 on behalf of Fonterra Farmer shareholders participating in the 2024/25 season Delegated Compliance Trading Scheme. In the prior year, on 5 October 2023, DCT made a net sale of 1,472 units for \$3,327. The sale or purchase of units with the Fonterra farmer shareholders are transacted on the same day. Therefore, no units are held by DCT on behalf of Fonterra's farmer shareholders at the close of trading.

Fund expenses

Fonterra, the Manager, the Trustee and the Custodian have entered into the Authorised Fund Contract, which authorises the Fund to operate as an Authorised Fund and regulates the relationship between Fonterra and the Fund.

Under the Authorised Fund Contract all expenses relating to the Fund are incurred and paid by either Fonterra or the Manager. The costs of running the Fund include services by Fonterra for which there is no payment made, as well as services for which the Fund contracts to third parties.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

Included within the total expenses incurred and paid by Fonterra during the year ended 31 July 2025 with respect to the Fund are the following amounts paid to KPMG, appointed as auditor of the Fund:

- Fees for the annual audit of the financial statements of \$29,000 (31 July 2024: \$28,000); and
- Fees for the review of the interim financial statements of \$12,500 (31 July 2024: \$12,000).

KPMG has not provided any other audit related services during the year ended 31 July 2025 (31 July 2024: nil).

KPMG has not provided any non-audit related services during the year ended 31 July 2025 (31 July 2024: nil).

Dividends received from Fonterra

The dividends received are presented in the following table.

	\$ MILLION	
	YEAR ENDED 31 JULY 2025	YEAR ENDED 31 JULY 2024
2025 Interim dividend received – 22.0 cents per Economic Right ¹	24	–
2024 Final dividend received – 40.0 cents per Economic Right ²	43	–
2024 Interim dividend received – 15.0 cents per Economic Right ³	–	16
2023 Final dividend received – 40.0 cents per Economic Right ⁴	–	43

1 This was distributed on to unit holders on 8 April 2025 and represented a cash distribution of 22.0 cents per unit, which included a \$0.3 million supplementary dividend for non-resident unit holders. The Distribution Reinvestment Plan did not apply to this distribution.

2 This was distributed on to unit holders on 11 October 2024 and represented a cash distribution of 40.0 cents per unit. The Distribution Reinvestment Plan did not apply to this distribution.

3 This was distributed on to unit holders on 11 April 2024 and represented a cash distribution of 15.0 cents per unit. The Distribution Reinvestment Plan did not apply to this distribution.

4 This was distributed on to unit holders on 13 October 2023 and represented a cash distribution of 40.0 cents per unit. The Distribution Reinvestment Plan did not apply to this distribution.

8 Subsequent events

Fonterra divestment

On 22 August 2025, Fonterra announced it had agreed to sell its Consumer and associated businesses to B.S.A. SAS (Lactalis), subject to certain conditions. Fonterra is targeting a tax free capital return of \$2 per share to Fonterra shareholders and unit holders, which is not reflected in these financial statements as it was not declared or finalised at balance date.

Declaration of distribution

On 24 September 2025, the Board of Directors of Fonterra declared a fully imputed final dividend of 35 cents per share. Following Fonterra's dividend declaration, the Board of the Manager declared a distribution of 35 cents per unit for the year ended 31 July 2025. The distribution will be paid on 15 October 2025 to the unit holders on the register at 2 October 2025.

The Distribution Reinvestment Plan does not apply to this distribution.

Changes in unit price

Units are traded on the NZX and accordingly the unit price changes regularly, including during the period between balance date and the date these financial statements were authorised for issue. Changes in the market price of the units result in a corresponding change in the value of the Economic Rights asset held by the Fund. Daily unit prices are available on the NZX website.

Independent Auditor's Report

FOR THE YEAR ENDED 31 JULY 2025



To the unit holders of Fonterra Shareholders' Fund

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 July 2025;
- the statements of comprehensive income, changes in amounts attributable to unit holders and cash flows for the year then ended; and
- notes, including material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements of Fonterra Shareholders' Fund (the **Fund**) on pages 7 to 15 present fairly, in all material respects:

- the Fund's financial position as at 31 July 2025 and its financial performance and cash flows for the year ended on that date; and
- in accordance with New Zealand Equivalents to International Financial Reporting Standards (**NZ IFRS**) issued by the New Zealand Accounting Standards Board and the International Financial Reporting Standards (**IFRS Accounting Standards**) issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (**ISAs (NZ)**). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of Fonterra Shareholders' Fund in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards)* (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (**IESBA Code**), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with Professional and Ethical Standards 1 and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the Fund.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$5,350,000 determined with reference to a benchmark of the Fund's total assets. We chose the benchmark because, in our view, this is a key measure of the Fund's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. The Fund only invests in Economic Rights of Fonterra Shares (Economic Rights). The value of the Economic Rights is based on the price of the Units in the Fund which are quoted on the NZX Main Board. Given the nature of the Fund's operations, we have determined that there are no key audit matters to communicate in our report.

Other information

The Manager, on behalf of the Fund, is responsible for the other information. The other information comprises information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated.

If, based on the work we have performed, we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report CONTINUED

FOR THE YEAR ENDED 31 JULY 2025



Use of this independent auditor's report

This independent auditor's report is made solely to the unit holders as a body. Our audit work has been undertaken so that we might state to the unit holders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees, accept or assume any responsibility and deny all liability to anyone other than the unit holders for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Manager for the financial statements

The Manager, on behalf of the Fund, is responsible for:

- the preparation and fair presentation of the financial statements in accordance with NZ IFRS issued by the New Zealand Accounting Standards Board and IFRS Accounting Standards issued by the International Accounting Standards Board;
- implementing the necessary internal control to enable the preparation of a set of financial statements that is free from material misstatement, whether due to fraud or error; and
- assessing the ability of the Fund to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board (XRB) website at: <https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-2/>

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Jodi Newth.

For and on behalf of:

A stylized, handwritten signature of the KPMG firm, written in blue ink.

KPMG

Auckland

24 September 2025

Statutory information

FOR THE YEAR ENDED 31 JULY 2025



Mila & Mike, Taranaki

Twenty largest unit holders

as at 31 July 2025

UNIT HOLDER	NUMBER OF UNITS	% OF TOTAL ISSUED UNITS
New Zealand Depository Nominee Limited	7,949,527	7.40
Accident Compensation Corporation	4,420,848	4.12
BNP Paribas Nominees (NZ) Limited - NZCSD <BPSS40>	4,410,249	4.11
BNP Paribas Nominees (NZ) Limited - NZCSD	4,154,240	3.87
Custodial Services Limited	2,110,450	1.96
Craigmore Dairy II Services Limited	2,069,508	1.93
Citibank Nominees (New Zealand) Limited	1,544,520	1.44
Tea Custodians Limited Client Property Trust Account	1,468,528	1.37
JBWere (NZ) Nominees Limited <NZ Resident A/C>	1,303,506	1.21
HSBC Nominees (New Zealand) Limited	966,849	0.90
Forsyth Barr Custodians Limited	826,585	0.77
FNZ Custodians Limited	778,926	0.73
Michael Douglas Hammond & Helen Mavis Hammond & Leigh Joseph Horton	770,270	0.72
Leo Francis Dooley	755,000	0.70
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	704,867	0.66
Peter John Dooley	685,000	0.64
Forsyth Barr Custodians Limited <PIR-17.5>	618,321	0.58
Admins Custodial Nominees Limited	591,677	0.55
Century Securities Limited	590,000	0.55
Peter Thomas Borrie & Adrienne Helen Borrie	528,304	0.49
	37,247,175	34.68
Total quoted units on issue	107,410,983	100.00

Statutory information CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

Spread of unit holders

as at 31 July 2025

SIZE OF HOLDING	NUMBER OF HOLDERS	NUMBER OF UNITS	% OF TOTAL ISSUED UNITS
1 - 1,000	2,497	1,178,499	1.10
1,001 - 5,000	2,335	5,843,103	5.44
5,001 - 10,000	689	5,315,492	4.95
10,001 - 100,000	939	33,112,633	30.83
100,001 and over	163	61,961,257	57.68
Total¹	6,623	107,410,984	100.00

¹ Total includes the Fonterra unit (which is not quoted).

Substantial product holders

As at 31 July 2025 no unit holders had filed substantial product holder notices in accordance with the Financial Markets Conduct Act 2013.

As at 31 July 2025 the Fund had 107,410,983 quoted units, and one Fonterra unit, on issue.

Director remuneration

Under the Authorised Fund Contract, Fonterra is responsible for the payment of all director fees payable to the Directors (including former Directors) of the Manager. During the 12 months ended 31 July 2025, Fonterra paid the following amounts to the Directors in the form of fees:

DIRECTOR	TOTAL REMUNERATION (\$)
Mary Jane Daly (Chair)	90,000
Carlie Eve	60,000
Alastair Hercus	60,000

These amounts exclude GST, where applicable. Directors of the Manager are not paid any additional remuneration for their roles on the Board committees.

Currently, Directors of the Manager that have been appointed by Fonterra are not paid any remuneration, in addition to their remuneration as Directors of Fonterra, for their service on the Board of the Manager.

Holdings of directors of the manager

As at 31 July 2025

The following Directors of the Manager have disclosed relevant interests in units of the Fund:

DIRECTOR	NUMBER OF UNITS	NATURE OF INTEREST
Mary Jane Daly (Chair)	3,500	Power to control and exercise a right to vote and to control the acquisition and disposal of these units
Andrew Macfarlane	123,724	Power to control and exercise a right to vote and to control the acquisition and disposal of these units held by Pencarrow Farm Limited
Andrew Macfarlane	10,000	Trustee and non-beneficial interest held by Stonylea Trust
Andrew Macfarlane	4,000	Trustee and beneficial interest held by GW and MA Macfarlane Family Trust
Andrew Macfarlane	9,317	Partner in Deebury Pastoral Partnership

Statutory information CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

Interests register

The Manager is required to maintain an interests register in which the particulars of certain transactions and matters involving the Directors of the Manager must be recorded. The interests register is available for inspection on request.

General disclosures of interest

During the financial year, Directors of the Manager disclosed new interests (including changes to previously disclosed interests), or a cessation of interests (indicated in italics), in the following entities pursuant to section 140 of the Companies Act 1993:

DIRECTOR	NATURE OF INTEREST
Mary Jane Daly (Chair)	<i>Director, Kiwi Property Group Limited (ceased July 2025)</i> <i>Trustee, M. F. Daly Family Trust (ceased June 2025)</i> <i>Trustee, Natalia Mander Trust (ceased June 2025)</i> Director and Chair, Partners Life Limited Director and Chair, Partners Group Holdings Limited
Alastair Hercus	<i>Director, Mid-town Agency Services Limited (ceased September 2024)</i> <i>Director, Capital Agency Services Limited (ceased December 2024)</i> <i>Director, Buddle Findlay Limited (ceased September 2024)</i> <i>Director, Findgard Investments Auckland Limited (ceased September 2024)</i> <i>Director, Findgard Investments Limited (ceased September 2024)</i> <i>Director and Shareholder, Budfin Nominees Limited (ceased September 2024)</i>
Andrew Macfarlane	<i>Director and Shareholder, Riverbank Farm (Ashburton) Limited (ceased July 2025)</i> <i>Director and Shareholder, Stoneybeck Holdings Limited (amalgamated April 2025)</i> Director and Chair, W. H. Collins & Co., Limited Director, Du Velle Properties Limited
John Nicholls	Director and indirect Shareholder, Valley View Farming Limited

Specific disclosures of interest

During the financial year, no Director of the Manager specifically disclosed any transaction in which that Director had entered into with the Manager.

Donations

No donations were made by the Fund or the Manager during the financial year ended 31 July 2025 (31 July 2024: nil).

NZX diversity reporting requirements

The table below provides a quantitative breakdown as to the gender composition of the Board of the Manager as at 31 July 2025.

AS AT 31 JULY	SELF-IDENTIFY AS FEMALE		SELF-IDENTIFY AS MALE	
	2025	2024	2025	2024
Directors	2	2	3	3

There are no Officers of the Manager.

NZX waivers

A summary of waivers and approvals granted by NZ RegCo in relation to the NZX Listing Rules, which have been relied upon by the Fund in the year ended 31 July 2025, can be found at www.fonterra.com in the 'Investors/Fonterra Shareholders' Fund' section under the heading 'Exchange Waivers'.

NZX non-standard designation

The Fonterra Shareholders' Fund has been granted a 'Non-Standard' ("NS") designation by NZ RegCo. This designation was granted because of the unique governance arrangements and unit holder restrictions.

ASX delisting

In January 2025, the Manager received conditional approval to remove the Fund from the official list of the ASX. The Fund complied with the conditions and was removed from the ASX at the close of ASX trading on 27 February 2025.

FSF units last traded on 25 February 2025. FSF units were placed into a two day voluntary suspension from close of trading on 25 February 2025 to enable ASX trades to settle and units from the ASX to be transferred to the NZX before the Fund was removed from the official list of the ASX.

Corporate Governance Statement

FOR THE YEAR ENDED 31 JULY 2025



Background

The Fund is a registered managed investment scheme under the Financial Markets Conduct Act 2013. The Fund is required to have a supervisor (trustee) and a manager. The role of the trustee is to hold the economic benefit of shares held by the Fonterra Farmer Custodian for the benefit of the trustee of the Fund. The role of the Manager is to issue or offer units in the Fund and to manage the property of the Fund.

The Manager does not have any employees. Under the Authorised Fund Contract, Fonterra has agreed to provide the Fund with administrative services and to meet the costs of the general business of the Fund, including paying the fees and expenses of the Directors.

The Trust Deed defines a narrow function of the Fund which is, in summary to:

- issue units when new Economic Rights of Fonterra shares are held for the benefit of the Fund;
- redeem units when required by a farmer shareholder, Fonterra or the registered volume providers and direct that the Fonterra Farmer Custodian transfers Fonterra shares to the farmer shareholder, Fonterra or the Fonterra Farmer Custodian on behalf of the registered volume providers seeking that redemption; and
- not undertake other trading activities.

The Fund is to be 'passive', i.e., it does not actively solicit Economic Rights or the redemption of units except for undertaking the initial supply offer.

Corporate Governance Principles

The Board's corporate governance statement takes into consideration contemporary standards in New Zealand, including the NZX Corporate Governance Code (31 January 2025 edition) (NZX Code).

This corporate governance statement adopted by the Board is current as at 24 September 2025 and reflects the Board's role as a manager of a fund with limited operational activity, which in several ways is different to the corporate governance structure appropriate for a traditional listed company carrying on an operating business.

Given the special purpose nature of the Fund, as at 31 July 2025, the Manager has determined that a number of the recommendations in the NZX Code are not appropriate for the Fund or are not relevant.

In accordance with the NZX Listing Rules, the Manager has disclosed in this corporate governance statement a summary of the corporate governance policies, practices and processes adopted or followed during the year ended 31 July 2025 or explained why the Manager has decided to not comply with a particular recommendation (or part thereof) of the NZX Code.

References to 'Board' and 'Directors' in this statement are to the Board and Directors of the Manager. The Board of the Manager has approved this corporate governance statement.

Corporate Governance Statement CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

Principle 1: Ethical Standards

Code of Conduct

The Manager has a well-established Code of Conduct that, together with the Board Charter, sets ethical standards for each member of the Board of the Manager. The Code of Conduct guides the Directors on:

- the practices necessary to maintain confidence in the Manager's integrity; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Code of Conduct and Board Charter are available on www.fonterra.com in the 'Investors/Fonterra Shareholders' Fund' section under the heading 'Charters and policies' and was last reviewed in March 2024.

While the Manager has no employees, Fonterra has Whistleblower procedures in place which apply to Fonterra employees who provide services to the Fund.

Securities Trading Policy and Standard

The Manager has adopted Fonterra's Securities Trading Policy and Securities Trading Standard that detail the rules for trading in units and other securities of Fonterra. The Policy and Standard are available on www.fonterra.com and apply to Directors of the Manager and Directors, officers, employees and contractors of Fonterra in addition to legal prohibitions on insider trading in New Zealand and Australia.

Directors' Unit Holdings

The Independent Directors of Fonterra who are also appointed to the Board of the Manager are prohibited from acquiring any relevant interest in units. The other Directors of the Manager may acquire units, and to the extent any units are acquired, these acquisitions will be disclosed to the market as required by law.

Principle 2: Board Composition and Performance

Board Charter

The Board has statutory responsibilities for the activities of the Manager and the Fund.

The roles and responsibilities of the Board are set out in its Board Charter. Its roles and responsibilities include:

- monitoring the performance of the Fund and the implementation of its objectives;
- monitoring compliance with the legal and regulatory requirements and ethical standards; and
- monitoring compliance with, and ensuring the unit holders' interests are managed and protected in accordance with, the constituent documents for the Fund.

Given the Fund's limited operational activity, the Manager has limited discretion in respect of the day-to-day management of the Fund. To the extent that any material exercise of discretion or other decision-making authority is required, that discretion or authority is exercised by the Board.

The Board seeks independent professional advice when it considers that appropriate. Fonterra pays the costs of independent professional advice in accordance with the Authorised Fund Contract.

The Board Charter is available on www.fonterra.com in the 'Investors/Fonterra Shareholders' Fund' section under the heading 'Charters and policies'.

Board Appointments

The constitution of the Manager provides for five Directors and sets out how they are appointed.

In accordance with the procedure set out in the Trust Deed, unit holders are entitled to elect three Directors (Elected Directors) and may remove and replace any Elected Director.

The three Elected Directors must be 'Independent Directors' for the purposes of the NZX Listing Rules. At the date of this statement the three Elected Directors are Mary Jane Daly, Carlie Eve and Alastair Hercus. One Elected Director is required to retire at each annual meeting of the Fund. The Chair of the Board must be one of the three Elected Directors. Mary Jane Daly is the Chair.

The remaining two Directors are appointed, and can be replaced, by Fonterra. There is no requirement as to who the Fonterra-appointed Directors must be. While they need not be Directors of Fonterra, the current people that Fonterra has appointed (Andrew Macfarlane and John Nicholls) are both Directors of Fonterra.

Skills required of a Director on the Board of the Manager include governance experience, preferably of a listed entity, financial and capital markets knowledge, an understanding of co-operatives, and risk management experience. Each Director on the Board in the 2025 year possesses these skills and experience.

The Manager has written agreements with each of its Directors.

Corporate Governance Statement CONTINUED

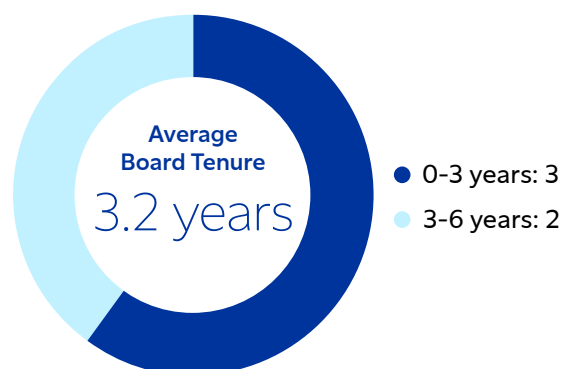
FOR THE YEAR ENDED 31 JULY 2025

Disclosure

Information about each Director (including experience, length of service, independence and ownership interests and attendance at Board meetings) is disclosed below or in the 'Our Board' section of this annual report.

Board Tenure

The graphic below shows the tenure of the current Board members including the average length of service on the Board.



Board and Audit and Risk Committee Attendance

The table below reports attendance of Directors at Board and Audit and Risk Committee meetings during the 2025 reporting period. Board and Audit and Risk Committee meetings are held together.

Board/Audit and Risk Committee Meetings 1 August 2024 – 31 July 2025

	BOARD		AUDIT AND RISK COMMITTEE	
	MEETINGS	ATTENDED	MEETINGS	ATTENDED
Mary Jane Daly	3	3	3	3
Carlie Eve	3	3	3	3
Alastair Hercus	3	3	3	3
Andrew Macfarlane	3	3	3	3
John Nicholls	3	3	3	3

In addition to the above, all members of the Board attended the Annual Meeting of unit holders, held on 18 November 2024.

Diversity Policy

Given the small size of the Board, and as Directors are either elected by unit holders or appointed by Fonterra, the Manager has not followed recommendation 2.5 of the NZX Code and has not implemented a gender diversity policy for the Board.

See the table under the 'NZX Diversity Reporting Requirements' section of this annual report, which provides a quantitative breakdown as to the gender composition of the Board of the Manager and Officers of the Manager as at 31 July 2025.

Director Training

Directors are expected to keep themselves abreast of changes and trends in economic, political, social and legal climate generally. Directors are also expected to keep up to date with governance issues.

The Manager requests the Management of Fonterra to provide Fonterra-specific training to remain current on how best to perform their duties as Directors of the Manager.

Performance Assessment

The Board assesses its performance against its role and the Board Charter and the performance of the Audit and Risk Committee against the Audit and Risk Committee Charter.

Director Independence

As at 31 July 2025, the Board of the Manager comprised five Directors. The Board has considered which of the Directors are Independent Directors for the purposes of the NZX Listing Rules and has determined that, as at 31 July 2025, Mary Jane Daly, Carlie Eve and Alastair Hercus are Independent Directors.

As such, a majority of the Board of the Manager are 'Independent Directors' for the purposes of the NZX Listing Rules.

The factors relevant to determining whether a Director is an Independent Director are the criteria in the NZX Listing Rules for Independent Directors, including having regard to the factors described in the NZX Code that may impact Director independence.

Division of Roles

In accordance with the Trust Deed the Chair of the Board must be one of the three unit holder Elected Directors, who are required to be Independent Directors.

The Manager does not have a CEO, so recommendation 2.10 of the NZX Code that the Chair and the CEO must be different people is not applicable.

Company Secretary

The Company Secretary for the Manager is currently Fonterra's Director of Legal and has a direct line of communication with the Chair of the Board (and by default, the Audit and Risk Committee (which is the Board)).

The Company Secretary is not paid by the Manager.

Corporate Governance Statement CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

Principle 3: Board Committees

Audit and Risk Committee

The Board acts as the Audit and Risk Committee for the Fund. The Chair of the Audit and Risk Committee is the Chair of the Board. Due to the limited nature of the Fund's operations, the Board does not consider it necessary to comply with recommendation 3.1 of the NZX Code to have a separate Chair for the Audit and Risk Committee.

The Board acting as Audit and Risk Committee is responsible for:

- providing oversight in relation to financial reporting and regulatory compliance; and
- reviewing financial reporting processes, internal controls, the audit process and the process for monitoring legal and regulatory compliance.

The Manager has implemented a formal Audit and Risk Committee Charter which sets out the responsibilities of the Audit and Risk

Committee in full and establishes a framework for the Fund's relationship with its external auditor. The Audit and Risk Committee Charter is available at www.fonterra.com in the 'Investors/Fonterra Shareholders' Fund' section under the heading 'Charters and policies'.

Under the Trust Deed that governs the Fund, Fonterra's external auditor is also appointed as auditor of the Fund unless Fonterra requires a different auditor. The Board of the Fund oversees the work of the external auditor and also acts as a forum for communication between the Board and the auditor where appropriate. The Audit and Risk Committee asks the external auditor to attend the annual unit holder meeting and be available to answer questions relevant to the financial statements.

Remuneration Committee

Given the small size of the Board and the fact the Fund has no employees, the Manager has not established a separate Remuneration Committee and therefore has decided not to follow recommendation 3.3 of the NZX Code.

Under the Authorised Fund Contract, Fonterra is responsible for the payment of all director fees payable to the Directors of the Manager.

The remuneration of the Directors of the Manager may be reviewed and adjusted from time to time.

Nominations Committee

Given the small size of the Board, the Manager has not established a separate Nominations Committee to recommend director appointments to the Board and therefore has decided not to follow recommendation 3.4 of the NZX Code. The Board is appointed in accordance with the Trust Deed and the constitution of the Manager. The Board is responsible for establishing the criteria for determining the suitability of potential Elected Directors and recommending persons suitable for appointment to the Board.

Other Committees

As recommended by recommendation 3.5 of the NZX Code, the Board has considered whether it is necessary or appropriate to have any other Board Committees as standing committees. Given the Fund's limited operational functions, the Board decided it was not appropriate to have any other Board committees as standing committees.

The Board subcommittee (comprising of the independent directors on the Board) that was established by the Board in May 2021 to consider the implications of Fonterra's capital structure ceased following the implementation of Fonterra's Flexible Shareholding structure. The subcommittee did not meet during the 2025 reporting period.

No Control Transaction Policy

Given the Fund cannot have any controlling interest in Fonterra, the Manager has not established protocols that set out the procedure to be followed if there is a "control transaction" (such as a takeover offer or scheme of arrangement) for the Fund (as contemplated by recommendation 3.6 of the NZX Code).

Principle 4: Reporting and Disclosure

Continuous Disclosure

The Board aims to ensure that unit holders are informed of all major developments affecting the Fund. Information is communicated to unit holders through NZX annual report and half and full-year results announcements.

Fonterra and the Manager have agreed to take all steps reasonably required to ensure that information to be disclosed by either of them under the NZX Listing Rules (other than any information to be disclosed by Fonterra which only relates to any quoted debt securities issued by Fonterra) is disclosed simultaneously to the NZX Main Board under both the listing code relating to Fonterra and the listing code relating to the Fund.

The Manager does not consider it necessary to comply with recommendation 4.1 of the NZX Code and to have its own continuous disclosure policy. Due to the relationship between units and Fonterra shares, the majority of continuous disclosure announcements are made by Fonterra in relation to matters affecting Fonterra and the value of Fonterra shares (and by implication the value of units).

Corporate Governance Statement CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

Fund Related Documents

At present the Fund has the following documents available on www.fonterra.com relating to its governance:

- Board Charter
- Audit and Risk Committee Charter
- Code of Conduct
- Fonterra Group Securities Trading Policy and Securities Trading Standard
- Trust Deed
- Authorised Fund Contract
- A summary of key entitlements for unit holders and the Maximum Holding Restriction
- Fund Size Risk Management Policy
- Fund Prospectus and Investment Statement
- Summary of NZX Waivers

Financial and Non-Financial Reporting

The Manager partially complies with recommendation 4.3 of the NZX Code in that it provides financial reporting that is balanced, clear and objective.

Given the Fund's limited operational functions, the Manager does not consider it necessary to comply with recommendation 4.4 of the NZX Code that recommends it provide non-financial disclosures annually.

Principle 5: Remuneration

Neither the Manager nor Fonterra award options or provide for retirement benefits to directors. No special exertion benefits, additional to director fees, are or will be paid without unit holder approval.

As the Manager does not have any employees, it cannot provide any golden parachutes/golden handshakes to executives. The Manager also does not provide any special retirement allowances or the likes to departing directors.

Further details of the Directors' remuneration are contained under 'Directors' Remuneration' within the Statutory Information section.

Remuneration Policy

Given the small size of the Board, the fact that the Fund has no employees or CEO, and in light of the arrangements with Fonterra around director remuneration, the Manager has decided not to comply with recommendations 5.2 and 5.3 of the NZX Code.

Principle 6: Risk Management

The Board is responsible for the risk management of the Fund, including:

- reviewing the principal risks contained in the risk profile of the Fund on an annual basis;
- ensuring that a risk management framework is established which includes policies and procedures to effectively identify, treat and monitor principal business risks, including consideration of internal audit;
- at least annually assessing the effectiveness of the implementation of the risk management system; and
- monitoring compliance with the risk management framework.

Given the Fund's limited operational functions, its general risk and health and safety risk profiles are limited. The management of risks relating to Fonterra's operations and which may affect the value of Fonterra shares and dividends (and therefore the value of units and distributions flowed through to unit holders) is a matter for the Board and Management of Fonterra and is beyond the control of the Manager Board. On this basis, the Manager has decided not to follow recommendations 6.1 and 6.2 of the NZX Code.

To the extent that there are risks that specifically impact the operation of the Fund, the Board reviews the management of those risks at quarterly intervals. Specific areas of risk reviewed are:

- Regulatory compliance
- Investor confidence
- Data security
- People (Fonterra employees responsible for day-to-day operations of the Fund)

Principle 7: Auditors

External Audit

The Audit and Risk Committee Charter provides a framework for the Fund's relationship with its external auditor.

Under the Trust Deed that governs the Fund, Fonterra's external auditor is also appointed as auditor of the Fund unless Fonterra requires a different auditor. The Board of the Fund oversees the work of the external auditor and also acts as a forum for communication between the Board and the auditor where appropriate.

KPMG has been appointed the external auditor for six consecutive years. The lead audit partner has served for one consecutive year.

The appointed external auditor has historically attended the annual unit holder meeting, and the lead audit partner is available to answer relevant questions from unit holders at that meeting.

Corporate Governance Statement CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

Internal Audit

Due to the nature of the Manager's role as a manager of a fund with limited operational activity, recommendation 7.3 of the NZX Code has not been followed and the Manager has no formal or informal internal audit functions.

Principle 8: Unit Holder Rights and Relations

Investor Centre Website

Fonterra maintains a dedicated investor webpage at www.fonterra.com under 'Investors'. This website is an important part of the Manager's communication with unit holders. It contains financial information, current and historical annual reports and presentations, dividend and distribution information and other relevant information pertaining to the Fund. The website is freely accessible to the public and is updated regularly.

Electronic Communications

The Manager provides an Investor Relations email address which provides unit holders a mechanism by which they can communicate electronically with the Manager on any matters relating to their investment. All unit holder-related enquiries are provided with a response within a reasonable timeframe.

Investors who have provided the Manager with an email address will be sent annual and interim reports electronically unless they expressly opt to receive hard copy reports and will receive other communications electronically where requested. Unit holders are strongly encouraged to provide an email address.

The 2024 Annual Meeting was held as a hybrid meeting. All shareholders had the opportunity to attend, participate and vote either in person or online. Shareholders were also able to ask questions in person or online via the online platform during the Annual Meeting. An Online Meeting Guide was provided to shareholders prior to the 2024 Annual Meeting.

Voting

Under the Trust Deed the Manager and Fonterra need to comply with the provisions of all applicable Listing Rules before taking action affecting the rights attached to any unit.

Maximum Holding Restriction

Under the Trust Deed, no unit holder and its associates (excluding Fonterra) can hold, or have a "relevant interest" in, more than 15% of the units on issue or 15% of the voting rights in the Fund, whichever is lower.

The Trust Deed also contains enforcement provisions to ensure compliance by unit holders with this restriction. If Fonterra determines that a unit holder is in breach of this restriction, Fonterra may determine that the unit holder is not entitled to vote some or all of the units it holds in breach of the restriction and can require that the unit holder dispose of the units held in breach of the restriction. If the units are not disposed of, the Manager or Fonterra can arrange for their disposal.

Capital Raising

As the Fund has not sought additional equity capital during the year, the Board has not needed to follow recommendation 8.4 of the NZX Code which recommends the new equity capital raising be undertaken on a pro rata basis.

Unit Holder Meetings

Mechanisms are in place to promote effective two-way communication with unit holders and to encourage their participation at unit holder meetings, including:

- the Manager releasing to the NZX Main Board market announcement platform all information sent to unit holders and will comply with the NZX Listing Rules with respect to unit holder communications; and
- notices of meetings, which are sent to unit holders at least 20 working days before a meeting and can be found at www.fonterra.com in the 'Investors/Fonterra Shareholders' Fund' section under the heading 'Reports and Annual Meetings Documentation'.

A unit holder may raise matters for discussion or resolution at general meetings, by giving written notice to the Manager. If the notice is received more than 25 working days before the last day on which notice of the meeting is due, the Manager is required, at the expense of the Fund, to give notice of the unit holder proposal and to provide the text of any proposed resolution to all unit holders entitled to receive notice of the meeting. The unit holder proposing the resolution has the right to prepare a statement in support of the proposal to include with the notice of meeting (clause 14.1 of the Schedule to the Trust Deed).

Directory

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Dairy for life