Annual Report 2025
Pūrongo-ā-tau Te Mātāpuna

About this report

Welcome to our Annual Report, which forms part of our end-of-year reporting suite.

We know there is a wide range of stakeholders who are interested in our Co-op. This report provides an end-to-end view of our business and how we create value for farmer shareholders and unit holders at every step of the value chain.

This starts with our farmers' world-class milk, which our operations collect and process for sale through our Ingredients, Foodservice and Consumer channels. Through our focus on sustainability and innovation, we aim to add value to farmers' milk, solve challenges, and build a more resilient Co-op.

Our Annual Report includes our Sustainability Reporting, Corporate Governance Statement, audited Financial Statements and our Group Climate Statements.

In addition to the Annual Report, we have also released our Milk Price Statement and Modern Slavery Statement.

This report covers the activities of Fonterra Co-operative Group Limited for Financial Year 2025, commencing 1 August 2024 and ending 31 July 2025.

More information about Fonterra and our previous years' performance can be found here: www.fonterra.com

Front cover: Harriet, Mila & Adam, Taranaki

Bridgeman Farm, Taranaki

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About Fonterra

We are a dairy Co-operative, owned and supplied by thousands of farming families in Aotearoa New Zealand.

Through the spirit of co-operation and a can-do attitude, we share the goodness of milk with customers in more than 100 countries around the world, from our home base here in New Zealand.

We believe that food and nutrition are essential to sustain us today and for future generations to thrive. This is why we take great care with every drop of milk, from farm through to customer.


Harriet, Adam, Mike, Donna, Mila & Lewanna, Taranaki

Fonterra's operations

Fonterra provides high-quality dairy products to more than 100 countries globally through our Ingredients, Foodservice and Consumer sales channels.

In FY25, these channels generated more than $26 billion in revenue.

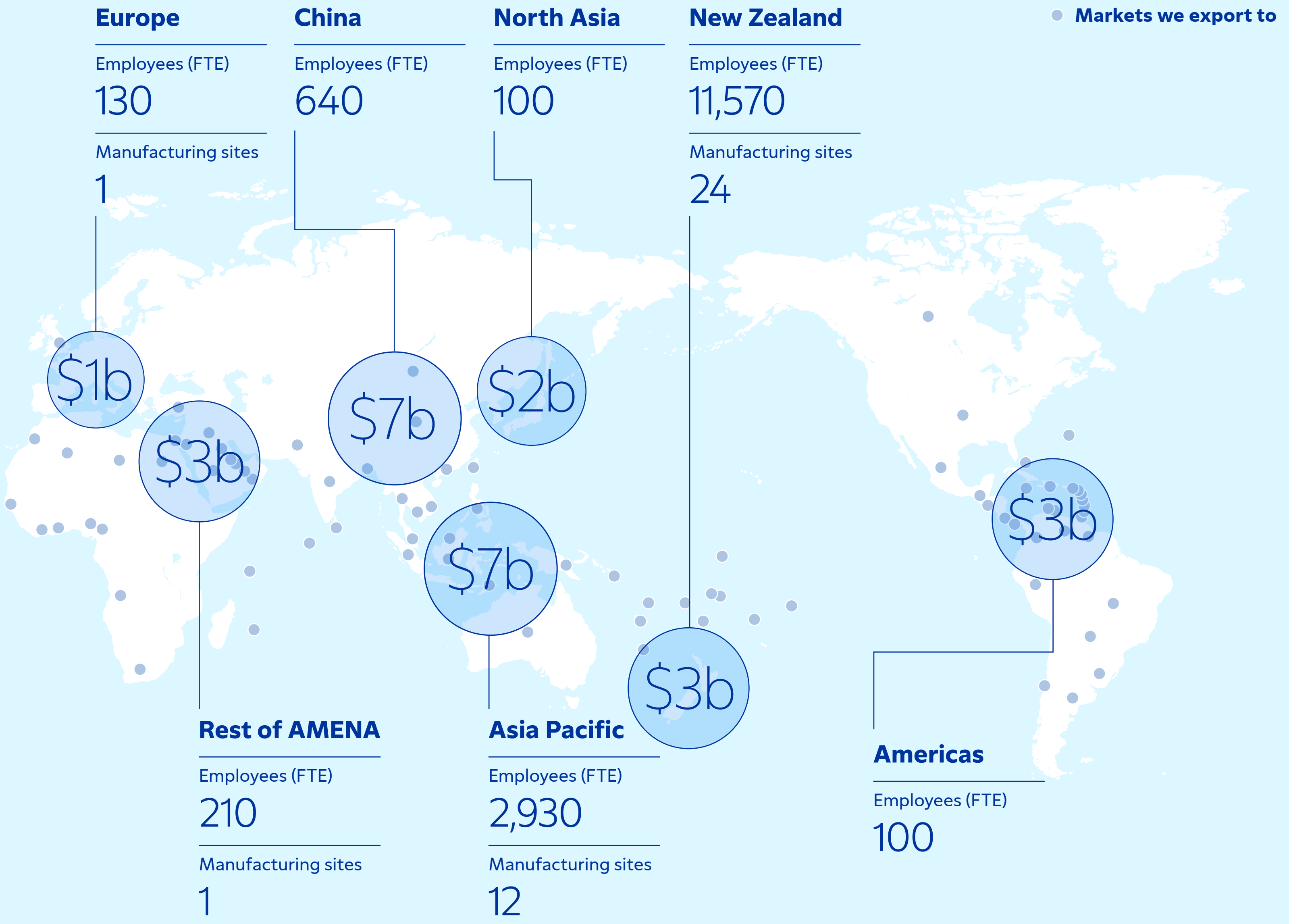
The data shown on this page reflects Fonterra's Total Group operations, including the Mainland Group (Consumer and associated businesses) proposed to be divested.

Revenue (NZD)

~26b

Employees (FTE)[1]

~15,700



1 Employee figures only include permanent employees. Figures presented have been rounded.

Chair Letter

Carrying momentum into an exciting new phase for our Co-op

Kia ora farmers and shareholders

We are pleased to share the results of another financial year of strong performance where we have met our commitments to farmers and shareholders.

Our final Farmgate Milk Price of $10.16 per kgMS exceeded opening expectations of $7.25 - $8.75 per kgMS. Our earnings performance of 71 cents per share is a reflection of the Co-op's focus on its strategic priorities. Miles and the team have made considerable progress on strategy, announcing significant investments in our Foodservice capacity, supply chain network, and new partnerships with two major customers that acknowledge farmers' efforts to reduce on-farm emissions through financial incentives.

Peter McBride
Chair

Our strategy is delivering consistent results

In an increasingly volatile global market, it's really pleasing to deliver consistent performance for our farmers and shareholders. This year's results are an outcome of staying focused on strategy.

When excluding the costs associated with the divestment process of Mainland Group (Consumer and associated businesses), Fonterra's normalised earnings per share were 71 cents, in line with last year's strong result.

The Co-op's group Return On Capital of 10.9% is largely consistent with last year and in line with the target average range of 10-12%.

This year's result was driven by improved performance in our Ingredients business where we saw strong demand, particularly for our protein portfolio. Operating profit for our Ingredients channel was $1,101 million, up 17.4% on last year.

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

The total Consumer channel's Return On Capital was 9.4%, which is an improvement, but still well below our target range on a market value basis. Farmers' capital invested into the Consumer business comes at the expense of options for our higher-performing Ingredients and Foodservice businesses.

We maintain a deliberately conservative approach to risk and our balance sheet settings. Our year-end gearing ratio of 24% is stable and below our target range. The strength of our balance sheet enabled us to bring forward our advance rate payments to farmers.

Total cash returns to shareholders

Our strong balance sheet and consistent underlying performance gives the Board confidence to confirm a fully imputed FY25 full-year dividend at the upper end of our dividend policy at 57 cents per share. Combined with our final Farmgate Milk Price, for a fully share backed farmer this equates to total payout of $10.73 per kgMS for the 2024/25 season.

Overall, Fonterra has delivered $16.2 billion in total cash returns to shareholders, up 30.6% on last year.

Divestment of our Consumer and associated businesses

Over the past 15 months the Co-op has been testing the value of our Consumer and associated businesses through both a trade sale and the potential of an initial public offering. The work has culminated in a $4.22 billion sale agreement with Lactalis, which is due to be put to a farmer vote on 30 October 2025.

It follows a highly competitive sale process with multiple interested bidders. Alongside a strong valuation for the businesses being divested, the sale allows for a full divestment of the assets by Fonterra, at lower risk and with a faster return of capital to the Co-op's owners, when compared with an IPO.

The Co-op is targeting a tax-free capital return of $2.00 per share, which is approximately $3.2 billion, following completion of the sale.

This is likely to be the last major asset sale for Fonterra, and the Board will be taking a reasonably conservative approach to the capital distribution. We know that shareholders have no appetite for a future call on their capital. The Board will be balancing a number of relevant factors, including future capital requirements, growth in our Foodservice and high-value Ingredients businesses, and Fonterra's debt and earnings outlook at the time.

FY25 full year dividend, fully imputed

57 cents

per share

Return On Capital

10.9%

down from 11.3%, up from 9.9% tax-adjusted

$16.2b

in total cash returns to shareholders

“The key components of our strategy are to move more of our farmers’ milk into higher returning products, improve the efficiencies of our operations and be disciplined with our capital. Manufacturing excellence and driving efficiencies in our asset base will be key areas of focus for us over this next period.”

We acknowledge the deal represents a big decision for farmers. They’ve invested in these brands over a long period of time, so it’s a case of farmers’ heads fighting with their hearts.

The Co-op is seeking a strong mandate for the sale, both in terms of the level of support and participation. We will be strongly encouraging farmers to vote at the Special Meeting on 30 October 2025.

If endorsed by our farmers, there will still be regulatory approvals to secure. We have no control over those timelines but expect the transaction to be completed and capital returned to farmers in the first half of calendar year 2026.

The Board is confident that a sale to Lactalis is the highest value option for the Co-op, including over the long term.

As the world’s largest dairy company, Lactalis has the scale required to take the Consumer and associated businesses to the next level. Fonterra stands to share in that success, with Lactalis to become one of our most significant Ingredients customers with whom we’ll work with closely to build a long-term strategic partnership.

At the same time, the divestment removes a significant level of complexity from Fonterra, allowing us to focus on our world-leading Ingredients and Foodservice businesses, which we believe will flourish.

An exciting new phase for our Co-op

Post-divestment Fonterra will be focused on B2B Ingredients and Foodservice where we have a proven advantage and global reach.

The key components of our strategy are to move more of our farmers’ milk into higher returning products, improve the efficiencies of our operations and be disciplined with our capital. Manufacturing excellence and driving efficiencies in our asset base will be key areas of focus for us over this next period.

We remain confident in the future of New Zealand dairy overall but need to acknowledge that we are currently operating in a period of heightened uncertainty and volatility.

Fonterra is experienced at navigating a complex geopolitical outlook, uncertainty and protectionism, having done so over many decades to get our product into market. These challenges have ensured that we have resilience built into our systems and supply chains.

The Co-op’s scale and market mix provides important optionality that helps to mitigate geopolitical and trade risk, and our strategy has been developed with this outlook in mind. Our long-term relationships with key strategic customers and supply chain partners also provide a level of resilience.

Looking further out, the underlying demand picture for dairy remains strong, driven by population growth, a growing global middle class, and consumer preference trends towards out of home dining, healthy aging and active living – where our innovation has us well positioned to succeed.

Ngā mihi,

Peter

CEO Letter

Miles Hurrell
Chief Executive Officer

One of our strongest years yet for shareholder returns

Kia ora tātou

I'm proud to share with you Fonterra's FY25 annual results, which show the Co-operative has delivered record returns to shareholders while also making significant progress on strategy.

The momentum we've built over the last few years has carried into FY25. We've seen continued demand from global customers for our high-quality products and this has driven total cash returns of $16.2 billion, equivalent to $10.73 on average for every kilogram of milk solids our farmer owners supplied.

These returns are made up of a final Farmgate Milk Price for the 2024/25 season of $10.16 per kgMS, equating to $15.3 billion in milk payments to New Zealand farmers, and a full year dividend of 57 cents fully imputed, equating to $916 million to shareholders and unit holders.

FY25 performance

We are committed to delivering strong shareholder returns through focused execution of our strategy. Our performance is driven by a stable milk supply and improving our product mix, as well as maintaining efficient operations and having a clear capital plan.

Looking first at milk supply, the Co-op's milk collections increased 2.6% in the 2024/25 season to 1,509 million kgMS and we had important wins in terms of retaining and attracting milk, gaining more milk from competitors than we lost.

As part of improving our product mix, we allocated more of our milk solids to our high-value products and reduced the allocation of solids to reference commodity products, while maintaining tension in the Farmgate Milk Price.

Our Ingredients business saw robust demand for cheese and specialty proteins such as MPC85 which is used in ready-to-drink protein beverages. Meanwhile, Foodservice sales volumes continued to grow off the back of continued demand in Greater China and key Asia markets for products including UHT cream, butter and mozzarella.

Looking at our costs, we are focused on making efficiency improvements in our New Zealand manufacturing base. We improved core operations manufacturing costs per kgMS collected, reflecting efficiency gains from higher milk collections and performance improvement initiatives.

"Our total dividend of 57 cents per share includes a 22 cent interim and 35 cent final dividend."

The Co-op's total cash operating expenses increased compared to last year, due to investment in a once-in-a-generation Enterprise Resource Planning (ERP) system replacement as well as costs associated with the Mainland Group (Consumer and associated businesses) divestment process.

Our balance sheet and leverage metrics are in line with last year, maintaining the Co-op's robust position and providing optionality for the future.

During FY25, we made key changes to the Fonterra management team. Matt Bolger rejoined the Co-op after five years away, stepping into the role of Managing Director Co-operative Affairs, as Mike Cronin dedicated his focus to leading the Consumer and associated businesses divestment process.

We also shifted to a channel-led management structure on 1 August 2025, with Richard Allen appointed President, Global Ingredients and Teh-han Chow appointed President, Foodservice. This change enables our teams to have a clear end-to-end view of our sales channels and strengthens their ability to deliver end-to-end value.

We're continuing to invest in new manufacturing capability to meet growing customer demand for our high-value Ingredients and Foodservice products.

During the year, we commenced construction on new manufacturing capacity at our Studholme and Edendale sites, with the first protein products from Studholme expected in early 2026, and UHT cream from Edendale expected late 2026.

We have a pipeline of further potential growth investments we're assessing, with plans to invest up to $1 billion over the next three to four years in projects to generate further value and drive operational cost efficiencies.

Projects being assessed include:

- Growing the value of our existing protein portfolio, in addition to the recently announced investment at Studholme, to support our Ingredients business.
- Adding value to milkfat through new butter and cream cheese investments to support both Foodservice and Ingredients businesses.
- Investments in site operations including data, AI and automation.

This is alongside investment in our foundations to support ongoing resilience of the Co-op. During FY25, construction commenced on a new coolstore at our Whareroa site and new coal-free boilers at our Clandeboye and Edendale sites to support secure energy supply.

We also continue to forecast investment in wastewater upgrades and decarbonisation projects, including investments into electric boilers at our Whareroa, Edgecumbe and Waitoa sites, as we make progress towards our sustainability targets.

Divestment of Consumer and associated businesses

During FY25, we took a significant step in the implementation of our strategy by progressing the divestment of our global Consumer and associated businesses.

We ran a robust divestment process, pursuing both a trade sale and initial public offering (IPO) as divestment options, which resulted in an announcement in August 2025 that Fonterra has agreed the sale of the businesses to Lactalis for $4.22 billion.

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

As Peter has covered, the decision to divest is a significant one for our farmer shareholders to consider.

Board and management are aligned in the view that a divestment is the right thing for the Co-op, as it will allow us to focus on what we do best and deliver further value for farmers and ultimately New Zealand.

While there are always potential risks on the horizon, we are confident that through focused execution of strategy, we can continue to grow end-to-end value for farmer shareholders.

The strategic targets and policy settings we 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.

Our operating profit and earnings per share will be impacted in the short term by divestment of Mainland Group, but we are targeting earnings to return to current levels in three years.

We have amended our Debt to EBITDA target to less than 3 times and maintained our target gearing ratio of 30-40%, reflecting an appetite to maintain conservative balance sheet settings.

While there are always risks that may impact future performance, we also continue to target dividend payments within our policy range of 60-80% of earnings in the medium term.

FY26 priorities

While we're looking ahead to the future, we're also keeping focused on continuing to deliver for shareholders and unit holders in the short-term.

Our 2025/26 season forecast Farmgate Milk Price is $10.00 per kgMS with a range of $9.00 - $11.00 per kgMS and we're forecasting milk collections of 1,525 million kgMS.

Our FY26 forecast earnings from continuing operations, which excludes the businesses to be divested, is 45-65 cents per share.

Global demand for our products continues to be stable. However, global milk supply is increasing and the risk of potential volatility in commodity prices and exchange rates from geopolitical dynamics remains.

We continue to focus on what we can control, including progressing initiatives to deliver our strategy.

Our FY26 priorities are:

- **Divestment process** – supporting a 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.
- **Co-op foundations** – Go-live of the ERP system replacement at the first sites in November 2025.

Our ongoing balance sheet strength, combined with our focused strategic direction, means the Co-op is well prepared for the future and positioned to continue delivering strong returns to shareholders and unit holders.

Ngā mihi,

Miles

Our Strategy

Our Purpose

Our Co-operative, empowering people, to create goodness for generations. You, me, us together. Tātou, tātou.

Our Vision

The source of the world's most valued dairy

Our Choices

- **Deliver the strongest farmer offering**
- **Unleash our Ingredients engine**
- **Keep momentum in Foodservice**
- **Invest in operations for the future**
- **Build on our sustainability position**
- **Innovate to drive our advantage**

Outcomes

- **Strong Shareholder returns**
- **Stable balance sheet**
- **Enduring Co-op**

Progress on strategy

Deliver the strongest farmer offering

- Announced new funding initiatives to help farmers reduce on-farm emissions, such as the new Emissions Excellence achievement.
- Announced new and expanded price risk management services to give farmers more certainty around the Farmgate Milk Price, enabling them to manage risk for a portion of their revenue.

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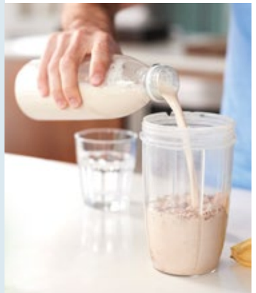
Unleash our Ingredients engine



- Richard Allen appointed as President, Global Ingredients.
- Piloted a new digital sales channel, MyNZMP Link, giving customers in the US and EU faster, more flexible purchasing.
- Began construction on a new $75 million investment into an advanced proteins hub at Studholme to increase capacity for high-return products and support partnerships with customers seeking specialised dairy solutions.

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Keep momentum in Foodservice

- Teh-han Chow appointed as President, Global Foodservice.
- Began construction of the new $150 million UHT cream plant at Edendale with the new build a key part of growing value in Asia through high-margin, high-demand dairy products.
- Opened an application centre in Wuhan, our sixth in China, strengthening our presence in central China and enabling faster development of dairy applications tailored to local market trends.

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Invest in operations for the future

- Began construction on a new $150 million investment into a coolstore at Whareroa to boost storage, keep products fresher for longer and build resilience in our supply chain.
- Closed our Canpac site due to shifting market trends and demographic changes, enabling us to redirect milk solids into higher-value streams.

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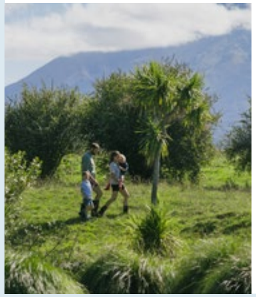
Build on our sustainability position



- Celebrated our first electrode boiler opening at Edendale and announced a further $70 million investment in two additional electrode boilers at the site.
- Announced our largest decarbonisation investment to date at Clandeboye – the conversion of two coal boilers to renewable wood pellets.
- Achieved our target of 100% of New Zealand farms having a Farm Environment Plan.

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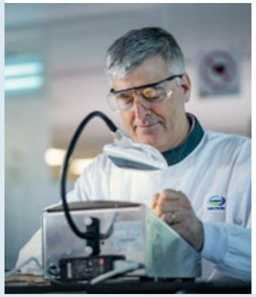
Innovate to drive our advantage



- Developed next generation Frozen Whole Milk Concentrate (Gen 2 FWMC) to meet the demand for premium fresh dairy across Asia. A fresh milk alternative FWMC utilises breakthrough technology proprietary to the Co-op.
- Launched Anchor Easy Bakery Cream by making targeted adjustments to an existing formulation, improving functionality while reducing production costs, delivering a full dairy product at a competitive price.

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Financial Overview

Reported operating profit

$1,732m

↑ From 1,527m

Reported profit after tax

$1,079m

↓ From 1,128m

Reported earnings per share

65c

↓ From 67c

Normalised earnings per share

71c

No change

↑ From 58c tax adjusted

Farmgate Milk Price

$10.16

↑ From $7.83

Dividend

57c

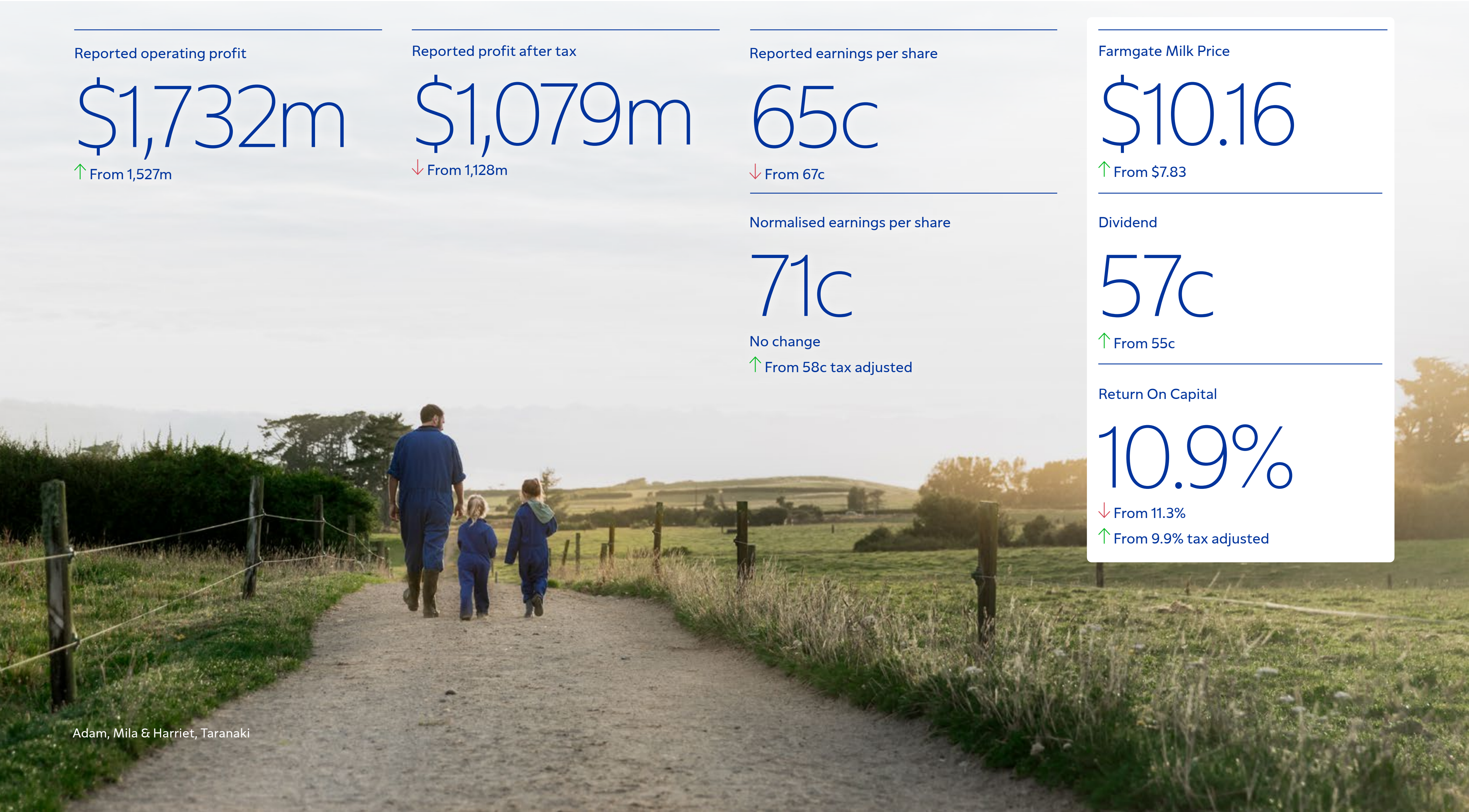
↑ From 55c

Return On Capital

10.9%

↓ From 11.3%

↑ From 9.9% tax adjusted



Adam, Mila & Harriet, Taranaki

Increased milk flows on farm and another strong earnings performance have enabled the Co-operative to generate $16.2 billion in total cash returns.

- the 2024/25 Farmgate Milk Price $10.16 per kgMS, equating to $15.3 billion in milk payments to farmer owners, up $3.8 billion or $2.33 per kgMS on the prior year
- a fully imputed full year dividend for FY25 of 57 cents, equating to $916 million to shareholders and unit holders
- equivalent to $10.73 on average for every kilogram of milk solids our farmer owners supplied[1]

Total Group operating profit increased $205 million to $1,732 million. This is the third consecutive year of strong earnings, reflecting a step change in the Co-op's performance as it continues to focus on its strategic priorities. Total Group profit after tax for the year is $1,079 million, down $49 million due to an increase in tax expense of $232 million, with $216 million attributable to changes in tax treatment that will be attached as imputation credits[2].

Excluding costs associated with the divestment process of Mainland Group and non-controlling interests, normalised earnings per share attributable to equity holders is 71 cents and the Board has declared a fully imputed final dividend of 57 cents per share. This was made possible by the earnings performance and optionality created by Fonterra's resilient balance sheet. The dividend payment date is 15 October 2025.

Normalised continuing operations operating profit of $1,441 million is up $190 million on the prior comparable period[3,4].

The higher operating profit was driven by our reportable segments Global Markets and Core Operations, with operating profit of $727 million and $302 million, up $94 million and $187 million, respectively. Both business units benefited from the stronger Ingredients channel performance.

Greater China operating profit of $412 million, was down $91 million due to margins being impacted by higher cost of milk and the allocation of costs associated with the Enterprise Resource Planning (ERP) system development.

The Group is transitioning to a channel-led structure, effective 1 August 2025:

- **Ingredients channel** operating profit of $1,101 million, up $163 million, reflecting strong margins and favourable hedging in the Non-Reference portfolio. Refer to Unleash our Ingredients engine for further information.
- **Foodservice channel** operating profit of $340 million, up $27 million, reflecting sales volume growth from continued demand in Greater China for UHT cream, butter and mozzarella partially offset by higher input costs impacting gross margins. Refer to Keep momentum in Foodservice for further information.
- **Mainland Group** (Consumer and associated businesses) have met the criteria to be classified as held for sale and performance related to the Consumer and associated businesses are now presented as discontinued operations. Refer to Divestment of Mainland Group for further information.

Normalised discontinued operations operating profit[4,5] of $397 million is up $55 million on the prior comparable period due to Consumer having higher volumes and better pricing, and the Australia business having a stable milk price against higher global commodity prices.

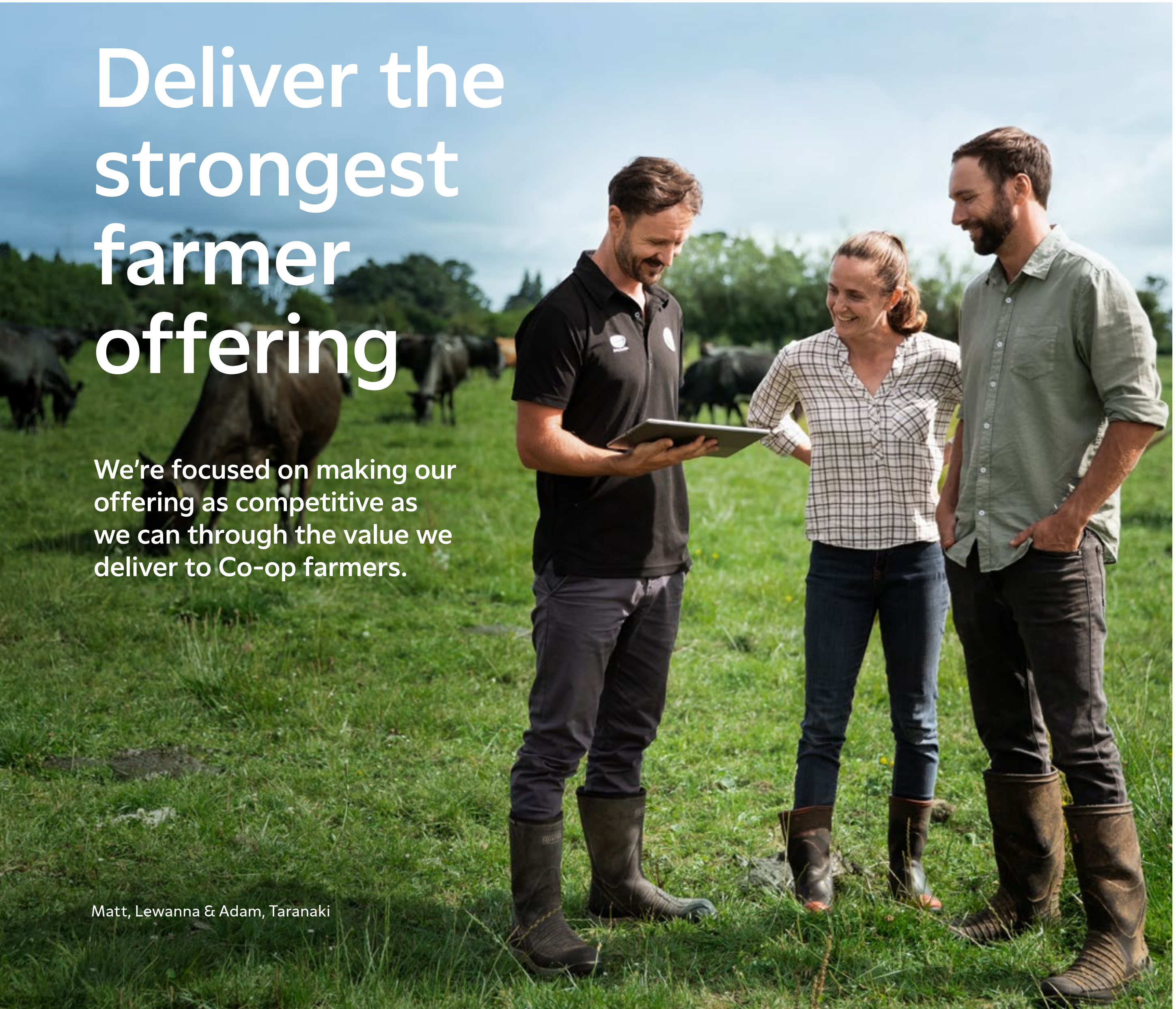
Total Group operating expenses of $2,594 million is up $126 million.

- continuing operations up $92 million[4] mainly due to the increased investment in our ERP system
- discontinued operations up $32 million[4] due to $106 million in costs associated with the divestment process of Mainland Group. Normalised operating expenses from discontinued operations are down $6 million due to the prior year including $99 million operating expenses from DPA Brazil

Capital invested for the period was $930 million, slightly below our target spend of $1 billion. Refer to Invest in operations for the future for further information.

Net debt was $2.6 billion, in line with last year as cash flows supported increased dividend payments and paying farmers sooner during the 2024/25 season.

1 For a supplying farmer at 100% of their share standard.
2 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.
3 Trade terms for sales and purchases between the Group and the Consumer and associated businesses will change following the divestment. The pricing elements relating to trade terms which are not expected to continue following the divestment have been normalised, and excluded from segment results. Refer to note 1a in the FY25 Financial Statements.
4 Comparative information has been re-presented for consistency with the current period.
5 Normalisations comprise of $106 million of Mainland Group divestment costs (2024: $(66) million loss on sale of DPA Brazil) and Inter-group transactions of $119 million (2024: $91 million) reflecting trade terms for sales and purchases between the Group and Mainland Group that are not expected to continue following the divestment.



Deliver the strongest farmer offering

We're focused on making our offering as competitive as we can through the value we deliver to Co-op farmers.

Matt, Lewanna & Adam, Taranaki

Fonterra's strategy is focused on growing end-to-end value for farmer shareholders. Having milk supply at sufficient scale is key to achieving this. Our strategic choice to deliver the strongest farmer offering is grounded in our core purpose as a Co-op – to provide stability and manage risk on behalf of our farmers, while ensuring they retain ownership and control.

Total cash returns

$16.2b

up 30.6%

Final Farmgate Milk Price

$10.16 per kgMS

up from $7.83 per kgMS

Milk collections

1,509m kgMS

up 2.6%

Having a competitive offering includes maximising the total payout we deliver to farmer shareholders through the milk price and earnings-based returns. It is also about providing industry-leading support where it matters most for farmers – whether that's working alongside them to boost productivity, reducing their costs through our Farm Source retail offerings, or helping them continue to make sustainability improvements. In addition, we have a real focus on supporting farmers who are just coming into farm ownership and those with aspirations to do so in the future.

This year, the Co-op has returned a record $16.2 billion in total cash payments to its farmer shareholders. The Farmgate Milk Price for the 2024/25 season returned $10.16 on average for every kilogram of milk solids our farmers supplied, a record Milk Price payout for the Co-op[1]. Combined with a fully imputed dividend of 57 cents per share, this means a total payout of $10.73 per share backed kgMS.

For the 2024/25 season, changes to the advance rate schedule included a higher opening advance rate of 75% and the strength of our balance sheet enabled us to further increase advance payments throughout the financial year, with the July retro payment increasing to 90%. This meant cash was able to get to farmers sooner. For the 2025/26 season, we are maintaining the opening advance rate of 75%, increasing to 80% by December paid January and 85% for the July retro payment.

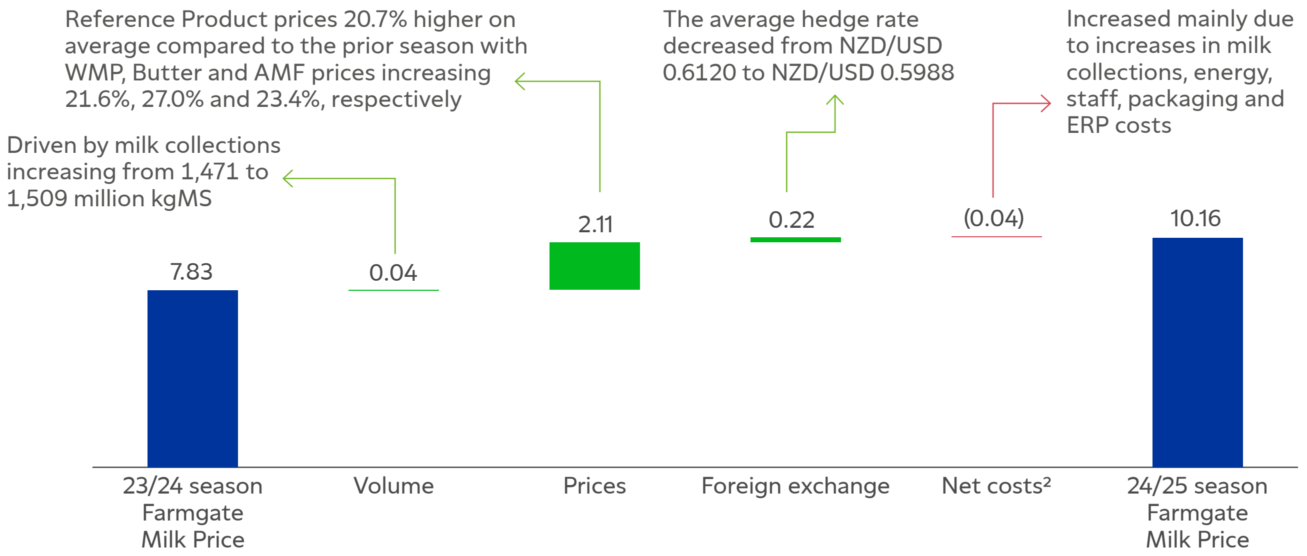
The Co-op has had a strong start to the 2025/26 season, announcing and maintaining the opening forecast of $10.00 per kgMS. Furthermore, new incentives are on offer from the 2025/26 season, including a new Co-operative Difference payment, access to customer-funded on-farm solutions and tools, as well as a customer-funded payment for eligible farmers.

Overview of the newly introduced Co-operative Difference payment

- **1-5 cents per kgMS payment:** To date, a total of up to 10 cents per kgMS has been possible across all achievements within the Co-operative Difference. A new Emissions Excellence achievement for the 2025/26 season will see a further payment of between 1-5 cents per kgMS paid to farms that meet certain criteria.

Milk Price drivers

($ per kgMS)



In the 2024/25 season, 91% of Fonterra farmers achieved the Co-operative Difference, a 4% increase on the 2023/24 season.

We congratulate all farmers who have achieved one of the three levels within the framework during the 2024/25 season.

- **Te Pūtake (The start of the journey) 1,383 farmers, down from 1,429**
- **Te Puku (The centre) 5,179 farmers, up from 5,050**
- **Te Tihi (The peak) 908 farmers, up from 858**

View the Co-operative Difference Honour Roll full list

1 On a nominal basis.
2 Net costs consists of cash costs and capital costs, refer to the Farmgate Milk Price Statement 31 May 2025 for further detail.

Overview of the newly introduced customer incentives, funded through separate agreements with Mars and Nestlé

- **On-farm solutions:** Based on last season's achievements, it's estimated that around 90% of farmers will be eligible to take up this offer. Farmers who achieve the Co-operative Difference can receive up to $1,500 in funding for on-farm tools or services designed to further improve emissions efficiency.
- **Emissions Incentive Payment:** Farmers who achieve the Co-operative Difference and have one of the lowest emissions footprints in the Co-op – approximately 30% lower than the average farm – will receive an additional payment of 10-25 cents per kgMS.

Fonterra's milk collections for the 2024/25 season were 1,509 million kgMS, the strongest the Co-op has had since the 2021/22 season. The higher collections were supported by good early season pasture availability due to favourable weather conditions across most regions. Farmers are also producing more milk solids per cow, due to ongoing breeding improvements and high animal welfare standards. The Co-op is continuing to work closely with farmer shareholders to support efficiency gains into the future.

"2024/25 season collections of 1,509m kgMS is the strongest the Co-op has had since the 2021/22 season"


Kylie, Manawatū-Whanganui

New price risk management services

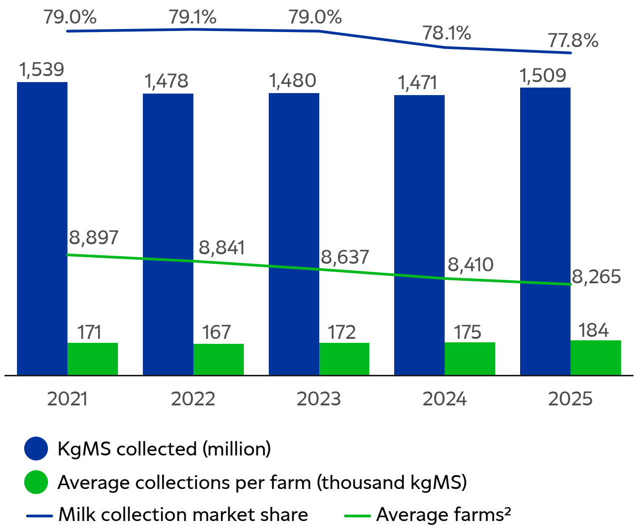
We have expanded our price risk management services which enable farmers to secure certainty for a portion of their revenue. The new services build on the Fixed Milk Price programme, introduced in 2019, which continues to see strong demand. Farmers can use any combination of the price risk management services for up to 50% of their estimated production in a season. These services are optional for those farmers who may want more certainty, and they also deliver benefits for the whole Co-op through the solutions we can offer customers.

Launched in June, the new services offer more support and flexibility. Farmers can now:

- Lock in a Fixed Milk Price for an additional season, providing longer-term certainty.
- Lock in a minimum Milk Price for the current season to protect against drops while allowing upside.
- Lock in a Milk Price Range for the current season.

Fonterra supplier base and milk collections[1]

(Full season figures)



1 New Zealand milk collections.
2 Average number of farms supplying milk for the season.

Fonterra collected milk from 8,265 supplying farms around New Zealand in the 2024/25 season. Market share, by milk solids, dropped from 78.1% to 77.8% year-on-year, mainly due to increased competition in the North Island heading into the start of the season. Through the course of the year, the Co-op had some important wins in terms of retaining and attracting milk. Fonterra gained more milk from competitors than it lost in the 2024/25 season, however still faced a net decline due to land use change away from supplying milk. The Co-op is well positioned for the current 2025/26 season, and has a solid pipeline of new farms and farms currently supplying other companies agreed to joining Fonterra, some of which can't come across immediately as they are bound to existing contracts. The Co-op remains focused on offering a competitive value proposition with the aim of maintaining or growing its market share.

Collaboration saves time on compliance

To further support farmers, we collaborated with industry players including Ballance Agri-Nutrients, LIC, Ravensdown, CRV, FarmIQ and Trev, to initiate an open data-sharing ecosystem, where Fonterra farmers can submit information once, and the shared data can pre-populate up to 70% of their annual Farm Dairy Records.

This collaboration has led to new solutions being made available to farmers that are designed to save them time through better data connections, reduced task duplication and simplified administrative tasks – including streamlined record completion and reduced on-farm assessments.

The improvement programme has already generated estimated savings of 500,000 hours of admin time for Co-op farmers, with another 500,000 hours expected to be delivered in the 2025/26 season.

Currently, around 70% of Fonterra farmers have connected their data to at least one partner, with 63% reporting an improved experience compared to last year. This initiative was recognised with the 'Team and Collaboration Award' at the 2025 Primary Industries New Zealand Awards.

ASB First Farm Award

A key focus in terms of delivering the strongest farmer offering is supporting the next generation of Co-op owners. As part of a wider programme of work in this area, Fonterra and ASB launched the First Farm Award in May 2025 at the New Zealand Dairy Industry Awards. This initiative offers early-career farmers a more accessible pathway to farm ownership, with a tailored package including mentoring, enhanced support, special offers and a launch kit containing contributions from Farm Source partners.

The 2025 award recipients – Reece and Natasha Cox (Taupō), Braden and Brigitte Barnes (Canterbury), and Margaret and Cameron Bierre (Waikato) – each receive up to $1 million in ASB Business Term Lending fixed at 1% p.a for three years, along with $20,000 in Farm Source account credit.

Unleash our Ingredients engine

Deepen our position as a world-leading provider of high-value dairy ingredients, to grow both the Farmgate Milk Price and earnings.

To implement the Co-op's strategy and transition to a channel-led business structure, Richard Allen was appointed President, Global Ingredients in March 2025[1]. Richard joined the Co-op in 2008 and has held a range of senior leadership roles, including leading Foodservice in Greater China and Farm Source in New Zealand. Most recently, he served as President Atlantic, overseeing operations across the Americas and Europe, and managing key global Ingredients accounts. His role now brings all our Ingredients markets together – from China to Europe – with a clear focus on growing the value of farmers' milk.

Ingredients operating profit[2,3]

$1,101m

up 17.4%

Ingredients Return on Capital[2,3]

11.9%

up from 11.8%

1 Title changes were effective 12 March 2025. The structural changes associated with these appointments came into effect 1 August 2025.
2 Prepared on a continuing operations basis.
3 Comparative information has been re-presented for consistency with the current period.

Richard Allen
President, Global Ingredients

Maximising value in volatile markets

Following Richard's appointment, the Ingredients business is rolling out a multi-year plan outlining the steps needed to deliver on our vision and strategy, maximise value through long-term innovation, and adjust operations to better manage increased global volatility and uncertainty. Through this, new tools are being introduced to bring greater consistency and stability to how we sell and better support market-linked pricing, integrate the physical and financial portfolios, and better manage volatility risk during challenging market conditions so returns are less affected.

The plan focuses on:

– Putting customers at the centre, ensuring we focus our time and energy on the relationships that deliver the best value
– Smarter ways of selling, so prices accurately reflect the market and farmer returns are stable against volatility
– Making the most of every drop of milk, optimising product mix through the sales channels to maximise earnings

By focusing on the right customers, using smarter tools, and investing in the future, we're helping New Zealand's grass-fed milk earn a premium and deliver the best possible returns to shareholders.

Dave, Southland

New Zealand's way of farming is one of our greatest strengths and a key competitive advantage through the production of natural, grass-fed dairy. This was further reinforced with the launch of the New Zealand Grass-fed Standard by the Ministry for Primary Industries with our farmers already exceeding the requirements. This certification is highly valued by global customers and consumers, setting New Zealand farmers' milk apart from the rest of the world.

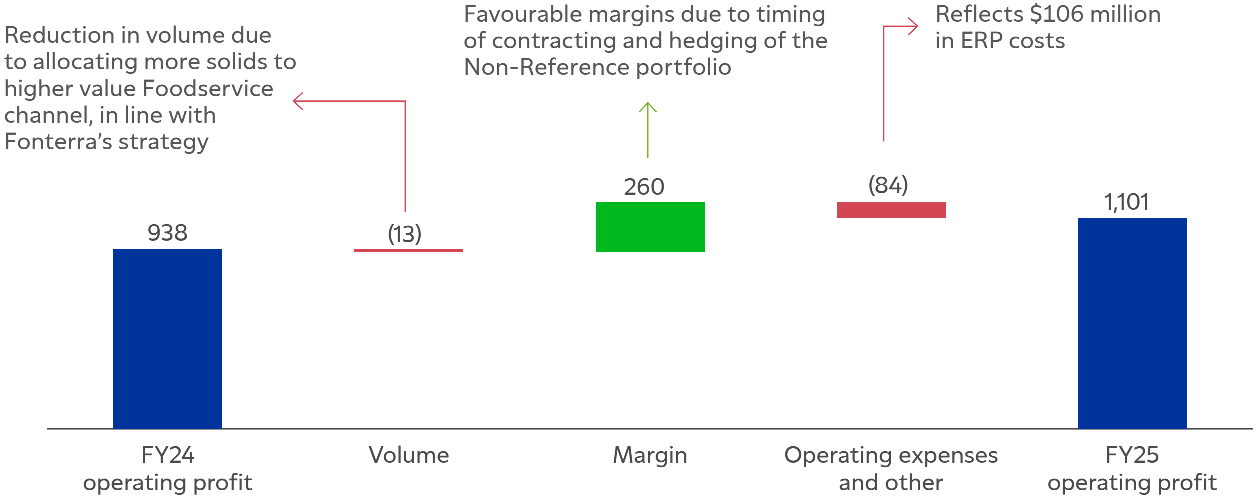
Our Ingredients channel had a strong year with operating profit up $163 million to $1,101 million, due to strong Ingredients' margins and favourable hedging in the Non-Reference portfolio.

In FY25 we began reshaping how we work with customers to better meet their diverse needs. Some are looking for fast, flexible digital ordering experiences – like those now using our new MyNZMP Link platform in the US and Europe. Others are keen to partner with us on innovation, particularly in areas like sports and medical nutrition. And many simply want a reliable, grass-fed source of milk powders, cheese and butter. By tailoring how we serve each of these customer groups, we're deepening loyalty and unlocking more demand for our New Zealand milk.

53.9% of milk solids were allocated to the Reference product portfolio, compared to 55.4% the prior year. This reduction supports our strategic objective to increase allocation to our higher margin Non-Reference Ingredients and Foodservice products.

Ingredients operating performance[1]

(NZD million)



1 Prepared on a continuing operations basis. Comparative information has been re-presented for consistency with the current period.


Uday & Tomas, Auckland

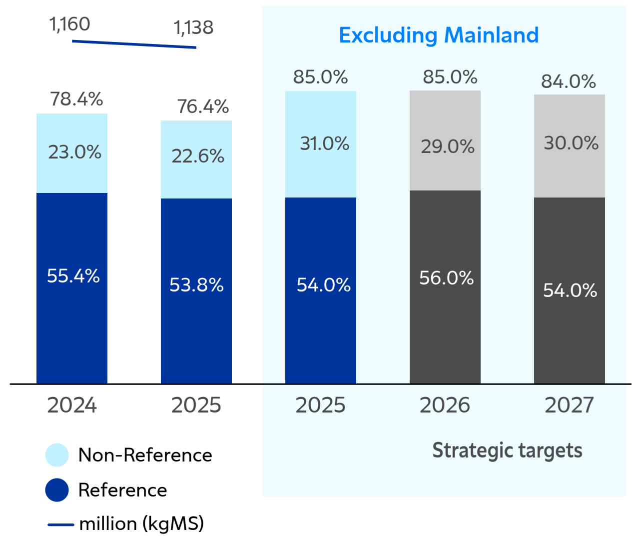
New digital platform creates faster, more flexible buying

MyNZMP Link supports our priority to rewire the pricing and sales process and provide better consistency and stability to how we sell. The pilot of this tool is set to run until mid-2026, giving customers in the US and Europe secure, direct access to NZMP ingredients from regional warehouses. Developed with Nui Markets, the platform responds to the demand for faster, more flexible purchasing – especially for real-time pricing and supply visibility. The pilot has seen strong uptake, appealing not only to digitally self-servicing customers, but a broader range of initially expected customers. The platform features 15-minute auctions, weekly tenders, fixed-price listings, and bid/counter-offer negotiations, and enables customers to secure volumes up to 12 months in advance. It currently offers eight ingredients including lactose, whey protein concentrate, milk protein concentrate, caseins and caseinates. Five more are planned, including high-fat whey protein concentrate and expanded caseinate and lactose specifications.

The Co-op remains focused on shifting solids into higher value Non-Reference products with demand continuing to strengthen for functional proteins in higher value markets, particularly Europe and the US. 53.8% of milk solids were allocated to the Reference Product portfolio, compared to 55.4% in the prior year, supporting our strategic objective to shift solids into higher margin products.
The Non-Reference portfolio product mix shifted to maximise value, with lower sales volumes of casein which have higher solids density and higher sales volumes of cheese which have a lower solids density, this led to a lower percentage allocation of solids to the Ingredients Non-Reference portfolio.

Improved mix as solids shifted to high value ingredients

Full financial year figures[1,2]

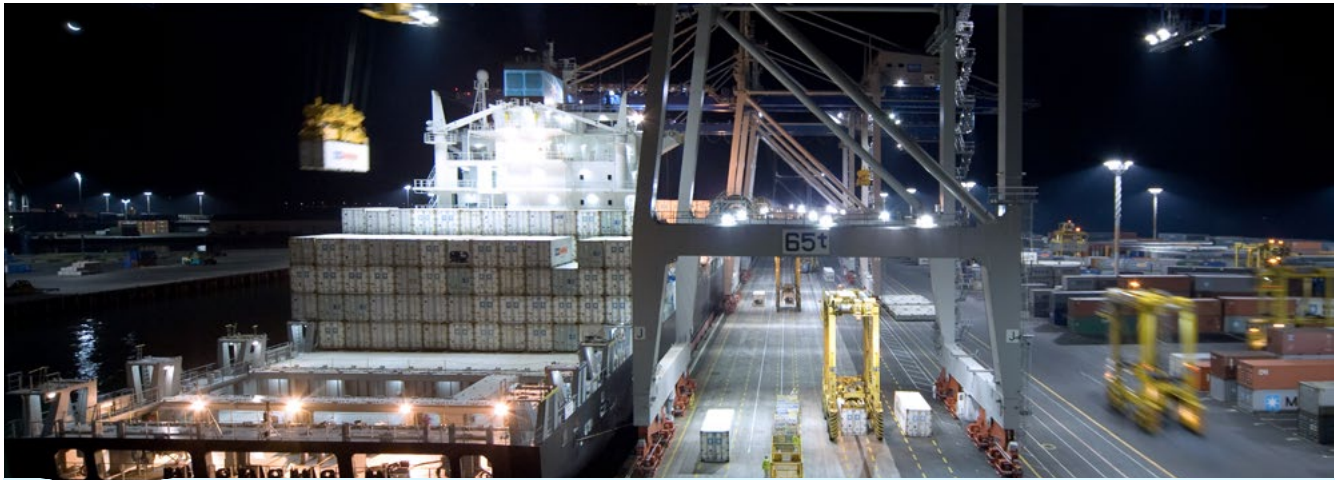


1 kgMS data presented on a sales basis. Percentages are a proportion of total kgMS sold.
2 Comparative information has been re-presented for consistency with the current period.

The Co-op's Ingredients channel currently supplies more than 1,000 customers in over 100 countries and has been focused on consistently building demand for high-returning products. An example of this has been the development of our functional protein range.

Our functional protein range has been a key platform behind strong results in higher-value markets such as Europe, the US, Japan and China. To cater to growing demand and strengthen our Ingredients channel offering, the Co-op is continuing to invest in capability including two large-scale investments:

- a new $75 million investment into an advanced proteins hub at our Studholme site will increase capacity for high-return products and support partnerships with customers seeking specialised dairy solutions serving the fast-growing, high-protein market for medical and sports nutrition. Construction has progressed well over FY25, with works nearing completion and the first product expected off the line in 2026. This investment is a key part of our strategy to grow production capacity in high-value ingredients, enabling us to meet rising global demand while delivering tailored, science-backed solutions. With the high-protein dairy market projected to grow by nearly USD10 billion over the next four years at an annual rate of 7%, the Studholme expansion positions us to deepen customer relationships, attract new business, and capture more value from every drop of milk. Following completion, the investment will unlock additional capacity in our Non-Reference portfolio.
- a new $150 million investment in a cool store at our Whareroa site to boost storage, keep products fresher for longer and build resilience in our supply chain. Construction began in November 2024 and supports our strategic priority to invest growth capital in new capacity to increase milk allocated to higher margin Non-Reference products. Once complete in 2027, the 19,000 m² facility – equivalent to three rugby fields – will increase Whareroa's storage capacity by 5,000 MT, enabling storage of up to 26,000 MT of cheese.



Opening more doors

Free Trade Agreements (FTAs) are unlocking new opportunities. Access to high-value markets, through FTAs, provides the Co-op with market optionality, resilience and strong returns for farmer shareholders.

New Zealand-United Kingdom FTA

Two years since its introduction, the New Zealand-United Kingdom FTA has removed tariffs on New Zealand dairy, unlocking demand for grass-fed butter, cheese, anhydrous milk fat, proteins and skim milk powder after 50 years of limited access. As the world's second-largest dairy importer, the United Kingdom offers strong growth potential, with consumers seeking premium quality and sustainability credentials – aligning with the Co-op's grass-fed farming, low transport emissions and animal welfare standards.

As we move forward, we're taking a strategic approach to this market – focusing on efficiency, simplicity, and selecting the right partners and channels to position New Zealand dairy as a premium offering.

New Zealand-Europe FTA

In the first 14 months since the New Zealand-Europe FTA took effect, demand has grown across butter, cheese, proteins and whole milk powder. Europe is now our largest market for functional whey protein concentrate – used in protein-enriched yoghurts and nutrition products – sourced from New Zealand and the Heerenveen site in the Netherlands. Our specialised ingredients, grass-fed dairy and sustainability credentials give us a competitive edge in the region, positioning us to meet rising demand for health-driven nutrition solutions.

Keep momentum in Foodservice

Expand our successful Foodservice business in, and beyond China, to grow earnings.

Singapore, South East Asia

To implement the Co-op's strategy and transition to a channel-led business structure, the Global Foodservice business appointed Teh-han Chow as President, Global Foodservice in March 2025[1]. Prior to his appointment, Teh-han held a number of roles in the Co-op, including CEO for Greater China and President of Fonterra's Ingredients business, NZMP, in Greater China, South and East Asia.

In this new expanded global role, Teh-han continues as CEO for Greater China while also leading Foodservice operations across Greater China, North Asia, Southeast Asia, Latin America and across the Global Quick Service Restaurant (GQSR) channel.

Foodservice operating profit[2,3]

$340m

up 8.6%

Foodservice Return On Capital[2,3]

10.1%

down from 12.8%

1 Title changes were effective 12 March 2025. The structural changes associated with these appointments came into effect 1 August 2025.
2 Prepared on a continuing operations basis.
3 Comparative information has been re-presented for consistency with the current period.

Teh-han Chow
President, Global Foodservice

A focus on accelerating growth

The formation of the new channel-led structure has brought a stronger focus to our Foodservice business, one of accelerating growth through four key enablers:

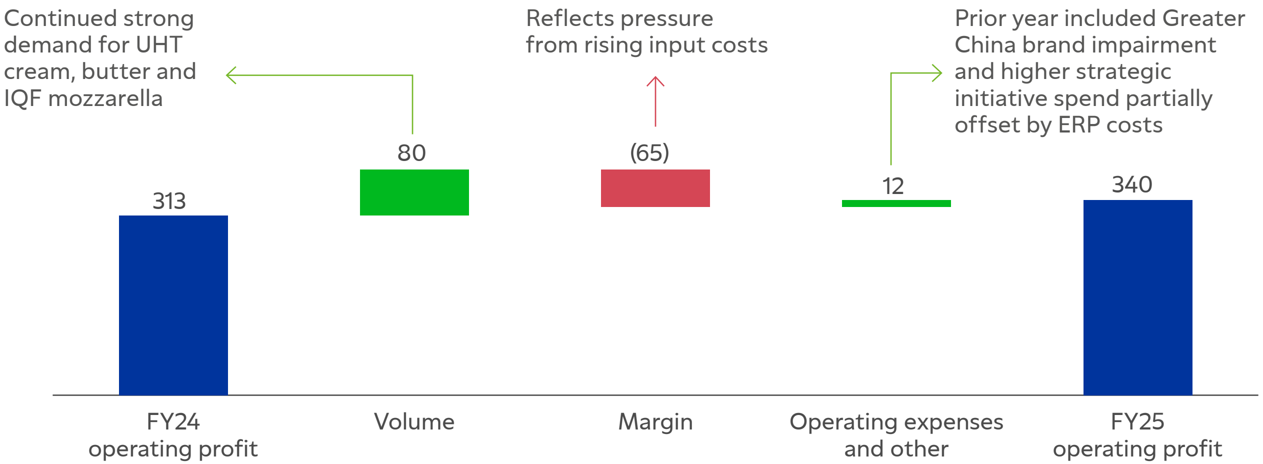
- Leveraging Greater China learnings across the other regions
- Scaling digital platforms globally
- Building commercial, culinary, marketing and sales capability
- Driving fast and scalable innovation.

These pillars will help us to unlock new value, strengthen market presence and deliver more value for our customers across Asia and beyond.

Our Foodservice channel has delivered a stable performance with operating profit up $27 million to $340 million due to strong volumes with continued strong demand, partially offset by the pressure of rising input costs.

Foodservice solids increased, in line with strategic targets as demand continued to grow for UHT cream, butter and IQF mozzarella.

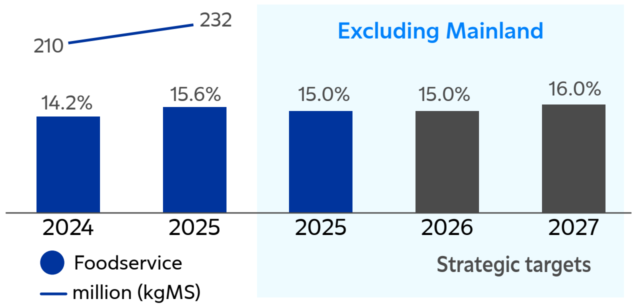
Foodservice operating performance[1]
(NZD million)



1 Prepared on a continuing operations basis. Comparative information has been re-presented for consistency with the current period.

Continued Foodservice growth driving higher allocation

Full financial year figures[1,2]



The Greater China region remains the Co-op's largest foodservice market. In FY25, to meet growing demand, the Co-op invested in new manufacturing capacity.

Construction at the $150 million UHT cream plant at Edendale made steady progress, with the first product expected off the line in August 2026. The investment is set to unlock up to 20 million kgMS additional processing capacity in the Foodservice portfolio, with potential to increase capacity to more than double by 2030 if the demand continues to grow, as we expand our Foodservice business in and beyond China. The investment will help grow value in Asia through high-margin, high-demand dairy products with the plant producing Anchor Whipping Cream, a favourite in China's foodservice industry for its superior stability and longevity. With over 260 million cakes baked annually in China, demand for our UHT cream product continues to grow, with UHT products among the Co-op's most profitable, with a projected 6% compound annual growth rate over the next seven years.

1 kgMS data presented on a sales basis. Percentages are a proportion of total kgMS sold.

2 Comparative information has been re-presented for consistency with the current period.

Miles & Teh-han, Shanghai

Innovation driving growth

Unlocking new opportunities in China

In November 2024, we announced the launch of Anchor Easy Bakery (AEB) Cream at the China International Import Expo (CIIE) in Shanghai. Developed to meet growing demand in China's bakery segment, AEB expands the Co-op's Foodservice portfolio and reinforces our leadership in the UHT cream market. One of our key focus areas is the mid-market in China – the fastest-growing segment – driven by urbanisation, a rising middle class and increasing awareness of dairy's nutritional value. Since launch, AEB has gained strong traction. Made with 100% New Zealand dairy, AEB offers strong functionality at a competitive price, appealing to bakeries seeking full-dairy performance while complementing our premium Anchor Whipping Cream offering.

Strengthening our presence

As part of our strategic priority to invest in our local application centres, we opened our sixth in-market application centre in Wuhan, China in September 2024. This new facility strengthens our presence in central China and enables faster development of dairy applications tailored to local market trends. It joins our existing centres in Beijing, Shanghai, Guangzhou, Chengdu and Shenzhen, which play a vital role in co-creating products that reflect regional tastes and culture, while enhancing our national reach across bakery, dining and beverage channels.


Singapore

Emerging Foodservice products and markets enabling growth in solids allocation

The Co-op is committed to leveraging the success it has seen in the Greater China market to expand into new markets. In North Asia, rising dairy consumption in Korea – driven by dietary trends and a focus on healthy aging – is creating new growth opportunities.

To respond to market needs, rising costs and the easing of regional tariffs, in FY25 we developed Korean Lactic Butter, a premium product with a more intense cultured taste, rivalling European alternatives. Designed in collaboration with Korean customers, the butter suits both raw consumption and baking, appealing to bakeries that favour European-style butters for their distinctive flavour. Manufactured at our Te Rapa and Edgecumbe sites, the butter features a rich flavour, vibrant yellow colour and excellent functionality.

Southeast Asia is emerging as a key region for foodservice, with Vietnam showing rapid growth with sales of foodservice creams nearly doubling in value between 2022 and 2024. Bakery, beverages and desserts are among the fastest-growing foodservice channels in the region, driving demand for Anchor Food Professionals' products such as butter sheets, cream and cream cheese.

Innovation remains central to driving Foodservice growth. By developing new solutions, we can expand into new markets and segments, reaching new customers and driving product demand. An example is our mozzarella cheese, where technology is tailored to meet customer expectations on stretch, performance and price – particularly important in our work with Global Quick Service Restaurants (GQSR), where consistent product performance and supply reliability are critical to meeting the demands of high-volume, fast-paced operations.

Divestment of Mainland Group

In FY25, we progressed plans to divest our global Consumer and associated businesses. Following a competitive process, the Board determined that a sale to the world's largest dairy company, Lactalis, represented the highest value option for the Co-op, both immediately and long-term. On 30 October 2025, we will seek shareholder approval to divest the businesses by ordinary resolution at a Special Meeting.

As at 31 July 2025, Mainland Group (Consumer and associated businesses) met the criteria to be classified as held for sale and is now presented as a discontinued operation

Mainland Group and other discontinued operations operating profit is down $13 million to $172 million[1] due to $106 million of Mainland divestment costs incurred in the current period and recognition of a loss on disposal of $66m relating to the disposal of DPA in the prior comparable period.

Excluding these costs and other adjustments[2] to recognise the financial performance of the Mainland Group on the same basis as the reportable segments of the Group, normalised discontinued operations operating profit of $397 million is up $55 million on the prior comparable period. This is due to Consumer having higher volumes and better pricing, and the Australia business having a stable milk price against higher global commodity prices.

Normalised discontinued operations operating profit[1]

$397m

up 16.1%

1 Comparative information has been re-presented for consistency with the current period.

2 Normalisations comprise of $106 million Mainland Group divestment costs (2024: $(66) million loss on sale of DPA Brazil) and Inter-group transactions of $119 million (2024: $91 million) reflecting trade terms for sales and purchases between the Group and Mainland Group that are not expected to continue following the divestment.

Kiri & Te Kaihou, Bay of Plenty

Divestment process

During FY25, Fonterra conducted a dual-track divestment process for its global Consumer and associated businesses. This included exploring both a trade sale and initial public offering (IPO) as potential divestment options.

Over a period of 15 months, the Board thoroughly tested the terms and value of both a trade sale and IPO. Following a highly competitive process with multiple interested bidders, the Board determined that a sale to Lactalis represented the highest value option for the Co-op, both immediately and over the long term.

In August 2025, Fonterra announced an agreement to sell the businesses to Lactalis for a total value of $4.22 billion. This includes the base sale price of $3.845 billion, plus an additional $375 million following the resolution of a dispute with Bega Cheese Limited, resulting in the inclusion of the Bega licences in the transaction.

Fonterra is targeting a tax-free capital return of $2.00 per share to shareholders and unit holders, approximately $3.2 billion, following completion of the sale.

What the sale includes

The divestment comprises the sale of shares in Mainland Group Holdings Limited, a New Zealand incorporated holding company owned by Fonterra. The transaction includes:

– Fonterra's global Consumer brands and business (excluding Greater China)
– Integrated Foodservice and Ingredients businesses in Oceania and Sri Lanka
– Middle East and Africa Foodservice business
– Bega licences held by Fonterra's Australian business

As part of the agreement, Fonterra will continue to supply raw milk, dairy ingredients and products to the divested businesses under long-term supply agreements. This means New Zealand farmers' milk will continue to be found in iconic brands such as Anchor and Mainland.

Regulatory and shareholder approvals

The sale is subject to several conditions:

– Approval by Fonterra shareholders
– Separation of the businesses from Fonterra
– Receipt of final regulatory approvals

Regulatory approvals are required from:

- Overseas Investment Office (New Zealand)
- Foreign Investment Review Board (Australia)
- Competition authorities in each of COMESA (the Common Market for Eastern and Southern Africa), French Polynesia, Kuwait, Vietnam, the Kingdom of Saudi Arabia and New Caledonia

In July 2025, the Australian Competition & Consumer Commission confirmed it would not oppose the proposed acquisition by Lactalis in Australia.

Shareholder vote and capital return

The Co-op will seek shareholder approval to divest the businesses by ordinary resolution at a Special Meeting scheduled for 30 October 2025.

Following completion of the sale and receipt of proceeds in New Zealand, a separate shareholder vote will be held to approve the capital return. The final amount will be confirmed ahead of this vote.

Subject to shareholder approval, separation of the businesses, and regulatory conditions being met, the sale is expected to be completed in the first half of calendar year 2026.

Invest in operations for the future

An efficient manufacturing and supply chain network that allows us to flexibly allocate milk to the highest returning product and sales channel.

Rama & Frances, Waitoa

Flexible and efficient asset capability gives Fonterra the ability to gear certain plants towards higher-value Ingredients and Foodservice products.

We increased our growth capital spend in FY25 by $111 million as we focused on building capabilities on site to unlock capacity, with investments into Studholme and Edendale to increase solids allocation to higher value Ingredients and Foodservice products.

Alongside these new growth projects, we also closed our Hamilton-based Canpac site in July. The facility packaged around 4,000 metric tonnes of milk powder annually – less than 1% of the Co-op's total product volume.

Our pipeline of future growth investments is strong, with upcoming investments to grow value in our existing protein, butter and cream cheese portfolios and investments in site operations.

Cash operating expenses per kgMS

$1.40 per kgMS

up from $1.36 per kgMS

Manufacturing costs per kgMS

$2.67 per kgMS

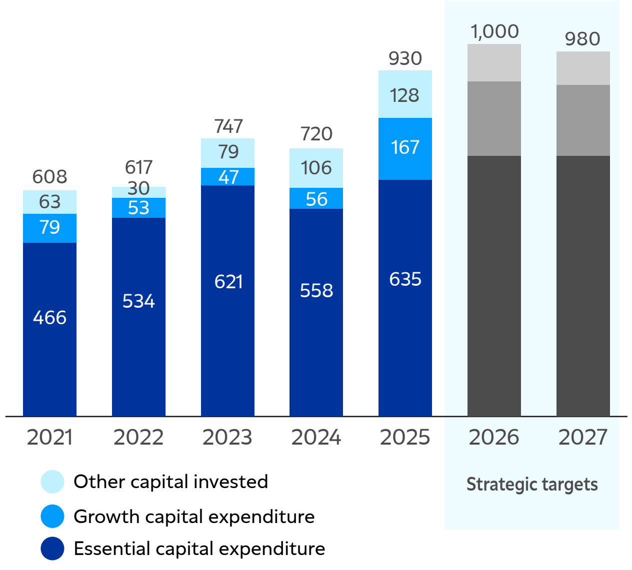
up from $2.58 per kgMS

The Co-op remains focused on maintaining its manufacturing asset base, with essential capital spend up $77 million to $635 million comprised of:

- $104 million in managing energy security risk and decarbonisation initiatives
- $71 million on upgrades to our wastewater assets to improve our environmental footprint, and enable our license to operate
- $317 million in New Zealand operations to support safe people, safe food, and improved asset reliability across our asset networks.

Capital invested ($ million)

Full financial year figures



Kev & Beau, Waitoa

Energy security in manufacturing

Taking further steps in renewable energy, we are advancing our sustainability targets while future-proofing energy security in operations through significant investment in electrification. In January 2025, we announced a $150 million investment over the next 18 months to enable electrification across our North Island operations, supporting energy security and reducing fossil fuel reliance. This includes electric boilers at Whareroa, Edgecumbe and Waitoa, plus an EV tanker fleet pilot. At Whareroa, $64 million will fund two electrode boilers, expected to cut annual emissions by 51,000 tonnes. Edgecumbe will install an electrode boiler and a resistive element boiler, expected to cut annual emissions by 26,000 tonnes. Waitoa and Waitoa UHT will invest $18 million in two Resistive Element Boilers, following the retirement of the last coal boiler in November 2024, boosting the site's process heat capacity and energy reliability. Based in the Waikato, the EV milk tanker pilot – designed to assess EV performance, infrastructure and cost efficiency – will introduce six electric tankers to the fleet with the first of the tankers due to hit the road in December 2025, with full rollout of all six tankers by June 2026. Charging infrastructure installation is currently underway at Te Rapa, Waitoa, and Hautapu and is due to be commissioned by November 2025.

Investment carries on across the South Island, with the new Edendale electrode boiler being commissioned in October 2024, along with the announcement of a further $70 million for two additional electrode boilers at the site to support growing energy needs. At Clandeboye, the two converted wood pellet boilers also fired up this month, providing the site with secure, renewable energy.

In addition to our capital spend, we are investing heavily in upgrading the Co-op's new ERP system to make it fit for purpose and improve operational efficiencies.

The Co-op is enhancing its Core Operations through the 'Operations for the Future' which focuses on unlocking greater value across our network. By leveraging automation, disciplined cost management, and targeted investment, we are optimising performance and throughput to support long-term growth, resilience and safety and quality outcomes.

The Co-op has made important progress in safety, launching a new framework designed to embed a proactive safety culture across our operations. Key FY25 initiatives included the ammonia removal project at Whareroa which was recognised at the 2025 New Zealand Workplace Health and Safety Awards. Similarly, we introduced our e-Permit to Work system across sites, embedding digital tools that streamline permit and safety checks. These new initiatives and efforts have reduced risk, with serious harm events falling to six in FY25 – down from 18 in FY23 and 16 in FY24.

Alina, Edendale

Productivity continues to be a key focus, incorporated across every level of the business through a combination of digital innovation, operational systems, process optimisation and the commitment of our people. AI-enabled technology now inspects all 80+ million 25kg milk powder bags filled annually across 56 packing lines, automatically rejecting damaged bags and providing timestamped traceability. At Clandeboye, similar technology monitors bulk butter packaging – reducing waste and downtime while maintaining quality. Automated Guided Vehicles manage pallet movement, with the majority of the packing process automated.

The Co-op remains focused on being an industry leader in quality.

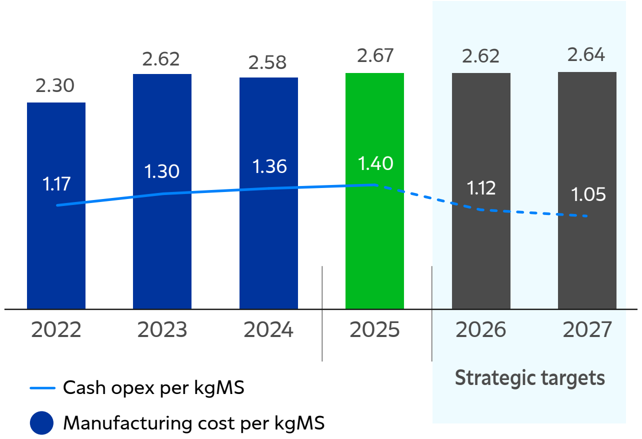
Our new Food Safety, Quality and Regulatory (FSQR) strategic plan launched in late FY25 reinforcing our commitment to making product right first time, every time. Over the next four years, the plan aims to build consumer trust and protect product value, enabling our business to remain resilient and future-ready.

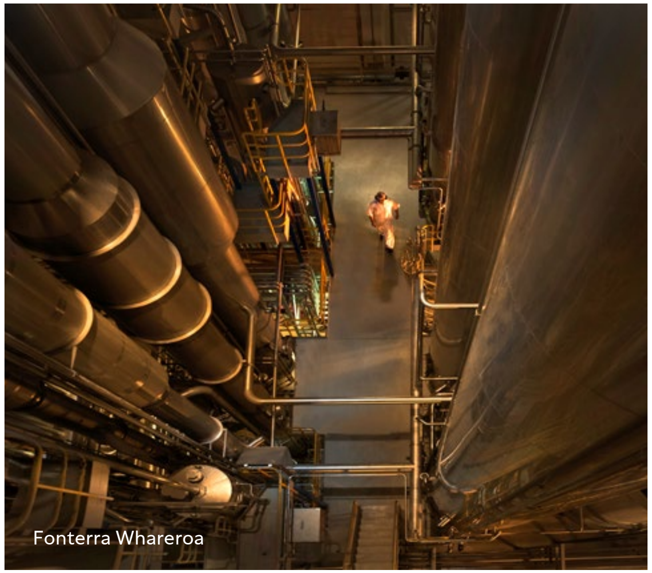
In FY25, cost of quality increased from $92 million to $99 million, mainly due to manufacturing performance. Despite this increase, our "right first time" production metric remained relatively stable at 95.7%, compared to 95.8% in FY24. This stability reflects the challenges and variability observed in key product categories, including Whole Milk Powder, Butter, and Cheese manufacturing processes. This year, the Co-op achieved its highest milk volumes since the 2021/22 season and a record milk price of $10.16. The cost of quality outcome achieved represents a balance between maintaining operational efficiency, applying robust risk management practices, and optimising financial performance.

As the operating environment becomes increasingly dynamic – shaped by shifting consumer expectations, more stringent regulatory standards, rapid technological advancements, and growing demand for nutritionally

Cash expenses ($/kgMS)

Full financial year figures



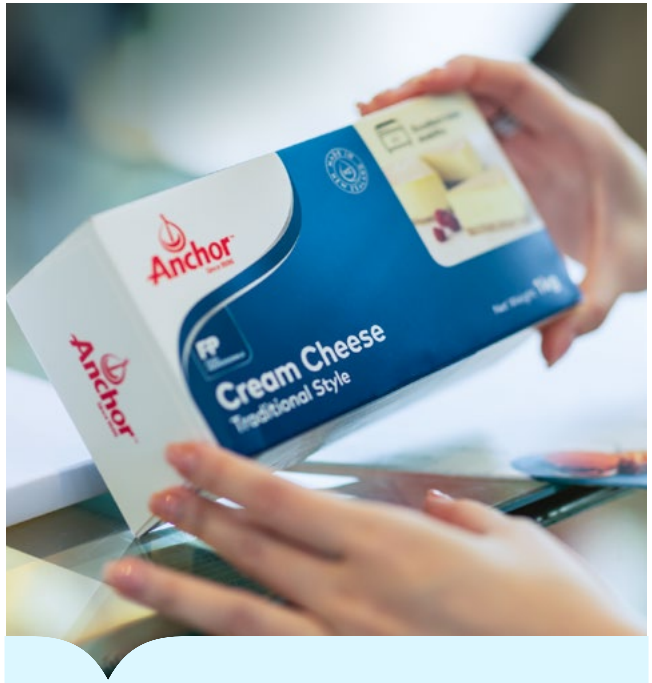

Fonterra Whareroa

functional dairy products – we remain committed to driving continuous improvement. To this end, we have implemented a focused plan aimed at embedding greater stability, reliability, and consistency across all stages of production. This proactive approach supports both our immediate priorities and our long-term sustainability goals, ensuring we continue to deliver high-quality dairy products in a responsible and efficient manner.

The FY25 cash operating expenses per kgMS of $1.40 includes 8 cents related to the investment in the Co-op's ERP system. The spend is expected to peak over FY25 and FY26 with the investment unifying essential business operations including sales, logistics and invoicing, into a single, integrated platform to deliver greater productivity and efficient decision-making. The rollout begins in November, starting with our Morrinsville and Maungaturoto sites in New Zealand, and the Chicago office in the United States, with wider deployment planned over the following two years.

The FY25 manufacturing costs per kgMS increased 9 cents to $2.67 due to inflationary pressures, one-off staff costs and incremental costs relating to a move towards a more valuable product mix, as our portfolio shifted towards higher margin Ingredients and Foodservice products. This increase was partially offset by higher milk solids collected and efficiency gains.

Delivery in Full on Time (DIFOT) performance has returned to pre-COVID levels, with our best result since 2020 of 81.5% at departure, despite ongoing global disruptions including geopolitical tensions in the Middle East, delays through the Panama Canal, and industrial action at key ports. Achieving this level of reliability under these conditions reflects our Co-op's significant operational resilience and coordination across our supply chain.



Process optimisation driving results at Darfield

Operational systems and teamwork are delivering powerful results. Our team at Darfield combined process optimisation with new technologies to lift annual cream cheese capacity from 24,000 to 30,000 tonnes, contributing to a record season. The site now produces over 270,000 tonnes of cream cheese and milk powder annually, while maintaining excellent quality standards. Edgecumbe also achieved a record season, producing over 9,000 tonnes of butter sheets for Foodservice customers, pushing efficiency even further.

Build on our sustainability position

Further improve our sustainability credentials as we work towards our ambition to be net zero by 2050.

Bridgeman Family, Taranaki

In FY25, the Co-op continued its long-standing focus on sustainability – encompassing climate change, water stewardship, animal wellbeing and long-term value creation – while progressing its energy transition through reduced fossil fuel use and targeted investment in renewables, balancing energy security, capital priorities and operational needs.

Fonterra has a target to reduce on-farm emissions intensity from dairy by 30% by FY30, from a FY18 base year. Announced in 2023 as part of the Climate Roadmap, this target supports the Co-op's broader 2030 targets and aspiration to be net zero by 2050.

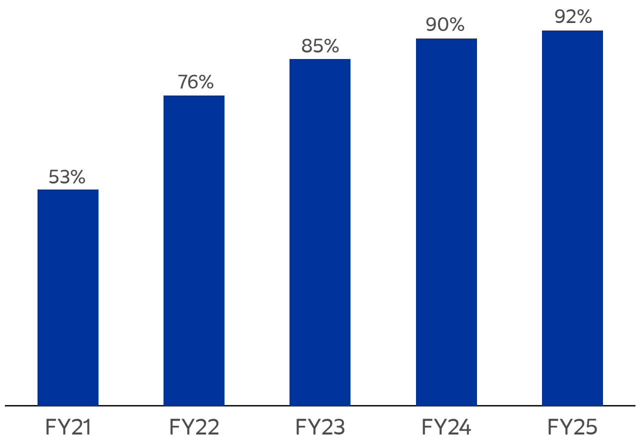
In addition to the on-farm target, the Co-op has a target to reduce absolute Scope 1 and 2 emissions by 50.4% by FY30, also from a FY18 base year.

In FY25[1] we achieved:

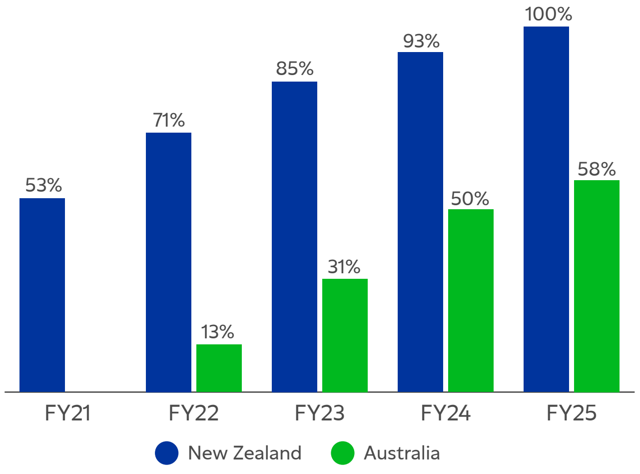
- A 3.8% reduction in Scope 1 and 3 Forest, Land and Agriculture (FLAG) GHG emissions from dairy per tonne of fat-and-protein-corrected milk from a FY18 base year, against an intensity target of 30% reduction by FY30.
- A 20.7% reduction in absolute Scope 1 and 2 GHG emissions from a FY18 base year, against an absolute target of 50.4% reduction by FY30.

1 The percentage indicates the reduction achieved between the base year and the end of FY25.

NZ milk-supplying farms with an Animal Wellbeing Plan



Milk-supplying farms with a Farm Environment Plan




Mila & Mike, Taranaki

Our targets are critical to maintaining competitiveness, strengthening customer partnerships, meeting market access requirements, and complying with evolving legal and reporting obligations – enabling the Co-op to play its part in addressing climate change.

On-farm

We support farmers in taking meaningful action to reduce on-farm emissions through a range of targeted initiatives. Now in its fifth year, the annual Farm Insights Report offers a personalised overview of each farm's performance. Drawing on Farm Dairy Records, milk quality and production data and broader industry insights, the report helps farmers make informed decisions that aim to improve efficiency.

Our Farm Source teams provide practical, expert support across milk production, herd health, environmental sustainability, compliance and digital tools. This includes Farm Environment Plans designed to address soil health, water quality and freshwater biodiversity. These plans use mapping technology and recommend actions to mitigate on-farm risks.

We continue to deliver sustainability programmes through a combination of customer-funded pilots and Co-op-led initiatives. Nestlé funded a pilot programme announced in November 2022, supporting on-farm efficiency visits, while Mars backed a separate tools and services pilot focused on driving efficiency during the 2024/25 season. This has now been extended to incorporate funding from Mars and Nestlé into broader on-farm solutions as part of their customer incentives designed to drive efficiency and/or emissions reductions. Independently of customer funding, the Co-op scaled up our efforts in the 2024/25 season, enabling efficiency visits to be delivered at scale across New Zealand farms.

We have also entered into an initiative with Mars and Nestlé to test the scalability of a mobile effluent pond dosing service. Signed in February 2025, the pilot will run from 2025-2027. Statistics from EcoPond have shown the potential to reduce pond methane emissions by at least 90%.

In FY25, we made steady progress in the uptake of New Zealand farms adopting an Animal Wellbeing Plan with the number increasing year-on-year. We also met our target of 100% of New Zealand farmers now having a Farm Environment Plan.

Moving to renewable energy solutions

We continue to refine our fossil fuel transition plans, as we work toward long-term energy sustainability.

A key milestone was reached in November 2024 when we eliminated coal use across all North Island manufacturing sites, switching off the final coal boiler at Waitoa. In the South Island, we have reduced our coal use at both Edendale and Stirling, and our focus remains on transitioning all remaining sites in the South Island off coal. Across our South Island sites, 13 coal boilers remain. With the latest announced investments in two new electrode boilers at Edendale and the conversion of two coal boilers to wood pellets at Clandeboye, once these are operational, the number of coal boilers will drop to nine across five sites. These site-level changes reflect a broader shift toward renewable energy.

In May 2025, we celebrated our first electrode boiler at Edendale, officially opened by the Minister for Climate Change and Energy, Simon Watts, alongside our Chief Operating Officer, Anna Palairet. At the same time, we announced a further $70 million investment in two additional electrode boilers at the site. Co-funded through our partnership with the Energy Efficiency and Conservation Authority (EECA), these boilers will replace coal-fired boilers and support growing energy needs for milk processing and future growth, including steam and power for the new UHT plant currently under construction. Once operational, they are expected to reduce site Greenhouse gas (GHG) emissions by approximately 72,800 tonnes annually and contribute an estimated 4% towards the total Co-op's 2030 Scope 1 and 2 emissions reduction target. Construction of the two new electrode boilers is underway, with completion expected by August 2027.

Additional projects undertaken this year include installing two resistive element boilers at Waitoa to meet process heat needs and support increased UHT production. At Whareroa and Edgecumbe, two electrode boilers and one resistive element boiler will be installed, enabling these sites to transition away from co-generation steam and electricity supplied by natural gas.

We also won the 'Large Energy Users Initiative of the Year' category at the New Zealand Energy Excellence Awards for our Waitoa biomass project, following the first season the boiler was operational in FY24.

Andrew & Michael, Edendale

Sustainable value

Sustainability continues to be a key driver in strengthening relationships with major customers and delivering value to farmers.

In the 2024/25 season, Nestlé continued its support of sustainable farming for a second season by funding an additional payment of 1–2 cents per kilogram of milk solids to farmers who achieve any level of the Co-operative Difference framework. This contribution recognises on-farm progress across sustainability, quality and animal wellbeing.

In February 2025, we introduced new funding initiatives to build a stronger Co-op and enhance shareholder value by supporting farmers in reducing on-farm emissions. Beginning in the 2025/26 season, farms that meet specific emissions-related criteria will receive payments through updates to the Co-operative Difference framework, including the new Emissions Excellence achievement.

The Net Zero Pilot Dairy Farm in Taranaki, a partnership between Fonterra and Nestlé, and run with Dairy Trust Taranaki, has completed its third season with the pilot aiming to establish New Zealand's first commercially viable net zero dairy farm within ten years.

In June 2025, the New Zealand Grass-Fed Administrative Standard was launched by the Ministry for Primary Industries. This standard defines the criteria for animals to be considered grass-fed in New Zealand. Our farmers are already exceeding the requirements with data showing that on average their cows are 96%[1] grass-fed and spend a minimum of 350 days on pasture. The Standard adds an extra layer of trust in our sustainability credentials.

Across Asia, demand for our natural, grass-fed dairy continues to grow, driven by New Zealand's reputation for premium quality and a unique grass-fed proposition that stands out in North Asia and Greater China.

1 The average is measured over the previous three seasons' data, considers freshweight of grass feed and is subject to minor variations.

Our largest decarbonisation project to date

At Clandeboye, preparations are progressing for one of our largest decarbonisation investments to date – a multi-million dollar project to convert two coal boilers to renewable wood pellets. The conversion was completed earlier this month, providing the site with secure, renewable energy and will reduce site emissions by approximately 150,000 tonnes of CO_2e each year. By creating consistent demand for wood pellets, the investment helps build supply chains across New Zealand, enabling future decarbonisation at other coal-using sites, including Darfield, Studholme, Tākaka and Edendale.

Water

At our manufacturing sites, we have made progress toward our water targets, with water security playing a crucial role in protecting New Zealand's natural resources and supporting the long-term sustainability of our operations.

In FY25, we drew close to achieving our 2030 target of a 15% reduction in water take based on a FY18 baseline. This milestone was driven by several initiatives across the Co-op over FY24 and FY25:

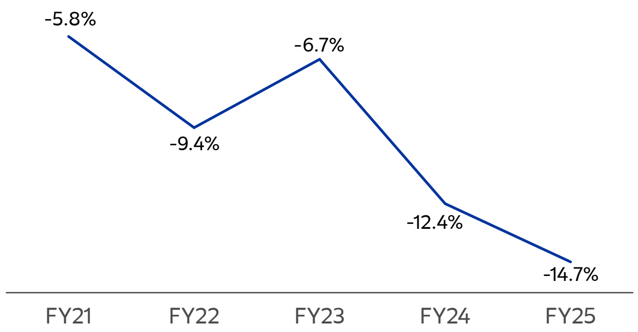
- In FY24 we completed the rollout of Water Improvement Plans across global sites.
- At our Edendale site, we introduced a project to recover evaporator condensate which reduces the need to withdraw about 643,000m³ of fresh water each year from an underground aquifer.
- In FY25 our Te Rapa site reduced water demand by approximately 1,300,000m³, due in part to some older processing systems ceasing operations.

When combined, these projects delivered substantial water savings alongside ongoing continuous improvements delivered at a site level.

Building on these efforts, we began commissioning Hautapu's new $120 million wastewater treatment plant in mid-2025, with the plant expected to be fully operational by July 2026. The facility separates wastewater into treatment zones where microorganisms break down organic matter to reduce nitrogen and phosphorus levels.

At our Longburn site, the Co-op worked with the local council, landowners, iwi and other stakeholders to implement a water discharge solution that irrigates treated wastewater to land, only discharging to the local municipal system when irrigation is not practical. This approach removed the need for river discharge and avoided the construction of a new wastewater facility.

Reduction in water take across manufacturing sites




Fonterra Hautapu

Doing Good Together

In 2025 we served over **8 million KickStart Breakfasts** in more than **1,500** schools and donated over **14 million** dairy serves to communities across Aotearoa New Zealand.

We donated **over $1 million** to **community projects** in New Zealand and nearly $550,000 across global markets.

We extended our partnership with the **Rural Support Trust** for another three years and supported a report by the Ākina Foundation, showing that **for every $1 invested** into Rural Support Trust services, a social value of **$4.60 - $5.50 is returned** to rural communities.

We launched a partnership with **Landcare Trust** to distribute **$750,000** to community wetland projects over the next three years. This year we confirmed nine projects to provide funding.

Innovate to drive our advantage

James, Palmerston North

Innovation continues to be a key driver of value for the Co-op, with a focus on unlocking new opportunities across our value chain.

To maximise value from every drop of milk, we are focused on:

- Investing in R&D and partnering with customers to develop core dairy products and science-backed nutritional solutions
- Implementing on-farm emissions reduction solutions and manufacturing process improvements
- Collaborating through in-market application centres and R&D partnerships
- Investing in new businesses and technology through the Ki Tua Fund.

These efforts are well-aligned with global advances in food technology, which are opening new pathways for dairy.

Our approach to innovation is designed to respond to evolving market needs to capture value growth opportunities for the Co-op.

One of the ways we're harnessing this potential is through the Ki Tua Fund, the Co-op's corporate venture capital unit launched in June 2023. The Fund invests in, partners, and works with founders and start-ups across agritech, value chain, and food and health technology to accelerate and scale new solutions. Since inception, the Fund has made 10 investments. Designed to diversify earnings and build new capabilities, the Fund supports ventures that complement and enhance our core business.

In FY25 it invested approximately $3 million into BioLumic, a Palmerston North-based start-up pioneering ways to enhance pasture productivity.

To support growth in our Foodservice and Ingredients businesses, a key innovation focus area is our Next-Gen Dairy Solutions focus area. This targets the product categories that drive the Co-op's volume and value – such as UHT cream, cream cheese, anhydrous milk fat and processed mozzarella. Our focus spans both full and blended dairy solutions, with the latter enabling us to bring the best of dairy and non-dairy together to make our solids go further or drive different functionality. This includes high-performance milk fats and cream, cheese formats tailored to emerging markets, accessible dairy options, and ambient formats for longer shelf life and flexibility.

A standout example of our innovation is Anchor Easy Bakery Cream. With global demand for UHT cream expected to grow by over 6% annually between 2023 and 2032, we saw an opportunity to enhance an existing formulation. By making targeted adjustments to improve functionality and introducing batching efficiencies to reduce production costs, we developed a product that delivers full dairy performance at a competitive price. From concept to market readiness in just seven months, the launch showcases our agility and commitment to delivering smart, customer-focused solutions.

Another example is the development of next generation Frozen Whole Milk Concentrate (FWMC), created to meet rising demand for premium fresh dairy in markets like Taiwan, China and Southeast Asia. A fresh milk alternative created by concentrating and quick-freezing milk, FWMC utilises breakthrough technology proprietary to the Co-op. It delivers five times the concentration of milk solids and maintains flavour and reduces production costs while performing well in applications such as freshly prepared lattes and cultured applications. Commercialisation funding is yet to be allocated, as we continue to assess market readiness. We're also exploring a broader range of frozen ingredients.

We see innovation as more than just creating new products – it's about improving how we operate across our entire business. As we tackle both current and future challenges, we're also identifying new opportunities to strengthen performance and deliver value. A key focus is making our operations more efficient while meeting growing stakeholder expectations, maintaining our leadership in sustainability, and accelerating the digitisation of how we work. Our efforts are centred on three core areas:

- Enhancing value through digital tools that improve decision-making and responsiveness across the supply chain.
- Improving manufacturing efficiency and decarbonisation, ensuring our processes are leaner, more sustainable and future ready.
- Supporting practical solutions on-farm that help our farmer shareholders operate more efficiently and sustainably.

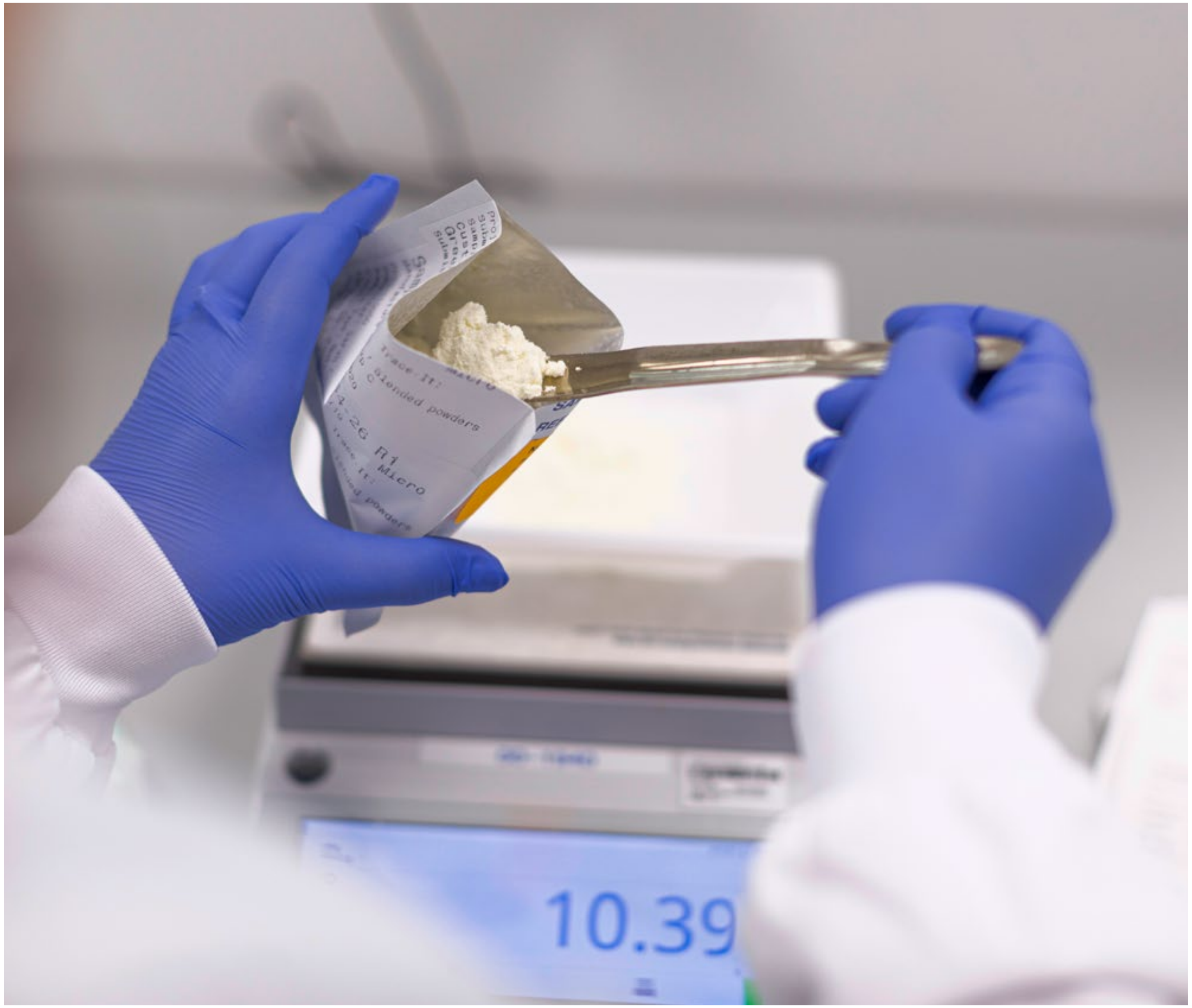
This integrated approach to innovation supports our delivery of high-quality products while building a more resilient, agile and responsible Co-op.

We are using artificial intelligence to reduce packaging fault downtime, that can increase costs and impact food quality, along with customer satisfaction. We have developed and deployed a solution leveraging computer vision to analyse the packaging of our powder bags and butter products along the production line, and in real-time identify packaging faults, pause the packaging line, and alert operators to rectify the issue. In FY25 further improvements for the system were implemented. Deployed at our Clandeboye site, the technology has already reduced butter packaging fault downtime in FY25 by over 90% with the rollout continuing to other butter plants, starting with Whareroa and Te Awamutu.

Using AI to unlock nearly a century of knowledge

In December, Fonterra launched *Dairy Detective*, a generative AI platform developed with Microsoft New Zealand to unlock nearly 98 years of in-house research. Powered by the vast knowledge base of the Fonterra Research and Development Centre, the tool provides secure, instant access to over 19,000 documents from the DairySearch knowledge bank (a giant digital library), helping researchers locate data, summarise findings and explore related materials quickly, enabling faster progress across innovation-focused projects. Estimated to deliver savings of 8,000 research hours annually, it reduces time spent on literature search, helping accelerate developments that benefit farmers and the wider dairy industry.

Another breakthrough in FY25 came in our high-solids drying processes, marking a major step in improving manufacturing efficiency. By increasing the concentration of milk fed into our dryers, we can reduce energy use per metric ton, lower greenhouse gas emissions and boost plant capacity. Improved understanding of evaporation, atomisation, and drying processes has led to promising early results, including potential energy savings of up to 10% and increased throughput at key powder sites. Trials at Darfield are underway to confirm production stability, product outcomes and throughput gains, with potential applications across other powder-based products, including protein powders.



In this section

Sustainability Reporting

Harriet & Mila, Taranaki

This section of the report provides stakeholders with an overview of our policies, targets and actions taken to support our sustainable performance during our FY25 financial year, 1 August 2024 to 31 July 2025.

It is the second year that sustainability reporting has been integrated into the Annual Report, which reflects the alignment of Fonterra's governance and strategic choice to build on our sustainability position.

Annual sustainability reporting is part of our commitment to transparency and sharing our progress and performance openly. It continues the journey we began with our first public sustainability report in 2017.

We value the perspectives of our stakeholders. To provide comments on this report, please email us at sustainability@fonterra.com

Our Approach

Fonterra's commitment and approach to sustainability is embedded in our strategy, policies and targets, highlighting the importance of sustainability as a key priority for creating long-term value for our stakeholders and future generations.

Our Sustainability Global Policy underscores our strategic choice to build on our sustainability position. It is founded on the principles of *manaakitanga* (respect for others) and *kaitiakitanga* (care for the environment), which shape our responsibilities towards people, the planet and economic performance. This is supported by our sustainability standards, which define the requirement to embed sustainability into the way the Co-op operates, and to align with global best practice, such as the United Nations Sustainable Development Goals (SDGs).

As a global food producer, we recognise the importance of addressing long-term challenges and transitional changes. This requires forward-thinking, effectively managing risks and identifying opportunities to deliver sustainable outcomes. Through *whanaungatanga* (collaboration and connection), we strive to contribute to a healthier planet and better lifestyles for people around the world.

Our approach is informed by internationally recognised ethical standards and sustainability frameworks to promote continuous improvement across our operations.

Ethical business

Fonterra drives ethical and responsible practices across our global operations and business relationships through a comprehensive suite of policies, standards and supporting documents. This policy framework is essential to the Co-op's risk management and supports our performance. Our policies and standards are available for our people to easily access through an internal on-line library, with references and opportunities for how and where additional advice can be sought.

Our Ethical Behaviour Global Policy outlines our commitment to conducting business with integrity, meeting legislative, regulatory and contractual obligations, and upholding the highest standards of professionalism. It promotes robust and transparent business practices, including managing conflicts of interest and reporting fraudulent or unlawful activity.

The Legal and Compliance Global Policy reinforces the expectation that all business units assign clear roles and responsibilities for compliance with all applicable laws and regulations. This expectation and our actions to embed a culture of compliance across our operations is supported by monitoring, assurance, reporting and continuous improvement processes. The policy was last updated in May 2025 and is underpinned by our legal, compliance management, anti-money laundering, samples and customs standards.

These commitments are brought-to-life for our people across the world in *The Way We Work* – our Code of Business Conduct. This code was most recently updated in 2024. It reflects our purpose and values and outlines behaviours expected of our people towards each other, our customers, the wider community, and the expectation of our suppliers and business partners to uphold our principles and standards. All new employees are provided with a copy as part of their on-boarding process, and it is made available in multiple languages to all our employees and stakeholders globally.

Together our Code of Business Conduct and our policies and standards create the framework for the Co-op to operate with integrity, to meet legal and regulatory requirements and to foster open and honest communication. *The Way We Work Hotline* provides an independently managed vehicle for our people, supplying farmers, business partners and others to speak up. All concerns raised are addressed seriously and sensitively.

Our Supplier Sustainability Code of Practice extends our commitments to ethical business and social and environmental responsibility to our suppliers across our value chain. This year, we focused on embedding this code more deeply into our Third-Party Risk Management system to support our consistent assessment and management of vendors.

All global policies are approved by the Board, and responsibility for implementation cascades from the appropriate Fonterra Management Team (FMT) member(s) to the relevant business units across the Co-op.

Our publicly available policies and updated version of *The Way We Work*, can be found on fonterra.com.

1 Fonterra determines significance by evaluating factors such as legal implications, scale, any ongoing impacts and financial impacts.


Barnes Farm, Southland

Training on our policy framework

Annual training on our global framework of policies, standards and supporting documents underscores our expectation that our people understand and apply our policies to their decision-making and daily activities.

Our annual policy commitments and conflict of interest declaration e-learning campaign is a good way for our teams to stay updated with these essential global policies and fulfil the requirement for senior leaders to make an annual conflict of interest declaration.

This campaign is a requirement for all people managers, employees with 'manager' in their title, employees from levels one to five in the Co-op's organisational structure, and level six and below employees who work in sensitive business areas or functions. These areas include Procurement, Sales, Communications, Internal Audit, Finance, Environmental, areas managing or influencing a budget with an external third party and areas with access to information that could influence our share price or reputation.

This year, more than 99% of those assigned this e-learning campaign completed it successfully.

Legal compliance

In addition to providing training, we seek to protect Fonterra's reputation by implementing robust practices in the areas of actual and potential conflicts of interest, bribery and corruption, gifts and corporate hospitality, and the disclosure of fraudulent and unlawful activity. Our Ethical Behaviour Global People and Culture Standard provides more detail on our requirement for everyone who works at the Co-op to behave ethically with honesty and integrity in all aspects of their work. This personal conduct includes following all relevant legal and regulatory requirements, acting in the best interest of the Co-op rather than for personal gain and speaking up about any potentially unethical behaviour.

Over the past year we have not identified any material incidents of non-compliance with laws and regulations in the social and economic area[1]. We did not receive any abatement notices for non-compliances with environmental regulations.

There were also no legal actions, fines or non-financial sanctions related to anti-competitive behaviour, anti-trust and monopoly practices over this period.

Each year our group-wide Internal Audit team assesses all Fonterra businesses for potential fraud risk. This risk assessment helps prioritise audits across our global operations.

During FY25, 61% of the internal audits completed globally included either a direct or indirect assessment of corruption-related risks. Key focus areas included the segregation of duties, delegated authorities and procurement practices. As part of these audits, one manufacturing site under our management control was subject to an anti-corruption check.

The Internal Audit team was referred to investigate ten potential cases of corruption or fraud identified through our whistle-blowing hotline in FY25. Six claims were not substantiated, one was partially substantiated and three investigations are ongoing. The results and outcomes of the investigations are reported to the Audit, Finance and Risk Committee of the Board.

Building relationships and engaging with stakeholders

Listening to the views and perspectives of our stakeholders and fostering strong relationships are vital to the long-term success of our Co-op.

We are committed to operating in a manner that builds trust and enduring partnerships by acting with honesty, integrity and transparency. Open and ongoing dialogue with key stakeholders helps us better understand and address our impact on people, the planet and communities we serve.

Our stakeholders are those individuals or entities that are significantly impacted by our products and the activities required to source, manufacture and distribute them, or whose actions influence our ability to deliver our strategy. They include farmer shareholders, unit holders, debt investors, joint venture partners, employees, customers, the communities where we operate, governments, NGOs, suppliers and industry groups.

We aim to engage in ways that reflect our values: working collaboratively because we are good together, embracing transformation to be better every day, and focusing on performance because every drop counts.

To recognise that our stakeholders are diverse and have varying expectations, our engagement is based on structured mechanisms and informal interactions across a range of topics. This includes engaging with stakeholders through industry collaborations, partnerships and initiatives that align with our sustainability goals. Through these interactions we share knowledge, learn from others and seek to collectively address challenges facing the dairy industry and broader agriculture sector.


Adam & Matt, Taranaki

Memberships in industry associations and other organisations

Fonterra actively collaborates with several dairy industry associations and other membership organisations within New Zealand and internationally. These memberships and initiatives reflect our commitment to advancing sustainability, innovation and best practices across the industry.

As an active member of the Sustainable Agriculture Initiative Platform[1], the Co-op is piloting its Regenerating Together framework to support the development of a globally recognised, industry-aligned approach to demonstrating regenerative agriculture on farms. We have aligned our regenerative agriculture position with this framework and are committed to contributing to its ongoing development. Through this pilot, we are testing the framework's practical application, collaborating with industry peers and bringing a unique New Zealand pasture-based perspective to the global conversation.

Another example is through our membership of the Sustainable Business Council in New Zealand, where we participate in several Communities of Practice. These communities are across key sustainability issues from climate transition planning to nature positive working groups. They bring together like-minded organisations to provide tools, information, support and connections to learn more and deliver on our sustainability work programmes.

Below are some of the voluntary memberships and initiatives we supported this year.

MEMBERSHIPS	INITIATIVES
– Bioenergy Association of New Zealand	– Australian Packaging Covenant
– Business New Zealand and the Sustainable Business Council	– Dairy Sustainability Framework
– Dairy Women's Network	– New Zealand Climate Leaders Coalition
– Global Dairy Platform	– Science Based Targets initiative (SBTi)
– International Dairy Federation	– Safer Farms
– Roundtable for Sustainable Palm Oil	
– Sustainable Agriculture Initiative Platform	
– Sustainable Dairy Partnership	
– The Aotearoa Circle	
– U.S. Dairy Sustainability Alliance	

Additional examples of stakeholder engagement are provided in the other sections of this report, such as shareholder rights and relations, and on fonterra.com.

In September 2024 the Co-op was awarded a gold medal by EcoVadis ESG rating platform, placing us in the top 5% of companies assessed over the previous 12 months. This achievement demonstrates our continuous improvement across the topics of environment, labour and human rights, ethics and sustainable procurement.

GOLD | Top 5% ecovadis Sustainability Rating SEP 2024

Responsible political behaviour

Fonterra does not make corporate contributions of any kind to a candidate or political party in connection with political elections. No corporate political contributions were made by Fonterra in the past year. Fonterra does not and does not allow its employees to offer money or anything of material value to government officials, parties or candidates for the purpose of influencing the acts or decisions of officials. This expectation is communicated to all staff through *The Way We Work* and as part of our annual training programmes.

1 https://saiplatform.org/

Responding to what matters most – our material issues

Understanding our Co-op's impacts is essential to guiding our sustainability journey and focusing on the issues that matter the most.

In 2024 we refreshed our materiality assessment of the issues that shape our sustainability agenda and help us to prioritise our actions. This updated assessment forms the foundation of this sustainability reporting, aligning with the Global Reporting Initiative (GRI).

Building on insights from our 2021 assessment, we identified potential impacts across our value chain using industry guidance and reports, including the Agriculture, Aquaculture and Fishing Sectors guidance from the Global Reporting Initiative (GRI 13), the European Sustainability Reporting Standards and the Dairy Sustainability Framework (DSF)[1]. As a founding member of the DSF we are committed to addressing all 11 DSF criteria within our supply chain with a focus on continuous improvement and informed by the findings of our materiality assessment.

Our comprehensive approach to materiality assessment incorporated insights from various other sources, including customer and consumer insights, research reports, risk assessments, media coverage and stakeholder engagement.

We then prioritised six impact areas for deeper exploration and engagement through internal workshops and stakeholder interviews: on-farm, people and employment, customer and consumer, Māori engagement, packaging and nature.

To promote impartiality and open dialogue an external consultancy facilitated the workshops and conducted interviews with external stakeholders and experts. These stakeholders included representatives of customers, farmer shareholders, local, regional and national government, iwi (tribal authorities), NGOs and universities.

We assessed the significance of our impact by evaluating the potential and actual positive and negative effects of our activities on the economy, environment and people, including human rights across the Co-op's activities and business relationships. This evaluation was based on the criteria of the scale of our impact (severity), scope of our impact, irremediability, and the likelihood of the impact occurrence. While mitigating activities were acknowledged as reducing negative impacts; they were not classified as positive impacts. For topics with both positive and negative impacts, the primary impact was prioritised.

This materiality assessment process was led by Fonterra's sustainability team, which brought experience in sustainability, materiality assessments, the dairy industry and product manufacturing. We also engaged an external sustainability consultancy with expertise in conducting materiality assessments to align with GRI requirements. The findings were reviewed and adopted by our executive leadership – the Fonterra Management Team – and the Sustainability and Innovation Committee of the Board.

Our materiality process

Define – List of material impacts reflecting the Co-op's sustainability context identified

↓

Prioritise – Assess and prioritise the list of material impacts for stakeholder engagement

↓

Engage – Determine the experts and stakeholders to be consulted

↓

Assess and validate – Engagement findings and additional insights inform the assessment

↓

Finalise – Confirm prioritised impacts and consolidate as a list of material topics for review and agreement by the Co-op's leadership team and Board

↓

Report – Refreshed material topics form the basis of external reporting and sharing of results and actions

1 For more information see www.dairysustainabilityframework.org and www.saiplatform.org/sdp/

Updates on previous materiality assessments

The 2024 materiality assessment adopted the new GRI impact approach by identifying and prioritising impacts to determine the most material topics for the Co-op. This differs from previous assessments, which evaluated the topics based on stakeholder perspectives alongside the significance of impacts.

While this reporting is centred on topics rated significant in our 2024 materiality assessment, four topics identified in our 2021 assessment as of medium importance are no longer a specific focus of this reporting. These topics are employment rights, ethical business practices, responsible procurement and post-consumption waste. Some information on these topics is included for consistency and completeness. Additionally, the topics of economic impact and employment, and sustainable packaging were added to our 2024 list of significant material topics.

The material topics guiding our reporting this year are consistent with our 2024 material topics.

Laura, Southland

Material topics guiding our reporting

This sustainability reporting is structured on those issues rated as significant, as outlined in the table below. For each topic we have evaluated and defined our primary impacts, along with their connections to the United Nations Sustainable Development Goals (SDGs). This is informed by GRI 13: Agriculture, Aquaculture and Fishing Sectors Standard (2022), which suggests likely material topics for organisations in these sectors.

MATERIAL TOPIC	DESCRIPTION OF FONTERRA'S KEY IMPACTS	RELEVANT GRI 13 & TOPIC STANDARDS	LINKS TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS
Climate	The generation of GHG emissions from farming, manufacturing and distribution contributes to a changing climate and its associated impacts.	Topic 13.1 Emissions (GRI 305) Topic 13.2 Climate adaptation and resilience (GRI 201)	1 No Poverty; 2 Zero Hunger; 3 Good Health and Well-Being; 7 Affordable and Clean Energy; 12 Responsible Consumption and Production; 13 Climate Action; 14 Life Below Water; 15 Life on Land
Biodiversity and land	Biodiversity loss, poor soil health and reduced ecosystem and community resilience caused by dairy farming, sourcing of raw materials and Fonterra's operational activities.	Topic 13.3 Biodiversity (GRI 304) Topic 13.4 Natural ecosystem conversion	2 Zero Hunger; 6 Clean Water and Sanitation; 12 Responsible Consumption and Production; 13 Climate Action; 14 Life Below Water; 15 Life on Land
Water	Impacts to the health of freshwater and marine systems from farm run-off and wastewater discharge. Potential water availability impacts where the Co-op draws from catchments that are over-allocated or where water is scarce.	Topic 13.7 Water and effluents (GRI 303)	6 Clean Water and Sanitation; 12 Responsible Consumption and Production; 14 Life Below Water
Food safety and quality	The safety, quality and traceability of our products, and the risk of contaminants or non-compliant substances with the potential to cause harm to human health or to negatively impact customer supply chains.	Topic 13.10 Food safety (GRI 416) Topic 13.23 Supply chain traceability	2 Zero Hunger; 3 Good Health and Well-Being; 12 Responsible Consumption and Production; 14 Life Below Water; 16 Peace, Justice and Strong Institutions

MATERIAL TOPIC	DESCRIPTION OF FONTERRA'S KEY IMPACTS	RELEVANT GRI 13 & TOPIC STANDARDS	LINKS TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS
Health, safety and wellbeing	Our employees, contractors and farmers and others within our supply chain can be exposed to hazards that impact their physical health. In addition, their mental health and wellbeing can be impacted if they experience excessive working hours, stress, bullying and harassment or a lack of cultural safety in the workplace.	Topic 13.15 Non-discrimination and equal opportunity (GRI 405 & 406) Topic 13.19 Occupational health and safety (GRI 403)	3 Good health and well-being; 5 Gender equality; 8 Decent work and economic growth; 10 Reduced inequalities; 16 Peace, justice and strong institutions
Animal health and wellbeing	Adverse impact to animal wellbeing on dairy farms could occur through weather exposure, their mistreatment, including during transportation, and separation.	Topic 13.11 Animal health and welfare	15 Life on land
Nutrition and health	The health and wellbeing benefits for consumers of our products that are derived from key macro- and micro-nutrients present in dairy products. Fonterra's role in alleviating food insecurity in Aotearoa, New Zealand and other markets through food donations.	Topic 13.10 Food safety (GRI 416)	2 Zero hunger; 3 Good health and well-being
Economic impact and employment	The positive long-term economic impacts created by Fonterra and its farmer shareholders, which include employment opportunities and regional income creation.	Topic 13.20 Employment practices Topic 13.22 Economic inclusion (GRI 201 & 203)	1 No poverty; 2 Zero hunger; 5 Gender equality; 8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 10 Reduced inequalities; 11 Sustainable cities and communities; 14 Life below water
Sustainable packaging	The packaging of our products can impact the environment when mismanaged. This includes potential pollution from plastics, fibres and chemicals and from emissions generated through the disposal of packaging materials.		

Protecting the human rights of individuals and communities affected by our business actions and relationships did not meet the materiality threshold for inclusion in this report. We acknowledge our responsibility to respect universally recognised human rights for all people directly or indirectly impacted by our operations and decisions. Rather than treating human rights as a standalone topic, we embed our respect of human rights across our range of policies and standards including our Code of Business Conduct, *The Way We Work*. Each year we also release a standalone Modern Slavery Statement setting out our human rights commitments, risk management practices, due diligence processes and actions taken in the reporting year.

Material Topics

This section covers our impacts, our responses and progress managing our material topics.

Climate change is a material topic for the Co-op and is reported upon in detail in the Group Climate Statements section of this report.

Tomika & Tiaki-Jack, Bay of Plenty

Biodiversity and land

At Fonterra, *kaitiakitanga* – how we care for our environment – is central to safeguarding opportunities for future generations. We are committed to supporting strong healthy environments by taking an integrated approach to managing the environmental impacts of our operations and supply chain.

Healthy ecosystems and soil are essential to the long-term success of our farmers and the Co-op, and to the communities in which we operate. Our activities have the potential to contribute to biodiversity loss, poor soil health and reduced ecosystem resilience, impacting the health of freshwater and the community.

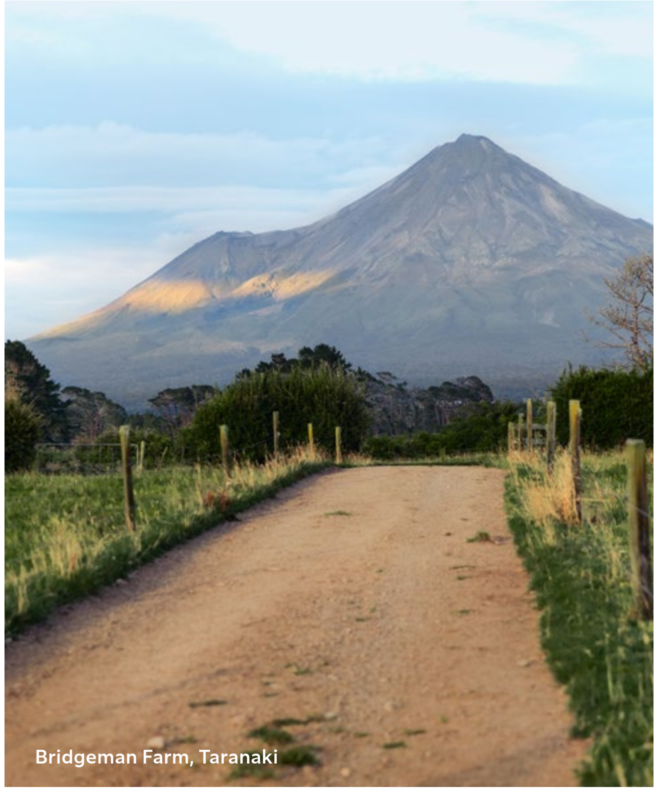
Our Approach

The Environmental Global Policy and Sustainability Global Policy, supported by detailed standards, guide how we manage the impact of our operations on biodiversity and ecosystems. All business units are required to integrate and prioritise sustainability and environmental outcomes into their planning, execution and management processes. These policies and standards also require us to work with key stakeholders in our value chain to encourage the adoption of similar policies and practices.

For farmers directly supplying milk to the Co-op, we provide them support to adapt to regulatory changes, identify environmental risks and prioritise improvement actions tailored to their specific circumstances.

Our initiatives include promoting good farming practices such as nutrient management, land management techniques that minimises soil disturbance and riparian management.

Our Forest and Agriculture Products Sourcing and Procurement Standard reflects internationally recognised principles. It details our commitment to work towards using palm oil that is 100% certified segregated or higher. This standard also outlines our commitment of no deforestation across the Co-op's primary deforestation-linked commodities, as reported upon in our Group Climate Statements.



Bridgeman Farm, Taranaki

Our Progress

Supporting supplying farmers

Helping farmers identify strengths and opportunities for improvement is a priority for us. It is where we can add value for farmers, our customers and communities.

In New Zealand, our team of 42 Sustainable Dairying Advisors (SDAs) has worked with our supplying farmers to develop Farm Environment Plans (FEPs). These plans are tailored to each farm, capturing specific environmental characteristics, assessing current activities against industry-defined Good Farming Practices (GFP) and agree prioritised improvement actions.

Our goal is for farmers to be prepared for future regulations and the requirements of our customers. Regulatory requirements vary between different regions in New Zealand, and in the majority of cases the topics covered by a Fonterra FEP will go beyond these. Where the local requirement is higher, we work with farmers and the wider industry to support meeting future requirements.

The FEP framework is assessed and evolves annually, with new modules added nearly every year since we launched the service in 2018. Current topics include water, land and soil health and management, biodiversity, nutrient management, GHG emissions, efficiency and cultural values such as *mahinga kai* (the value of natural resources) and *whakapapa* (recognising the people and their connection to the land over multiple generations). For the farms with irrigation systems, approximately 19% in FY25, FEPs also build on regulatory requirements for metering and support irrigation efficiency improvements.

Matt, Lewanna & Adam, Taranaki

There has been a steady increase in the proportion of supplying farms in New Zealand with a FEP, with an increase of coverage from 93% last year to 100% achievement this year. With this achievement, we have retired the target and included the requirement for milk supplying farms to have an FEP within the conditions of our 2025/26 season Fonterra Farmers' Terms of Supply. Another change to these terms for the forthcoming season is that no supplying farm can discharge effluent to water.

Farmers in New Zealand also complete annual Farm Dairy Records, which serve as a key input for the Farm Insights Reports the Co-op provides to them. These insights reports detail information on nitrogen risk, milk quality, GHG emissions and animal wellbeing, helping farmers to benchmark their performance regionally and nationally, while identifying potential performance opportunities from making improvements.


Tomika & Tiaki-Jack, Bay of Plenty

A similar FEP process is available to those farms supplying the Co-op raw milk in Australia. It is tailored to Australian farming conditions and practices and continues to be developed. Seven modules are available, and each farm can select the most suitable modules covering topics such as general farm management, GHG emissions, animal welfare, dairy calf management, effluent management, biosecurity and water efficiency. Our focus this year was on GHG emissions and nutrient management modules.

By the end of this year 58% of Australian supplying farmers had a FEP customised to their needs, representing an increase in adoption. We also introduced Farm Insights Reports, which continues our benchmarking and action-oriented approach to identifying on-farm efficiency and improved performance opportunities.

In addition, all supplying farms in Australia are assessed on food safety, quality and compliance with dairy licence requirements by an independent party. Every farm is assessed at least once every two years.

Our operations

We manage 31 farms in New Zealand that are close to our manufacturing sites. Nine are milk supplying farms with dairy herds and the rest are dry stock and cropping with forestry.

Our farms are complementary to our manufacturing sites. They make use of the excess water and nutrients from our manufacturing operation to support pasture growth, which allows us to grow and supply supplementary animal feed that is available to our supplying farms.

All farms we manage have a FEP and farm management plan in place, tailored to the specific needs of the farm and aligned with best practice.

Roundtable for Sustainable Palm Oil

We are a member of the Roundtable for Sustainable Palm Oil (RSPO) and since 2015 all our palm oil purchases have been certified through one of the RSPO supply chain models. In the 2024 calendar year we purchased 30,125 tonnes of palm oil products as an ingredient, with 76% RSPO certified to at least segregated supply level and 24% certified as mass balance. By volume, 91% of all palm oil being purchased by our New Zealand business and 100% of all palm oil being purchased by our Australian business is certified as segregated supply.

Our Forest and Agriculture Products Sourcing and Procurement Standard requires internal reporting on instances where 100% certified segregated supply of palm oil is not achieved, driving changes in sourcing practices. We continue to work with suppliers of direct and indirect palm oil ingredients to achieve 100% certified segregated supply.

Minimising solid waste

We continue to aspire to zero waste across our global sites. Aligned with waste management principles, we focus on year-on-year improvements to eliminate waste sources. This includes producing to specification to avoid production waste, collaborating with vendors to prevent non-recyclable materials from entering our sites, and partnering with others to expand the range of materials that can be economically recovered.

This year, we again made progress reducing solid waste sent to landfill, with the introduction of Solid Waste Improvement Plans across our manufacturing sites. These plans provide clarity on the waste streams and volumes at an individual site level and identify avenues to reduce solid waste, including piloting initiatives.

To enable us to recycle petri dishes used in our labs to an established recycling waste stream, we have designed and built a bespoke machine to remove agar and clean the dishes ready for recycling. We are also trialling a repurposing option for spent membranes to be given a second life for non-sanitary use.

Compared to last year, we reduced solid waste by 6% and by more than 36% since our FY19 base year. These reductions were achieved through a combination of waste minimisation and diverting away from landfill. Our current intensity is also an improvement on last year and has reduced to approximately 1.86kg of solid waste per tonne of product.

Environmental management system

We have a comprehensive Environmental Management System (EMS) that uses the internationally recognised ISO14001 framework. The EMS includes monitoring of environmental performance, strategic resource management, and proactive collaboration with stakeholders to support the protection and improvement of natural ecosystems.

In FY25, more than 80% of our manufacturing sites are certified with ISO 14001:2015 or a similar alternative.

Partnering with others

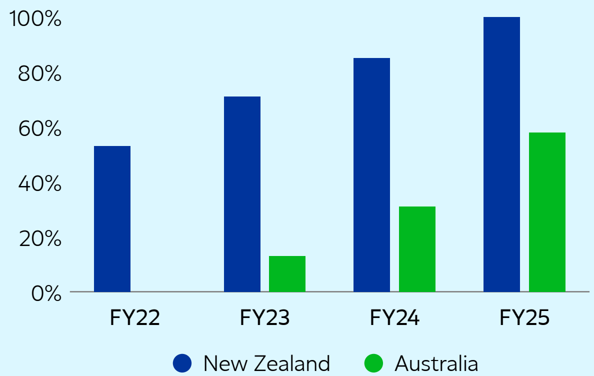
Through our partnership with Trees for Survival, we support schools and local communities to grow and plant native trees. This year, we funded 21 schools across the North Island of New Zealand, providing resources for school nurseries where students nurture seedlings for planting. In addition, we supported the expansion of Trees for Survival into the South Island of New Zealand.

Through our Doing Good Together programme, we have launched a partnership with Landcare Trust to distribute $750,000 to community wetland projects during the three years of FY25 to FY27. This partnership is supporting community catchment groups across New Zealand in protecting and restoring wetlands. Landcare Trust provides on-the-ground advice to farmers and community groups on land and water management practices. This year, through the partnership we supported nine projects.

Our Performance

- **Supplying farms with Farm Environment Plans**
  - 100% of New Zealand farms with a Farm Environment Plan.
  - 58% of Australian farms with a Farm Environment Plan.
- **Zero solid waste sent to landfill**
  - 36.7% reduction on our FY19 base year.
- **Sourcing 'segregated supply' palm oil from credible organisations**
  - All palm oil we purchase is RSPO certified.
  - 76% RSPO certified to at least segregated supply.

Milk supplying farms with a Farm Environment Plan



Brown Farm, Bay of Plenty

Water

Healthy freshwater, soil and ecosystems are essential to the long-term success of farmers' businesses, the Co-op, and the wellbeing of our people and communities in which we operate.

Poor water management at manufacturing sites or supplying farms can negatively impact freshwater and marine systems. There are also potential water availability impacts where the Co-op draws from catchments where water is scarce.

When our manufacturing sites withdraw water and subsequently discharge wastewater it can impact a shared resource. We are committed to playing our part to mitigate our impacts on water quality and maintain water security for our operations and the communities in which we are located.

Our Approach

Our Environmental Global Policy outlines our commitment to integrated environmental management. Recognising the importance of effective water stewardship, we take a collaborative planning approach, assessing the health of sourcing and receiving environments as a key outcome for ongoing and long-term improvements. Our Global Environmental Management Standard emphasises responsible water use, stewardship and prioritises the health of sourcing and receiving environments. This includes taking an industry-leading approach to effluent and wastewater treatment and planning collaboratively for new plants and site upgrades.

Recovering water from milk when we make powder products means that most sites discharge more water than they take in. Through process enhancements and the adoption of new technologies, we strive to further reduce water usage and enhance wastewater treatment.

Our Progress

Managing our operational requirements

We completed a significant piece of work in FY24 to develop a Water Improvement Plan for each manufacturing site. These plans have provided the foundation for us to introduce a water improvement roadmap focused on enhancing water security and quality while continuing to reduce our water footprint.

We have nearly achieved our FY30 target of a 15% reduction in water take across Fonterra manufacturing sites from a FY18 base year. This means we are using about 7,000,000m^3 less water at our sites now compared to seven years ago[1].

This year, our Te Rapa site has reduced water take by approximately 1,300,000m^3. The savings are in part due to the barometric leg system, which drew river water to maintain a vacuum seal, no longer being used. These savings are expected to be maintained next year.

The Evaporator Condensate Recovery project at our Edendale site has been another significant contributor to reduced water take. Its implementation in FY24 reduced the need to withdraw about 643,000m^3 of fresh water each year from an underground aquifer that is also the local community's water source, enhancing resilience against potential water shortages due to low rainfall in the area.

1 Comparison is on a like-for-like basis and includes adjustments for acquisitions and divestments.

Combined, the above two initiatives have made a significant contribution to the reduction in water withdrawn by our manufacturing operations over FY24 and FY25. Alongside the continuous improvement efforts across all global sites, the reductions over the last two years represent a step change in reducing the level of water withdrawn by our manufacturing sites.

There have also been various other projects implemented at our manufacturing sites in New Zealand this year. For example, commissioning of a new wastewater treatment plant at our Hautapu site. This project with an investment of around $120 million will enhance the site's resilience to heavy rainfall and improve water discharge quality by reducing the nitrogen and phosphorus levels. Treated water will be distributed to our irrigation management farms or it will be discharged to surface water if the conditions are not suitable for irrigation The plant is expected to be fully operational next year.

Another example is the collaborative approach we've taken to managing water discharge at our Longburn site. We proactively engaged with the local council, iwi, landowners and other stakeholders to develop a solution where treated wastewater is irrigated to land and only discharged to municipal treatment plants when conditions are unsuitable for irrigation, eliminating discharge to surface water and the need for a new wastewater facility.

In Indonesia, we've integrated an existing rainwater harvesting system into the site's water treatment plant to meet required water quality standards. Approximately a quarter of the site's water use is now sourced from rainwater, reducing demand on the municipal water system.

Living Water legacy projects

Last year we reported on the conclusion of our 10-year Living Water partnership with the Department of Conservation, which resulted in 70 projects being completed and more than 40 tools and approaches being trialled to improve biodiversity and freshwater quality.

Below are examples of the several Living Water projects that have been ongoing this year.

Kaipara

Kaipara Moana Remediation

Kaipara Moana Remediation (KMR) is a decade-long collaboration to protect and restore the Kaipara Harbour, the largest harbour in the Southern Hemisphere covering 6,000km² of catchment, seven major river systems and over 8,000km of waterways flowing into the harbour. It is home to rare ecosystems in New Zealand including sand-dune, seagrass, freshwater and estuarine wetlands and provides a nursery for much of New Zealand's snapper fishery.

Bringing together central and local government, local iwi and primary industry, KMR invests in projects to restore wetlands, fence rivers and streams, plant trees and regenerate forest on erosion-prone land. These efforts enhance biodiversity, support on-farm carbon sequestration, and improve resilience to extreme weather. Last year the partnership with KMR supported approximately 100kms of new fencing to protect waterways and retired steep, eroding hillsides and gullies and planted around 54,000 native trees and plants.

With dairy farms covering approximately 20% of the catchment, our partnership is an important contributor to KMR's long-term goal of halving sediment flows into the harbour. Building on our existing processes and relationships, the partnership provides advice and access to KMR funding. It also sustains jobs and training through KMR's relationships with local businesses.

Through the KMR partnership, the Co-op is building technical capability that supports the rural communities we are part of and helps farmers with environmental planning.

Whakamana te Waituna

Waituna Lagoon and its surrounding wetlands and waterways are areas of environmental and cultural importance, providing an internationally significant ecosystem for wildlife. It is also located in a key dairying region.

We are a partner in the Whakamana te Waituna partnership, which was formed in 2018 following years of collaborative effort by the farming community, agencies, iwi and other stakeholders to reduce the impacts of nutrient, sediment and biodiversity losses on Waituna Lagoon/Waipārera. It focuses on five areas: restoring wetlands and lowland forest, redesigning waterways to reduce sediment and weed growth, reducing nutrient losses through on-farm practices, reconnecting iwi with the whenua, and realising the benefits of biodiversity and carbon for sustainable financing.

To date, the programme has retired more than 580 hectares of farmland to create a buffer around Waituna Lagoon, returned around 40 hectares to Awarua Rūnanga to establish a mahinga kai pā, established approximately 16,000 plants on-farm and a similar number of plants along the Waituna Creek, and created more than 20 hectares of ponds and wetlands.

The long-term goal of the partnership is to repurpose approximately 10% of the Waituna catchment (total of 2,000 hectares) into uses that support water quality and biodiversity improvements that are also profitable and self-sustaining. The partnership is now part of a national pilot through Ministry for the Environment, that is exploring a voluntary nature credit market for New Zealand.

Working with The Nature Conservancy Aotearoa NZ

We are supporting the work of The Nature Conservancy Aotearoa New Zealand (TNC NZ) to build an evidence-base for New Zealand coastal restoration projects to participate in blue carbon credit markets.

Coastal wetlands can store CO_2 emissions, mitigate flooding and storm surges, and shelter native species. New Zealand's coastline is the ninth longest in the world and more than 90% of its wetlands have been altered through land use changes. Restoring these areas delivers environmental and social benefits, and offers potential for landowners to access new income sources through mechanisms such as blue carbon credits and resilience credits.

TNC NZ is leveraging global expertise and conducting research across seven representative coastal wetland sites (pre-restoration) to generate a snapshot of existing soil carbon stocks, GHG emissions and sediment build-up to form a baseline against which restoration efforts can be measured. In collaboration with others, TNC NZ is also contributing to a blue carbon roadmap to advance coastal wetland restoration efforts nationwide.

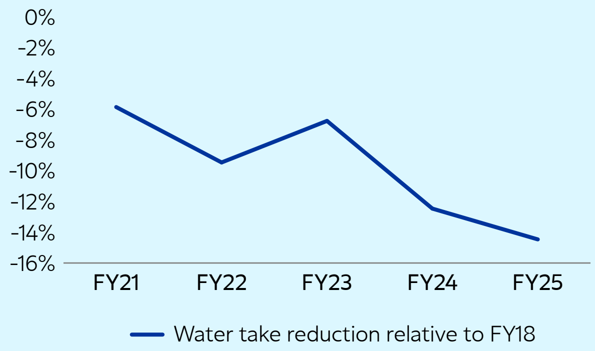

Robert Findlay Wildlife Reserve

Our Performance

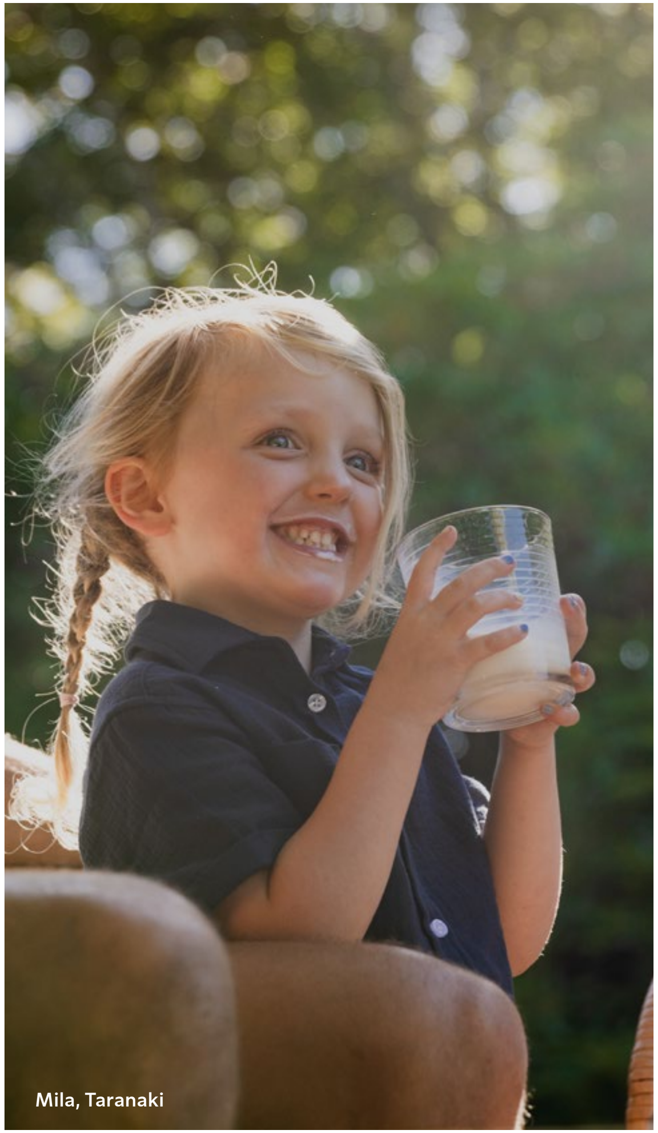
– **Reduction in absolute water take across manufacturing sites between FY18 and FY30**
  - 14.7% reduction in absolute water take.

By agreement, or for emergency community support, we provide some water to third parties. This year, we supplied approximately 481,000m³ to third parties.

Water take across manufacturing sites



For further reporting on our performance and reporting notes on water please see the Sustainability Reporting Appendix.



Mila, Taranaki

Nutrition and food safety

Milk and dairy products are naturally nutritious foods and provide valuable and unique source of essential nutrients that support health outcomes across all life stages.

Milk and dairy products offer high-quality protein, containing all the essential amino acids in easily digestible forms, along with a wide range of vitamins and minerals that are readily absorbed by the body. These characteristics mean milk and dairy products are both nutrient-rich and nutrient-dense. To safeguard against the potential for food safety concerns, we prioritise maintaining the safety, quality and traceability of our products across the supply chain.

Our Approach

Our Nutrition Global Policy outlines our commitments to delivering science-based nutrition and health benefits, tailoring products to meet specific nutritional needs and marketing responsibly.

Supporting the policy is our Nutrition Standard and detailed Nutrition Guidelines that comply with national food standards and regulations. Together our policy commitments are designed to contribute to healthy sustainable diets.

We promote our products responsibly and take particular care when marketing to younger people and their caregivers. Our Marketing to Children Standard sets strict nutrition criteria for any of our products marketed to children. We also support and promote the aim and intent of the World Health Organisation Code for the Marketing of Breast Milk Substitutes, and are committed to complying with the relevant industry codes, such as the voluntary EU Pledge, in countries where our products formulated for infants and young children are sold.

All of our food products undergo health and food safety assessments prior to launch and on an ongoing basis. Our Global Food Safety and Quality Policy outlines our commitment to uncompromising food safety and world-class quality across every aspect of our supply chain. This policy is supported by standards for safe food production and guidelines on best practices such as allergen management, and good manufacturing practices.

Our robust food safety and quality system means we have a clear, consistent framework to deliver safe, quality products worldwide.

Our Progress

The nutritional profile of our consumer branded products

Our Nutrition Guidelines have been independently reviewed and endorsed to confirm they are evidence-based, grounded in robust nutritional science and reflect international directives on nutrition and health[1]. These guidelines establish the nutrition criteria and principles for the composition and marketing of our consumer products and ingredients.

1 The endorsement was provided in 2021 by the New Zealand Nutrition Foundation; the Foundation closed in April 2025.

Our target is for 100% of our everyday and advanced nutritional products[1], such as plain milk, natural cheeses, spoonable and drinkable yoghurts and fortified milk powders, to comply with our Nutrition Guidelines by FY25. We reached the milestone of more than 90% of our everyday and advanced nutritional products meeting our Guidelines in FY23. Since then, we set this as the floor to keep above, as we progressed towards the conclusion of the target this year.

The composition of our consumer branded products has continued to improve, taking into consideration the levels of dairy protein and calcium, while also minimising the addition of free sugars, refined carbohydrates, non-nutritive sweeteners, sodium and saturated fat.

In addition, we also continue to develop products tailored to specific nutritional needs. An example of this is the innovation and development of speciality consumer-focused protein products, such as the Anchor Protein+ Shake. We have also been expanding our Studholme site to create a high value hub for protein ingredients for use in products such as medical nutrition and high-protein sports products.

This year, on a volume sold basis 99.1% of our everyday and advanced nutritional products meet our Nutrition Guidelines.

Dairy nutrition advocacy and education

Complementing our Nutrition Guidelines are our educational and advocacy activities to raise awareness of the value of dairy nutrition in healthy, balanced diets.

In 2023 we established the Nutrition Expert Panel to provide independent and external nutrition expertise to bring insight and credibility to all our actions related to our nutrition identity. This year, we continued to work with Panel members to guide our internal and external communications on all aspects of dairy nutrition. Members brought their independent expertise to specific teams and activities, extending the reach of their insight and impact across the Co-op.

To share our knowledge about dairy nutrition more widely with our people, our customers and consumers generally we also launched our Dairy Nutrition Hub on our website in April 2023.

Through the Hub, we explain why milk is an important part of a balanced diet, and how nutrient-rich dairy provides a unique and valuable source of ingredients and essential nutrients that support health outcomes across all life-stages. Resources available through the learn and discover section are backed by credible science. There are easy to access videos and infographics for those wanting to delve further, as well as articles and links to external sources.

We have seen a growth in users and engagement on the Hub. Across the two years to April 2025, new users more than doubled. The engagement rate in April 2025 was 58%[2].

Product traceability

Our Raw Milk Harvesting, Collection and Transport Standard is part of our Global Integrated Management System and sets the minimum requirements that all farmers must meet. This standard applies to all milk supplying farms, collection points, co-operative owned vats and chilling centres that supply raw milk to Fonterra around the world. It builds on our requirement for compliance with local regulations and it forms the basis for our on-farm audits. Consistent implementation of this standard means that milk is handled in a way that maintains its integrity, safety and quality throughout the supply chain.

1 Fonterra global consumer branded products, excluding indulgent products such as creams, desserts, and specialty cheeses.

2 The engagement rate is an indicator of whether users find the content relevant and interesting.

Our tankers are equipped with digital technology to test milk before its collected from the farm. Globally 95% of our manufacturing sites have total electronic traceability from farm vat or milk collection centre, through our processing sites and on to sale to the customer. For the remaining 5% partial electronic traceability is supplemented by manual processes. We have also implemented a new laboratory information management system to help us manage risks more effectively.

Our manufacturing sites also undergo internal audits and regular scrutiny through third-party audits by regulators, customers and certification bodies. These include self-assessment questionnaires and independent audits against the Sedex Member Ethical Trade Audit (SEDEX) four pillar framework. Any areas identified for improvement through internal or external audits are promptly addressed.

All our manufacturing sites are independently certified to a leading food safety management system that adheres to the Global Food Safety Initiative (GFSI) requirements. Our sites hold either FSSC22000 or the British Retail Consortium (BRC) certification.

In addition, any vendors providing ingredients, packaging or third-party manufacturing must meet our FSQ requirements, including holding a relevant certification.

Assurance & Audit

Our integrated Global Assurance Audit (GAA) is deployed across all regions globally, as our one-way of internally assessing food safety risk and compliance across Fonterra-owned sites and warehouses. It supports sites to enhance FSQ leadership, align actions and promote continuous improvement.

GAA involves physical observations, employee interviews and documentation reviews and has been deployed across 100% of New Zealand sites and globally, all regions have undertaken at least one round of audits against the GAA framework.

For milk supplied to us we set clear expectations in our annual Fonterra Farmers' Terms of Supply on matters such as regulatory compliance, producing safe, high-quality milk and looking after people, animals and the environment.

Farms are regularly assessed by Fonterra and third parties. In New Zealand, every supplying farm is visited each year by an independent Farm Dairy Assessor who checks the accuracy of the data submitted to the Co-op and verifies the farmers' achievements under The Co-operative Difference programme.

If the requirements of our Fonterra Farmers' Terms of Supply are not met, after appropriate warnings we may take further steps under our performance management process. This could include suspending eligibility for The Co-operative Difference payment and having our on-farm advisors work with the supplying farm to develop a timebound action plan. We may also pause the collection of milk until we are satisfied that all minimum requirements are being met and that actions to prevent the issue occurring again have been completed.

In New Zealand to support on-farm change, 13% of farms were placed into our performance management process at some point during the season. Milk collection suspension notices[1] were issued for three farms this year: one has been resolved, one is on performance management and one remains suspended.

Australia supplying farms are visited multiple times each year by our Farm Source Professional Service Offer team. All milk supplying farms are assessed by an independent body for food safety and compliance with dairy licence requirements. Every farm is assessed at least once every two years. This year, 49% of farms were assessed, and 9% of those farms were identified as major or critical for follow-up and resolution by the regulator.

Our Performance in FY25

- **Fonterra branded consumer everyday and advanced nutrition products meeting nutritional guidelines**
  - 99.1% meet our endorsed Nutritional Guidelines.
- **Global manufacturing sites certified to a leading food safety management system**
  - 100% of our manufacturing sites are certified to FSSC22000 or BRC.
- **Global manufacturing sites with electronic traceability**
  - 95% of our global manufacturing sites have 100% electronic traceability from the farm vat or milk collection centre to the first sale to the customer, meaning we can track the origins of nearly any product within minutes.
  - For the remaining 5% of our global manufacturing plants, all have some electronic trace capability within their own local systems and some manual steps are required to complete the analysis.
- **Compliance with regulations**
  - There were no consumer recalls of product for FSQ safety reasons and none of our products were delisted from sale in any country.

1 The results presented reflect the New Zealand 2024/25 milk season, which is from 1 June 2024 to 31 May 2025. Suspensions due to formal performance management processes, which excludes proactive on-farm changes, such as milking shed refurbishments, that require assessment prior to milk collection recommencing.


Brad, Edendale

Health, safety and wellbeing

Our ambition is to create a work environment where our people are safe and healthy.

Continuously improving health, safety, and wellbeing (HSW) is fundamental to our business and essential to our long-term success. Our employees, contractors, farmers and others within our supply chain may be exposed to hazards that could impact their physical health, safety and wellbeing. In addition, workplace conditions can affect mental health and overall wellbeing.

Our Approach

We refreshed our Global Health, Safety and Wellbeing Policy this year, to emphasise that safe work and thriving people are critical enablers to an enduring Co-op, where we are good together and get better every day. This policy is overseen by our Chief Executive Officer and Board providing accountability and leadership.

Continuously striving to make work safer for our people is fundamental to our business and essential to our sustainable success. We are committed to achieving our strategic health, safety and wellbeing goals through:

- leaders who demonstrate authentic commitment by continuously engaging with their teams to foster a culture of care and curiosity and model our Safe Operating Mindset principles.
- learning systems that encourage exploring the realities of our peoples' everyday work, learning from incidents, and valuing insights from both internal and external sources to support continual improvement.

- risk management practices that prioritise efforts on risks with the potential to cause serious physical or psychological harm; actively strive to reduce exposure to those risks; and ensure controls are consistently and effectively applied.
- work design that creates value for our people, incorporates error tolerance, and supports healthier and safer outcomes through thoughtful system and process development.
- supportive environments that promote physical, mental, and social wellbeing and offer assistance for recovery and return to work following injury or illness.

The Health and Safety Performance Reporting Standard details the minimum requirements for monitoring, measuring, and reporting health and safety performance to evaluate on-going performance and drive continual improvement.

Our performance is measured and reported to the Fonterra Management Team and our Board each month.

Our Progress

Safe Work, Thriving People

Our *Safe Work, Thriving People* five-year 2030 strategic plan focuses on building leadership and culture, learning from unwanted health and safety events, reducing our risks, enhancing operational resilience and designing safe work. We are twelve months into the plan and our focus over the last year has been on developing a significant programme focused on Critical Health & Safety Risk Control Management to shape our management of these risks.

Our plan is underpinned by our Safe Operating Mindset Principles that focus on improving safety and operational excellence by understanding the complex interactions between people, processes, and the organisational context. The principles build understanding of how work is done, identify what helps and hinders performance and build error-avoidant and error-tolerant systems.

Geraldine & James, Palmerston North

Fonterra Safe Operating Mindset Principles

People make mistakes	Blame fixes nothing	Context drives behaviour
Learning is vital	How leaders respond matters	Controls save lives

Prioritising HSW in our operations

Alongside our *Safe Work, Thriving People* strategic plan we have continued to invest in projects aimed at eliminating or minimising exposure to critical health and safety risks and assessing the effectiveness of our systems. This includes implementing an electronic Permit to Work system and new Contractor Safety Management processes. In the first phase of our Fatigue Risk Management programme, we have installed fatigue detection and response technology – Guardian Seeing Machines – in our New Zealand milk tanker fleet.

We are transitioning the approach taken through our traditional health and safety investigations with a new learning review framework to facilitate better learning from health and safety events.


Beau & Kev, Waitoa

Learning reviews assess control performance, identify contributing factors, and encourage effective risk mitigation actions.

The Global Integrated Standard for Earthquake Safety and Resilience was launched this year, demonstrating our commitment to managing risks that are unlikely to occur but could cause life-threatening harm if they do.

A journey of innovation and safety

Whareroa is one of Fonterra's largest manufacturing sites. Managing hazardous substances such as ammonia, chlorine and LPG has been an operational challenge for the teams responsible for site safety and has required careful attention due to the complexity and scale of the site.

Through a multi-year transformation, the site eliminated its highest-risk ammonia chilling process, greatly reduced chlorine and LPG stores and adopted new technologies such as advanced detection systems. This led to the safe removal and repurposing of hazardous chemicals and lowered the site's risk profile. For these efforts the site won the Safety category at the annual New Zealand Health and Safety Safeguard Awards.

Collaborating with others

This year, we reaffirmed our commitment to leveraging our Farm Source store network as a conduit to connect Safer Farms with local farmers. This included supporting Safer Farms in conducting a refreshed format for farmer workshops to enhance farmer engagement. This not only benefits our supplying farmers but is also crucial for managing the health, safety, and wellbeing of our employees at the small number of farms we operate within New Zealand.

Our Farm Source team also supported a DairyNZ-led research project aimed at reducing on-farm strains and sprains, which won the Innovation category at the Safeguard Awards. This three-year project sought to identify common causes of farm injuries and involved collaborating with farmers and workplace experts to develop practical solutions to mitigate them. As part of the project, three products were developed and made available to farmers, with a fourth product in development.

Our Performance

- **Work-related fatalities**
  - 0 work related fatalities
- **Serious harm injuries**
  - 6 serious harm injuries. In FY25, a broader definition of serious harm has been adopted. Under the new definition we capture more serious harm incidents and therefore have a greater focus on reducing the risks that led to the incident happening.
- **Percentage of Health, Safety and Wellbeing priority actions fully completed by due date**
  - 96%. We have focused on completing the priority actions associated with the risks we have identified.
- **Number of recordable injuries**
  - 310 total recordable injuries (number of employees with recordable work-related injuries).
- **Total Recordable Injury Frequency Rate**
  - 10 Total Recordable Injury Frequency Rate (number of employees with work-related injuries, per million work hours).
- **Since 2014, there have been no health and safety prosecutions connected to Fonterra's operations.**

Animal health and wellbeing

Healthy cows and calves are essential for producing high quality milk efficiently. We expect all animals to be valued and treated with respect and care throughout their lives.

Animal wellbeing and biosecurity on farms that supply us with raw milk around the world and the small number of farms we manage in New Zealand is important to us.

The potential for risks to animal wellbeing at farms within our supply chain can arise from factors such as weather exposure, neglect, separation or transportation challenges. In addition, customers and consumers increasingly expect food producers to demonstrate that animals are healthy and are treated with respect throughout their lives.


Lewanna & Adam, Taranaki

Our Approach

Fonterra farmers are required to uphold high standards of animal wellbeing and comply fully with all regulations and codes of welfare and to continuously improve animal wellbeing. These requirements are outlined in the Fonterra Farmers' Terms of Supply and are guided by our overarching Global Animal Wellbeing and Biosecurity Policy and supporting standards. Together they define our principles and commitment to the importance of providing quality of life for the animals, by attending to their wellbeing and to continuously improve biosecurity preventive measures.

Senior leadership for our New Zealand Farm Source business unit is responsible for developing strategy, policy and standards for global management of animal wellbeing. Local management and implementation is supported by our centralised veterinary and animals teams. Business units responsible for dairy cattle must have processes in place to monitor animal wellbeing.

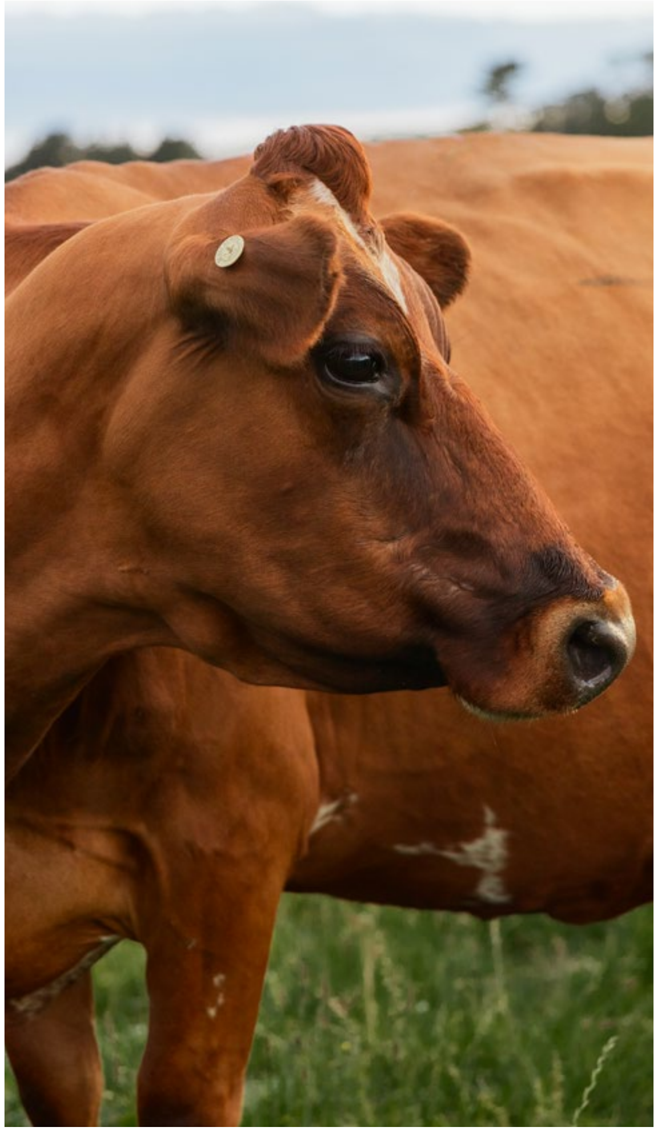
We partner with supplying farms to continuously improve animal wellbeing practices and outcomes, focusing on the overall mental and physical experience an animal may have because of its nutrition, health, environment, behaviour and interactions.

If any of our people identify a serious animal wellbeing event it must be escalated, including notification to our incident management team. We also continued our participation in the Animal Welfare Early Response Service in New Zealand. This service includes a hotline that anyone can use to raise concerns about animal health and wellbeing for impartial assessment. It also provides a confidential support system to help farmers and others involved in caring for animals to address issues by solution identification and early intervention before concerns can escalate into welfare issues.

Our aim is to promote the positive experience of the Five Domains, while eliminating any practices that contravene the Five Freedoms.

Building on the Five Freedoms concepts, the Five Domains model includes four physical domains that combine to create the fifth domain of mental state.

1. Freedom from hunger or thirst:
   Good nutrition
2. Freedom from discomfort:
   Good environment
3. Freedom from pain, injury or disease:
   Good health
4. Freedom to express normal behaviour:
   Appropriate behaviour
5. Freedom from fear and distress:
   Positive mental state



Our Progress

We require all on-farm practices to fully comply with legislation, regulations and animal welfare codes, including meeting the requirements set out in Fonterra Farmers' Terms of Supply for the season. We also require farmers to notify us should their farm be under a biosecurity, veterinary medicines or animal welfare inspection by the SPCA or a government agency.

Animal Wellbeing Plans

Driving adoption of Animal Wellbeing Plans (AWPs) by supplying farmers is our primary approach to further embed the Five Domains of animal wellbeing and to help farmers demonstrate high levels of animal care.

We know that farmers who focus on animal wellbeing and have a good relationship with their veterinarian will usually achieve better outcomes for their animals. Therefore, each AWP in New Zealand must be developed with, and signed off by a registered veterinarian every season.

Since we set the target for 100% of milk supplying farms in New Zealand to have an Animal Wellbeing Plan by the end of FY25, adoption rates have steadily increased. This year 92% of supplying farms have an AWP in place. All farms that the Co-op directly manages with dairy herds on them have AWPs.

To achieve recognition and payment levels within the Co-operative Difference[1] framework this season, the farm must have an AWP agreed by a veterinarian within the previous 12 months and include key elements related to the Five Domains, such as mastitis and lameness, care of calves, mortality, body condition scoring, prudent use of antibiotics, mitigation options for heat stress and other extreme weather events, and consideration of

1 The Co-operative Difference provides a clear signal to farmers about what needs to happen on-farm within the season so we can meet our customers' needs today and into the future.


Ruby, Southland

genetic improvement strategies. These elements have been identified and prioritised in collaboration with The New Zealand Veterinary Association and DairyNZ and included to enhance animal wellbeing outcomes. In the 2024/25 season, 91% of farms achieved one of the three Co-operative Difference levels.

For the 2025/26 season, the requirement for each supplying farm to have a veterinarian agreed AWP in place that is updated each season is now embedded into our Fonterra Farmers' Terms of Supply. This plan must consider nutrition, animal health, environment, reproduction and young stock management. Maintaining an active AWP continues to be a requirement for a farm to achieve the first level of the Co-operative Difference.

Insights, tools and training

In New Zealand, farmers complete an annual Farm Dairy Record, which informs the Farm Insights Report we provide to each supplying farmer. In Australia, the farmer's FEP together with the milk production and quality data we gather provides the basis for their Farm Insights Report.

Farm Insights Reports give farmers detailed information on the profitability, productivity and sustainability performance of their farm relative to regional and national benchmarks, and the potential benefits associated with making certain improvement actions.

Key metrics related to animal wellbeing and efficiency detailed in the Insights Reports include somatic cell count, milking efficiency, mastitis rates, heat stress, lameness and biosecurity risk with Bovine Viral Diarrhoea (BVD) management as the lead indicator.

We support farmers to implement improvements identified in their Farm Insights Reports through several tools and services we have developed and through connection to external expertise. The aim is to support farmers to realise the potential opportunities identified in their Farm Insights Report.

In Australia, the Farm Source team conducts multiple on-farm visits annually through the Farm Source Professional Service Offer, providing expertise across agronomy, animal nutrition, human resources, financial support, animal health and milk quality. We also carry out proactive animal health and wellbeing checks on farm. In cases requiring support, our management approach is defined by our processes for animal health and welfare issues, which includes collaboration between the Farm Source team, industry experts, and regulators to assist farmers in resolving concerns.

The development of FEPs lays a path for continual improvement of the environmental priorities farmers set for their business. A module, specific to Australia, is included on animal health and welfare. This module covers dairy cattle throughout their life. This year, 58% of these farms have implemented FEPs.

We have also partnered with Dairy Australia to provide our supplying farmers with animal wellbeing advice, training and support. These training sessions are facilitated or directly provided by our Farm Source team.

In Sri Lanka our Supplier Relationship team has introduced initiatives to enhance animal health, including supporting enhanced fodder availability, silage production, clean milk production and animal treatment. In collaboration with regional veterinary officers from the Department of Animal Production and Health, we have facilitated mobile veterinary clinics that visit selected farms to assess and support farmers with animal health. We have also organised training programmes between the Department and farmers. These programmes emphasise good farming practices and animal wellbeing.


Michael & Kimberly, Southland

Tools and Services Pilot

In 2024 we piloted the direct funding or subsidising of a range of on-farm services and activities to help our farmers improve their production efficiency and reduce their emissions intensity. This pilot was implemented with the support from our customer, Mars. Amongst the pilot were tools that support animal health outcomes, including Johne's disease testing, BVD testing and herd testing, to offer practical information to support herd health and productivity.

Johne's disease testing when carried out regularly alongside effective management practices can minimise disease transmission to reduce clinical disease and subclinical production losses. This service was a popular choice for farmers during the pilot and supported animal wellbeing on-farm. Similarly, the BVD testing received strong interest, providing farmers with the insights to identify and remove persistently infected animals from their milking herds. This proactive approach helps to prevent transmission of BVD in herds.

Another choice farmers took was funding for an additional herd test. This additional test resulted in more data points to identify top-performing animals to support farmers to make data-driven breeding decisions that enhance herd and milk quality.

This successful pilot has given us the confidence to extend the options to more farmers for the 2025/26 season.

Proactive monitoring

In analysing our data on food safety, milk quality and compliance, we look for patterns that could indicate a farm at risk of animal wellbeing compromise. We have incorporated artificial intelligence into our analysis to prioritise farm visits and offer additional support to farmers even in cases where no immediate animal welfare concerns are identified.

Milk quality improvement visits by one of our ten Milk Quality Managers also form part of our on-farm support to farmers in New Zealand. If appropriate, the opportunities to better manage mastitis and lower bulk Somatic Cell Count (SCC) are explored. This is because a low SCC not only reflects milk quality, but it is also a measure of good animal wellbeing. This count is an indicator of sub-clinical mastitis. The lower the count, the lower the incidence of mastitis. In addition to the on-farm discussion during the milk quality visit, a report with improvement recommendations is provided to the farmer.

SOMATIC CELL COUNT AVERAGE (MEAN) ('000 cells/ml)	FY25	FY24	FY23
New Zealand	164	169	172
Australia	168	180	182
Sri Lanka	739	705	574
Global weighted average	167	170	173

Grass-fed

In June, at the agricultural Fieldays the Government launched the New Zealand Dairy Grass-Fed Administrative Standard. This voluntary standard defines the criteria for animals to be considered "grass-fed" in New Zealand. It requires that dairy animals in the processors annual milk pool must, on average, graze pasture or forage crops at least 340 days per year for a minimum of 8 hours a day. In addition, when their diets are considered on a 3-year rolling average they must consist of at least 90% (freshweight) of the types of grass feed detailed in the standard.

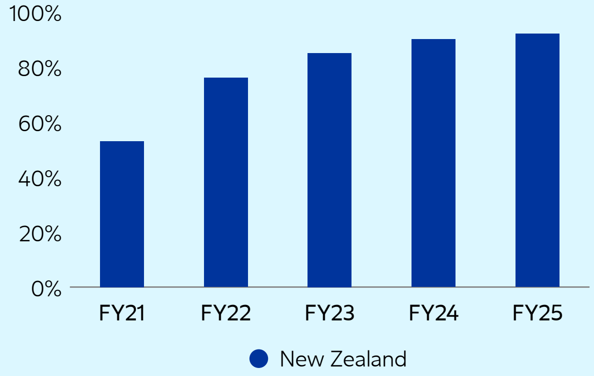
Fonterra is proud that our New Zealand milk pool complies with the requirements of the New Zealand Dairy Grass-Fed Administrative Standard. Our data shows that Fonterra farmers' cows, are on average 96%[1] grass-fed and spend at least 350 days on pasture on average, surpassing the standard's requirements.

Our Performance

– **Farms with Animal Wellbeing Plans**
  - 92% of supplying farms in New Zealand have an Animal Wellbeing Plan prepared with their veterinarian this year.

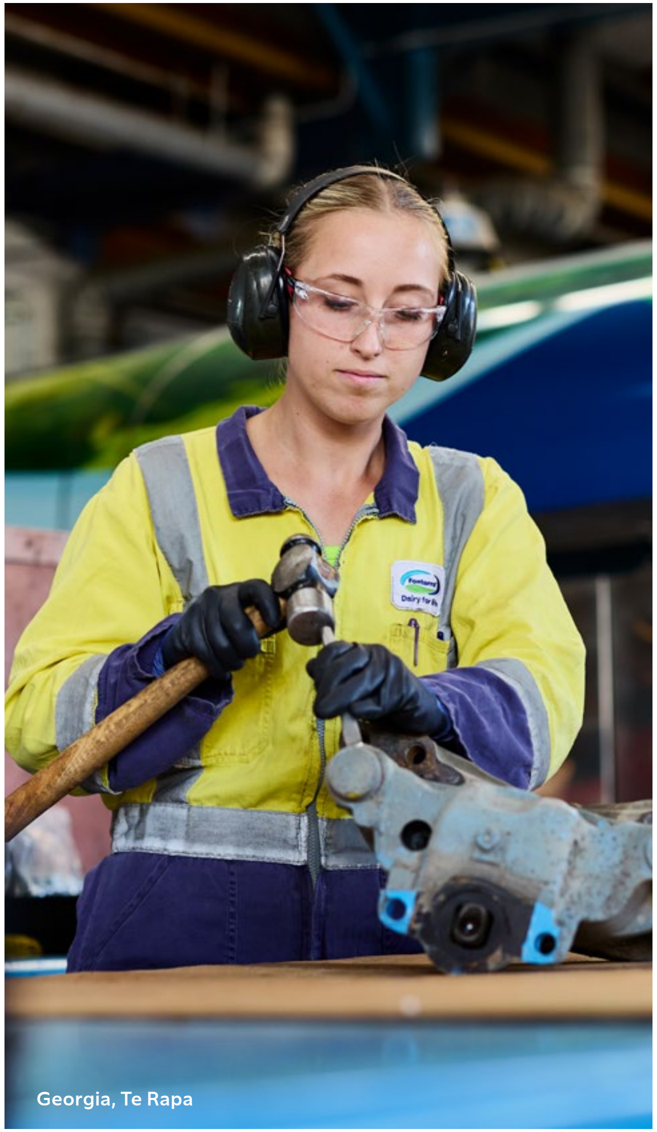
– **Somatic Cell Count**
  - The overall global weighted average (mean) for SCC this year is 167 ('000 cells/ml). In comparison to last year, the overall result has improved again this year and remains well below the European Union import/export standard[2].

Milk supplying farms with an Animal Wellbeing Plan



1 The average is measured over the previous three seasons' data, considers freshweight of grass feed and is subject to minor variations.

2 The European Union import/export standard of 400,000 cells/ml is a widely quoted benchmark.



Georgia, Te Rapa

Economic impact and employment

Delivering sustainable returns to our farmer-owners is central to the Co-op.

By supporting the success of their farming businesses, the people they employ and the vendors they rely on, we contribute to economic development and regional income creation. This year, through the milk price we returned more than $15 billion to regional New Zealand. In addition, dividend distributions from the Co-op contribute to the income creation of our shareholders.

Aligned with our ongoing focus on economic returns for our shareholders, our decision-making process integrates earnings potential and opportunity costs to optimise end-to-end value creation across the dairy value chain. This approach assists us to continue delivering economic value from the raw milk that we collect.

We also contribute to the livelihoods of our employees. Fonterra directly employs 16,215 people on a full-time equivalent basis, with more than 70% of those based in New Zealand.

In New Zealand, industry-wide figures from March 2023 show that, in addition to those working in dairy processing, the dairy sector employed 38,000 on farms and thousands more in jobs supporting the local industry.

Our Approach

The Way We Work and global policies, including our Ethical Behaviour Global Policy and our Diversity, Equity and Inclusion Global Policy, set clear expectations for how our people are required to act and behave. These policies are supported by local guidance to reflect relevant regulations.

As part of our customer-led operating model, understanding and connecting with local markets is vital to our success. By hiring and developing local talent, we contribute towards the shared success of our Co-op and the countries where we operate. In each of our primary locations, more than 85% of senior managers are hired from the local community[1].

We respect and value everyone's uniqueness, recognising that diversity strengthens the Co-op and contributes to its success and sustainability. We are committed to identifying and unlocking our people's potential by developing capability, leadership and talent through coaching, learning, and regular feedback.

All stages of employment are considered through our Employee Lifecycle Global Integrated Standard. This standard outlines the requirements and approaches to be taken to provide consistent, positive experiences that support our peoples' engagement and wellbeing.

Our remuneration framework for salaried staff includes base salary, benefits such as KiwiSaver, superannuation and insurance where applicable. It also includes variable remuneration (incentives) where appropriate. Employee pay is benchmarked against comparable companies in relevant markets, using information from independent remuneration consultants. No matter who we are recruiting, we check that any preferred candidate has the legal right to work. This includes confirming they are of at least minimum working age.

1 On a headcount basis.

Reflective of our commitment to the Conventions of the International Labour Organisation for all Fonterra employees, the Co-op has long-standing agreements with the International Union of Food and the New Zealand Dairy Workers Union. Other active unions include E tū and AMEA. In New Zealand, 60% of all full-time equivalent Fonterra employees are covered by collective bargaining agreements. Union agreements and relationships are also in place in many other markets.

A free, independently administered and confidential whistle-blowing hotline, *The Way We Work Hotline,* is available to all employees globally to raise concerns about behaviour not aligned with our Code of Business Conduct, *The Way We Work*. This hotline is also available to our business partners, vendors and milk suppliers amongst others.

We also provide an Employee Assistance Programme (EAP), a confidential service paid for by Fonterra. Our employees and their immediate families can seek independent professional support and counselling in any area of their personal or working life. Recognising the value of this service, in 2022 we extended access to this service to our supplying farmers.

Our Progress

Learning and development

Ensuring our workforce has the skills to deliver now and, in the future, remains a critical enabler for Fonterra achieving its strategic goals. We continue to increase investment in re-skilling and training, building the capabilities our people need to succeed in a fast-changing environment.

In FY25, around 15,000 of our employees participated in recorded learning, reflecting our strong culture of continuous development. Our focus this year has been on strengthening leadership capability to support the relaunch of our values and strategy, equipping leaders to lead through transformation, and embedding the skills needed to support high-performing teams. More than 2,600 people leaders took part in structured programmes, including workshops on storytelling, leading through change, adaptive leadership, and people leader capability. We also delivered the Management Essentials Programme across New Zealand and Australia, with strong uptake of both in person and digital formats.

Our commitment to Te Ao Māori continues to grow. Over 430 employees across New Zealand and globally completed the Te Ao Māori Foundations programme, and our first cohort of 11 employees completed the beginner-level Te Reo Māori facilitated pathway. In addition, 26 senior leaders commenced Puna Kawea, our Māori Leaders Programme, helping us to build leadership diversity and uplift Māori representation at senior levels.

We also maintained a strong focus on building our talent pipeline. Early careers programmes saw positive progress, with increased female and Māori or Pasifika representation compared with 2024. Across apprenticeships, traineeships and graduate programmes, more than 50 participants completed structured pathways, while 249 learners gained accreditation through NZQA or tertiary providers.

Looking ahead, our focus will remain on making learning more accessible and engaging through technology, while continuing to invest in the leadership and technical skills that underpin our long-term success.

Diversity, equity and inclusion

Creating an inclusive Co-operative is an investment in our greatest asset – our people. Inclusion is essential to delivering our strategy, living our values, and making a meaningful impact in the communities we serve.

We bring the principles of *whanaungatanga* (belonging), *manaakitanga* (care), *whakaohooho* (inspiration) and *kaitiakitanga* (empowerment) to life across our organisation.


Theepan & Chujun, Palmerston North

This year, we refreshed our Diversity, Equity and Inclusion Strategy to provide a clear pathway of actions to further embed an inclusive culture, leadership and employee experiences across the Co-op.

To grow diverse representation, we have continued to invest in strategic partnerships that support Māori and Pacific peoples, such as TupuToa and Pūhoro STEMM Academy. These partnerships sit alongside our Careers in Dairy programme and support for First Foundation to help create pathways for talented young people from diverse backgrounds.

Our employee learning and development programme includes training on understanding diversity, equity and inclusion, supporting mental health and wellbeing in the workplace and employee relations. Navigating unconscious bias e-learning modules are available to all our people and we encourage hiring managers to engage in this learning prior to starting a recruitment process.

We are strengthening the visibility and support for women through our partnership with Global Women to provide a speaker series, podcasts and development opportunities. Local network initiatives continue to support women in operational roles. The refresh of our GenderTick accreditation is another of our actions towards advancing gender equity.

Another step we have taken this year is to partner with a recruitment specialist to conduct a inclusivity audit, assessing our recruitment practices across eight lenses of gender, ethnicity, neurodiversity, LGBTQ+, socio-economic backgrounds, faith, age and caring responsibilities. This provided a clear, actionable set of recommendations that we are now implementing.


Charlene, Brad, Patrick, Julie & Jesse, Edendale

This year, we introduced a Māori Workforce Plan focused on increasing Māori participation, strengthening visibility and belonging, and creating pathways to grow Māori representation in leadership. To accelerate progress, we appointed a Māori Workforce Lead and regularly report on progress towards our Inclusion Strategy to the People, Culture and Safety Committee.

We also launched Pasifika and neurodiversity networks and took part in the Hidden Disability Sunflower initiative. As a Pride Pledge partner, we engaged in a Rainbow Inclusion Stocktake to evaluate our inclusion practices across seven areas to identify both strengths and opportunities. These insights are helping to shape our actions.

To advance inclusive leadership, more than 60 of our male leaders completed our first allyship programme, Mobilise, by taking part in-person workshops and developing allyship action plans.

We continue to track progress against our target of 40:40:20 representation in global senior leadership[1]. This target refers to 40% female, 40% male, 20% of any gender to provide the flexibility of female, male, non-binary or open. This year, female representation is 39.1%.

In addition, the composition of the Fonterra Management Team (FMT) has changed this year, resulting in the proportion of women on the team decreasing to 33%. The proportion of women on the Fonterra Board is currently 33%.

Looking ahead, we are committed to sustaining progress in gender-diverse leadership, growing representation of Māori and reflecting the communities we serve. With clear targets and accountable leadership, we are building a culture where everyone can belong, contribute, thrive and drive our shared success.

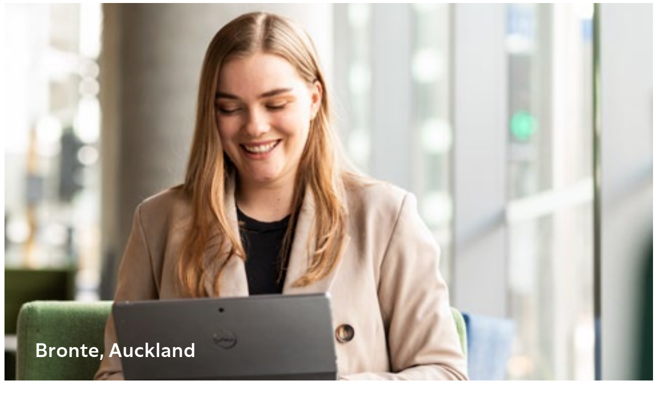
1 Senior leadership for this metric is defined by Band 12+.

Support for parents

Our parental leave policy for New Zealand employees offers extra care for primary carers who have been employed for at least 12 months. We top-up government parental leave payments to 100% of base salary or wages for 26 weeks and annual leave at 100% throughout the parental leave period. We also provide a one-off KiwiSaver employer contribution upon return to work, covering the unpaid leave period.

Secondary carers employed for at least 12 months receive two weeks paid leave at 100% of their base salary. Employees returning from parental leave can access Te Hokinga Mai, a programme offering coaching and counselling to support their transition back to work. This year, we also teamed up with Crayon to pilot financial advice for parents and continued to grow our Fonterra Parent Circle, a space for parents to connect, share experiences and access resources.

To further support returning parents, we have also adjusted our Short-Term Incentive eligibility criteria. Employees returning from a leave of absence, including parental leave, now need only to have worked 30 days of the financial year to be eligible, compared to the standard 90 days.


Bronte, Auckland

In FY25, in New Zealand 187 females and 19 males took parental leave as primary caregiver, and 31 females and 129 males took parental leave as secondary caregiver. Of employees who took parental leave 99% returned to work and 87% were still with us 12 months later.

Closing our gender pay gap

We believe that after considering factors such as tenure, qualification levels or experience there should be no gender pay gap for any employees.

This is a complex topic and cannot be accurately summarised by a single aggregated number. Instead, we believe transparency is important, providing a breakdown of the gender pay gap by geographies and job categories[1].

Closing the gender pay gap remains a key priority. We use an additional gender pay parity methodology for salaried positions, facilitating improved internal tracking and the identification of focus areas for long-term gender pay plans. This methodology compares positions on a like-for-like basis within each job category and country, removing the impact of changes in gender representation and currency. For example, a ratio of 1 shows no pay gap where above 1 is in favour of females and below 1 is in favour of males.

When looking at the gender pay gap overall, the ratio of female to male base salary has narrowed this year to 0.97 on a median basis and remained at 1.04 on a mean basis. This result continues to be influenced by factors such as the different proportions of men and women in higher and lower paid levels around the world.

Considering job categories globally, the gap for Senior Leaders has widened in favour of males; the Manager category remains consistent; the gap for Professionals has widened but remains in favour of females; and for Waged the gap is unchanged and remains in favour of males.

1 Where a breakdown of information represents a small number of employees we omit this detail to protect the privacy of individuals.

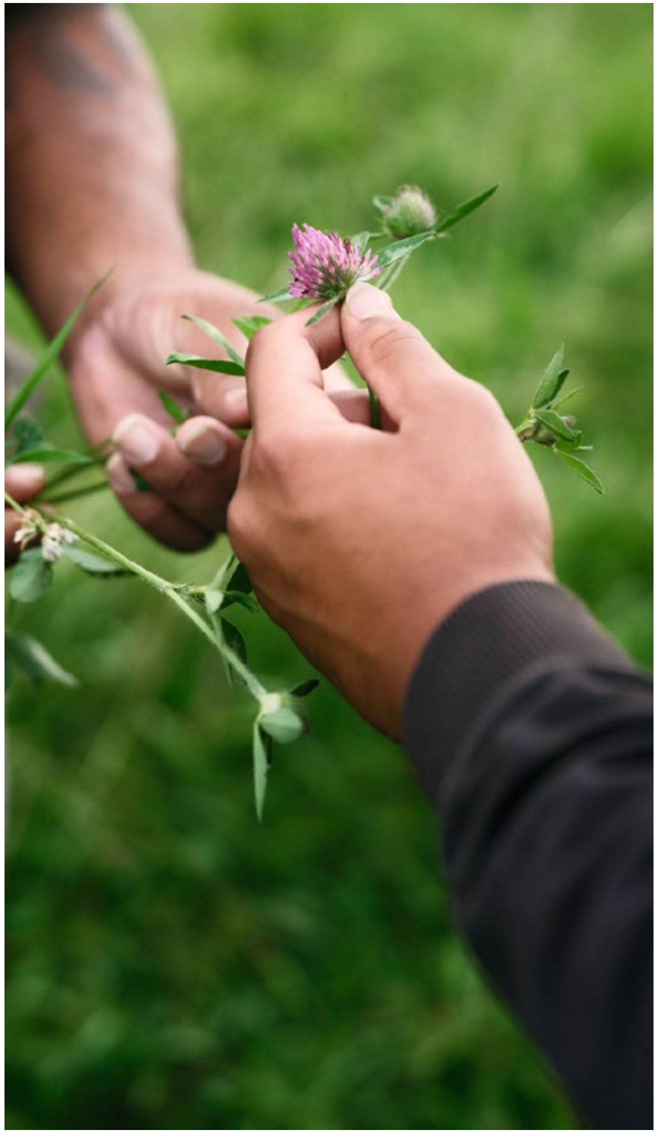
In New Zealand, the gap on a median basis remains unchanged at 0.97 in favour of males, which is equivalent to a 3.0% pay gap and continues to compare favourably with the most recent national statistic of 5.2% for the June Quarter 2025.

Applying the additional methodology, when we look at like-for-like positions the median gender pay parity overall for salaried positions has narrowed to 0.98 at the end of FY25. This is a 2.3% gap on a median basis in favour of males.

GENDER PAY GAP BY **JOB CATEGORY**	GENDER PAY GAP – MEDIAN	GENDER PAY **PARITY** GAP – MEDIAN*
Senior Leaders	0.95 → **0.94**	1.01 → **0.99**
Managers	0.96 → **0.96**	0.96 → **0.97**
Professionals	1.03 → **1.04**	0.96 → **0.99**
Waged	0.87 → **0.87**	

GENDER PAY GAP BY **LOCATION**	GENDER PAY GAP – MEDIAN	GENDER PAY **PARITY** GAP – MEDIAN*
New Zealand	0.97 → **0.97**	0.98 → **0.98**
Australia	0.96 → **0.96**	0.98 → **0.97**
Greater China	1.02 → **1.07**	1.00 → **1.00**

* Salaried employees only.



Non-discrimination

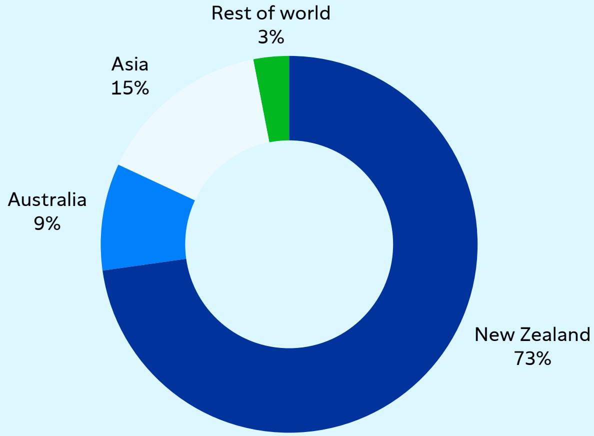
Through *The Way We Work Hotline*, two disclosures were made this year relating to discrimination; one was classified as discrimination and one as harassment. Following investigations, the disclosure on harassment was substantiated and the disclosure on discrimination was partially substantiated. Once a matter has been raised, the incident is reviewed to determine if a formal investigation is deemed necessary. If the investigation determines that an incident has been substantiated, remedial action is taken (whether formal or informal, depending on the circumstances) by a relevant manager, with support from an appropriately qualified Fonterra representative. Relevant senior stakeholders are informed of the action taken to confirm that the action is appropriate in the circumstances. Reporting to the Board on substantiated incidents also takes place.

In addition to concerns raised through *The Way We Work Hotline*, some discrimination and other employment issues are raised through other channels every year. These are reviewed and, where appropriate, formally investigated in a similar manner as described above. Of the New Zealand based complains which were raised relating to allegations of discrimination or harassment, eight were substantiated discrimination complaints, one of which was classified as discrimination and seven as harassment. Remedial actions were taken. An additional three harassment complaints are open and under investigation. In respect of other countries, one discrimination case is still active under investigation.

Our Performance

– **40:40:20 Gender Diversity**
  - 39.1% of senior leaders (Band 12+) are female.

FY25 employees by location (FTE)



For further information on our workforce composition, including explanatory notes please see the Sustainability Reporting Appendix.

Sustainable packaging

Packaging plays a vital role in delivering high-quality nutrition safely and efficiently.

If not managed responsibly, packaging of our products can negatively impact the environment, people, and communities in which we operate. These impacts can include potential pollution from plastics, fibres, and chemicals as well as emissions generated from the creation and disposal of packaging materials.

Knowing the source, composition, quality and functionality of packaging materials is integral to our food safety and quality system. Effective packaging enables us to protect, transport and deliver our products to customers and consumers around the world. While most of our products are bulk ingredients for use by customers, the Co-op also produces packaged goods for foodservice businesses and consumers.

Our Approach

Our Values guide us on our packaging journey, as we maximise the nutritional value delivered from every drop of milk by minimising food loss across our supply chain.

Our approach is to embrace packaging innovation to keep our food safe and of high quality from the farm to the consumer, using reusable, recycle-ready or compostable packaging materials[1], where possible. We also collaborate with others to enable greater access to waste collection and recycling services. This approach supports better outcomes for people, communities, and the environment while delivering maximum return to farmers.

Our Board approved Environmental Global Policy and supporting Global Environmental Standard stipulate the requirements on all our sites to manage hazardous substances responsibly, maximise manufacturing yield, reduce waste and improve packaging of Fonterra-branded products. The Fonterra Management Team is accountable for ensuring appropriate policies and processes are in place to effectively manage Fonterra's environmental risks.

Our Progress

This year we have continued to consider the environmental impacts of our packaging at key points in the lifecycle and have implemented new opportunities to use recycle-ready packaging materials, while maintaining our strict product quality and food safety requirements. We have also been actively supporting initiatives to increase recycling rates.

Our commitment to sustainable packaging

Fonterra is a member of the Australian Packaging Covenant Organisation (APCO), a not-for-profit organisation driving the development of a circular economy for packaging in Australia. APCO works with government and industry to reduce the environmental impact of packaging and improve packaging sustainability. It also administers Australia's national regulatory framework.

In our 2025 APCO annual report, we achieved an overall performance of 'Beyond Best Practice' which is the highest performance level and indicates significant progress on our packaging sustainability journey. Contributing to this achievement was that 95% of Fonterra's consumer products for sale in Australia displayed the Australian Recycling Label (ARL). This labelling scheme standardises symbols to guide disposal options for packaging items.

1 We consider packaging circularity using globally accepted definitions for packaging that is reusable, recyclable or compostable. This approach includes packaging under the Co-op's direct control, such as our use of recycle-ready packaging, as well as external factors, including the availability of recycling infrastructure in different countries.

Improving our packaging

During the year we have implemented initiatives to reduce the environmental impacts associated with the packaging we use. Many of these are associated with the activities of our consumer business.

- In Australia, our Stanhope site produces approximately 17,000 metric tonnes of 20kg cheese blocks each year. To package these products, the site has transitioned to using a recycle-ready film validated for food safety, quality, and machinability on production lines. This innovation substantially reduces the environmental impact of the approximately 45 tonnes of plastic used annually for packaging. We have also established industrial collection contracts to recycle soft plastics at our secondary processing sites, with future potential for developing broader recycling infrastructure for customers.
- In a similar initiative, we are transitioning approximately 270 tonnes of PVDC-based films used at our Tullamarine site in Australia to recycle-ready packaging, delivering improved sustainable packaging outcomes while maintaining product integrity. This initiative eliminates non-recyclable materials that can damage recycling infrastructure, and the packaging will carry the 'Check Locally' ARL, guiding consumers on appropriate disposal. The commercial rollout began in July 2025, with full implementation across all applicable products expected by early 2026.
- Australia participates in the Big Bag Recovery program, a government-accredited product stewardship scheme that allows industrial customers to recycle one-tonne bulk bags. Recycled bags are repurposed into items like school chairs and water evaporation floating covers.
- Anchor Food Professionals has introduced recycle-ready packaging for mini butter portions in the Middle East. Our Dammam site produces these single-serve portions on a newly installed production line, using recycle-ready aluminium tubs and lids as a sustainable alternative to composite materials. This innovation provides a premium and sustainable alternative to plastic mini-tubs. The local production reduces lead times and improves operational efficiency for customers in the region.

We have been innovating in the use of AI to enhance our packaging quality control and reliability. Developed by our in-house Automation and Operational Technology team, our AI-enabled image recognition system enhances packaging quality control and reliability. The technology uses AI-enabled image recognition to visually inspect 25kg milk powder bags for damage across 56 packing lines. Faulty bags are automatically rejected, and timestamped images are captured for traceability. Approximately 66 million bags a year are being checked by AI, helping us to reduce waste, downtime and continue producing consistently high product quality. Building on this success, the technology is also being used at our Clandeboye site to monitor bulk butter packaging. If a fault is detected, our operators are provided with an alert to intervene early so they can keep the production line running efficiently.

Our Performance

We estimate that around 90% of our packaging is recycle-ready[1] and 61% is reusable, recyclable or compostable. These estimates are consistent with FY24 and are on a total tonnage of packaging basis, incorporating updates in the recyclability status of individual packaging materials in FY25. Based on this, our targets to achieve 100% recycle-ready packaging and 100% reusable, recyclable or compostable packaging by 31 December 2025 are unlikely to be fully met before being retired at the end of the year.

1 Recycle-ready packaging reflects packaging recyclability within the Co-op's control across Fonterra-owned branded primary, secondary and tertiary packaging.


Fonterra Tullamarine

Sustainability Target Summary

TOPIC[1]	KEY PERFORMANCE INDICATOR	TARGET	PERFORMANCE FY25	FY24	FY23	COMMENTARY
Biodiversity and land	Farms with Farm Environment Plans (New Zealand)	100% by FY25	100%	93%	85%	This target has been achieved in FY25 and will be retired. The requirement for supplying farms in New Zealand to have a Farm Environment Plan in place has been included in our Fonterra Farmers' Terms of Supply for the 2025/26 season.
	Solid waste sent to landfill (tonnes)	Zero waste aspiration % reduction since FY19	6,280 36.7%	6,707 32.4%	7,505 24.4%	We continue to seek year-on-year improvements with a focus on making products to specification to avoid food waste. We are working with vendors to prevent non-recyclable materials coming on to our sites and partnering with others to increase the range of materials that can be economically recovered.
Water	Reduction in absolute water take across manufacturing sites	15% reduction by FY30 from a FY18 base year	14.7%	12.4%	6.7%	We anticipate year-on-year performance variability as water demand fluctuates due to various factors, including milk volumes, product mix, recycled water availability, and project activity (e.g. food safety and quality aspects when commissioning new production lines). We expect to see a downward trend over time as water-reduction projects are realised. Please refer to 'Water reporting notes' for definition of 'absolute water take'.
Nutrition and food safety	Percentage of everyday and advanced nutrition products that meet endorsed nutritional guidelines *Fonterra consumer branded products*	100% by FY25	99.1%	98.5%	97.1%	Assessment of products against this target is based on protein, calcium and added sugars. Everyday nutrition products are intended to deliver a daily source of dairy nutrition. Advanced nutrition products provide a source of dairy nutrition and are fortified for advanced nutrition and health benefits. This target is focused on consumer products and the business that is in scope for divestment. The target is now retired.
Health, safety and wellbeing	Work-related fatalities (employees, contractors, on-site public)	Zero appetite	0	0	0	
	Serious harm	Zero appetite	6	16	18	In FY25, a broader definition of serious harm has been adopted. Under the new definition we capture more serious harm incidents and therefore have a greater focus on reducing the risks that led to the incident happening.
	Percentage of Health, Safety and Wellbeing priority actions fully completed by due date	95% by FY25	96%	77%	76%	We have focused on completing the priority actions associated with the risks we have identified.

1 Climate metrics and performance are covered in the Group Climate Statements.

Sustainability Target Summary CONTINUED

TOPIC	KEY PERFORMANCE INDICATOR	TARGET	PERFORMANCE FY25	FY24	FY23	COMMENTARY
Animal wellbeing	Farms with an Animal Wellbeing Plan established with their vet (New Zealand)	100% by FY25	92%	90%	85%	We continued to make good progress toward achievement of this target, prior to the requirement being transitioned into our Fonterra Farmers' Terms of Supply for farms supplying milk in the 2025/26 season.
Employees	Gender diversity (Band 12+)	40:40:20 % ratio	39.1%	40.1%	39.5%	The target refers to 40.0% female, 40.0% male and 20.0% of any gender and reflects our gender representation within Fonterra's senior leadership globally, which for this target is defined as Bands 12+.
	Culture Measure	81 for FY25	81	79	79	Our culture measure reflects the results of our bi-annual employee engagement survey, which is conducted with Microsoft Viva Glint. Our most recent survey was in March 2025 and our engagement score was recorded as 81.
Sustainable packaging	Reusable, recyclable or compostable packaging	100% by end 2025	61%	61%	63%	We estimate that around 61% of our packaging is reusable, recyclable or compostable and around 90% is recycle-ready. These estimates are consistent with FY24 and are on a total tonnage of packaging basis, incorporating updates in the recyclability status of individual packaging materials in FY25. Based on this, our targets to achieve 100% reusable, recyclable or compostable packaging and 100% recycle-ready packaging by 31 December 2025 are unlikely to be fully met before being retired at the end of the year.

Data Consolidation

This section provides supporting information on the scope and approach used to consolidate the sustainability data presented in this report.

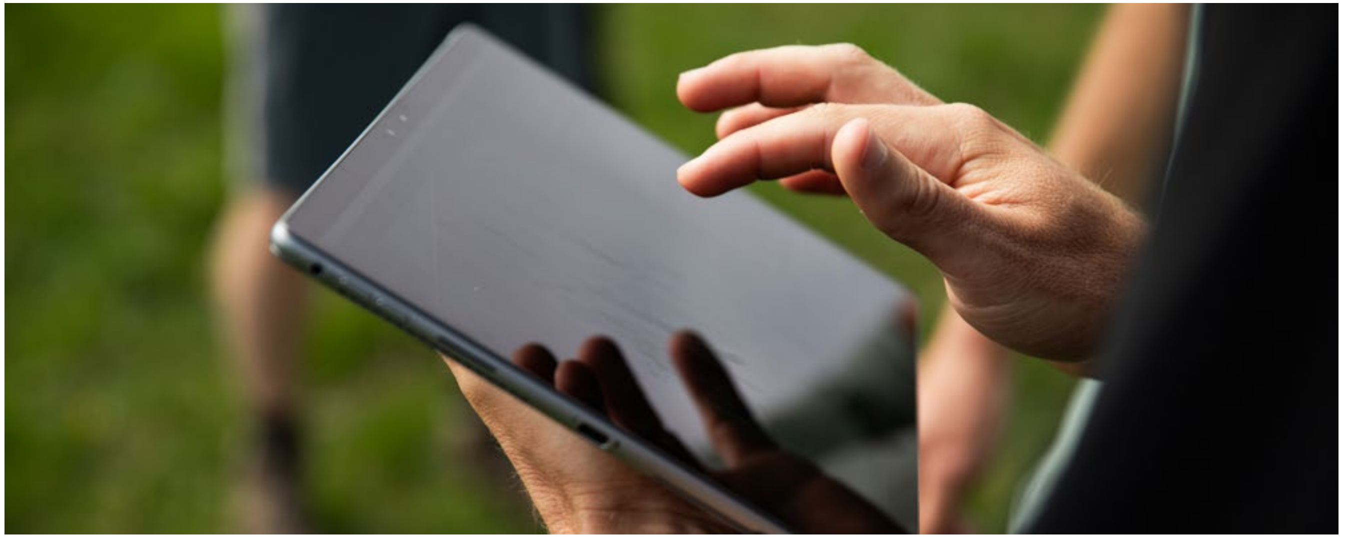
The primary reporting period is for the financial year (FY25), 1 August 2024 – 31 July 2025. To align with Australian regulatory reporting (NGERs), all Australian manufacturing data is reported for period 1 July 2024 – 30 June 2025.

The base year for sustainability reporting is aligned to the financial year ended 31 July 2018 (FY18), where possible. The financial year end date for targets is 31 July of the applicable financial year. The base years for targets and other KPIs are indicated across our sustainability reporting, as applicable. When a different reporting period has been adopted, this is clearly identified in our reporting.

Data boundaries

In general, Fonterra's consolidated sustainability performance in this report covers the activities of Fonterra Co-operative Group Limited (the Group) and its consolidated subsidiaries. For a list of the significant subsidiaries in the Group, see Note 22 of the FY25 Group Financial Statements.

For the Group's consolidated environmental reporting, we have adopted the internationally accepted approach to adjust base year values and subsequent years for acquisitions and divestments to report on a like-for-like basis. When adjustments are made, information regarding the nature of the adjustment, timing and affected entities is disclosed. These adjusted figures are used for performance reporting on progress towards our targets. The impact from any closed entities or facilities is included in the performance data, as well as trend calculations.



Wherever possible, data is sourced from verifiable primary data. For example, our water data is from supplier invoicing, where relevant, or from metering used to satisfy environmental resource permits, and from supplying farmers providing data as part of their Farm Dairy Records. Where measured data is normally available for a given item in a given region, but it is not available for a given time period, e.g., one particular month, it is estimated based on the specific circumstances. Where there is uncertainty, we have endeavoured to take a conservative approach.

For the Group's consolidated reporting on employee data, numbers are generally reported for all fixed-term and permanent employees on a full-time equivalent (FTE) basis, unless otherwise specified. Gender pay gap figures are reported on a headcount basis, with pay compared on an FTE basis. All data and analysis, other than turnover and new hires, is as at 31 July 2025.

There are no significant seasonal variations in the employee data reported. Casual staff contracted by Fonterra are excluded from these figures as this represents only a very small proportion of the regular workforce. Employees on leave of absence are also excluded.

An assessment has been completed of the scope of potential workers who are not employed by Fonterra, but whose work may be controlled by the organisation across categories such as contractors and third-party consultants. Apart from health and safety metrics, non-employees have been excluded from these figures due to limited data availability.

Barnes Farm, Southland

Significant changes during this year

There are no significant changes affecting our sustainability reporting this year. The announcement of the sale of our consumer and associated businesses has not impacted this year's sustainability reporting. A change in respect of the boundary of our GHG emissions reporting to include Kotahi Logistics LP (Kotahi), in our climate reporting is provided in the Group Climate Statements.

Restatement policy

The Co-op's policy is to recalculate base year and reported data from subsequent years, when any of the following situations arise:

- significant changes to our reporting boundaries, including acquisitions or divestments, or when new or more reliable sources of information are identified.
- significant changes to a calculation methodology.
- identification of a significant error or a number of errors that are collectively significant.

Global Reporting Initiative Standards

Fonterra's sustainability reporting is prepared with reference to the Global Reporting Initiative (GRI), including the Universal Standards, and those standards within the GRI13, the Agriculture, Aquaculture and Fishing Sector Standards and disclosures deemed material for reporting in the Co-op's 2024 updated materiality assessment.

The GRI13 topics are mapped to the nine material issues we consider significant that guide our reporting. We have reported on 13 of the 26 GRI13 topics. To avoid duplication with our Group Climate Statements, topics related to GHG emissions and energy use are not reported within this sustainability reporting section. The topics not reported[1] are considered less significant for Fonterra and are excluded from our reporting.

This is the ninth consecutive year Bureau Veritas has been engaged to provide limited assurance of our sustainability disclosures, as identified within the GRI Content Index.

1 GRI - Sector Standard for Agriculture, Aquaculture, and Fishing: Topics not reported to the GRI framework are: 13.1, 13.2, 13.4-13.6, 13.8, 13.12-13.14, 13.16-13.18, 13.21.

In addition to this sustainability reporting section of the Annual Report, our sustainability impacts and topics are also disclosed in the following elements of our reporting suite:

- Build on our sustainability position
- Governance & Statutory Disclosures
- Group Climate Statements
- Sustainability Reporting Appendix
- Milk Price Statement
- Modern Slavery Statement

For a comprehensive list of the GRI standards referenced and the location of the corresponding disclosures for FY25 see the appended GRI Content Index.

This provides assurance that the report has been prepared with reference to the GRI Standards and is a fair representation of Fonterra's sustainability performance. In addition, this year KPMG has been engaged to provide limited assurance that our GHG emissions have been measured in accordance with the GHG Protocol.

Fonterra management and the Board receive a copy of the assurance statement prior to release of the report. The Fonterra Board approves release of the annual reporting suite.

In this section

Governance Disclosures

Orla & Rajiv, Auckland

Our Board

Our Board of Directors is responsible for leadership, direction and oversight of Fonterra, and is accountable to our farmer shareholders for the overall performance of the Co-op.

The current members of the Board are shown here with full profiles available on our website. Further information regarding Board Committee membership and responsibilities can be found on page 87.

Peter McBride

Elected Director (Chairman)

Brent Goldsack

Elected Director

Holly Kramer

Appointed Director

Bruce Hassall

Appointed Director

Alison Watters

Elected Director

Andy Macfarlane

Elected Director

Cathy Quinn

Elected Director

John Nicholls

Elected Director

Alistair Field

Appointed Director

Information regarding changes to the Board during FY25 can be found on page 84.

Our Management Team

The Fonterra Management Team (FMT) leads the business to deliver on our strategy, bringing together a depth of expertise and capability to strengthen our position as a provider of high-value, innovative dairy ingredients.

The current members of the FMT are shown here with full profiles available on our website.

Miles Hurrell
Chief Executive Officer

Andrew Murray
Chief Financial Officer

Anna Palairet
Chief Operating Officer

Richard Allen
President, Global Ingredients

Kate Daly
Managing Director, People and Culture

Matt Bolger
Managing Director, Co-operative Affairs

Komal Mistry-Mehta
Chief Innovation and Brand Officer

Teh-han Chow
President, Global Foodservice & CEO Greater China

Mike Cronin
Managing Director, M&A and Strategic Divestments

The following changes have been made to the FMT since 1 August 2024:

- Effective 12 March 2025, **Teh-han Chow** was appointed President, Global Foodservice, assuming responsibility for Foodservice operations across South East Asia, Middle East Africa, and other markets, while continuing in the role of Chief Executive Officer, Greater China[1].
- Effective 12 March 2025, **Richard Allen's** role transitioned to President, Global Ingredients, with an expanded remit that now includes the Co-operative's Ingredients businesses in Greater China and Middle East Africa[1]. He was previously appointed President, Global Markets Ingredients, effective 1 August 2024.
- Effective 19 February 2025, **René Dedoncker** was named CEO-elect, Mainland Group and accordingly ceased to be a member of the FMT. Prior to this, René held the role of Managing Director, Global Markets Consumer and Foodservice.
- Effective 5 March 2025, **Matt Bolger** returned to the Co-operative as Managing Director, Co-operative Affairs, with Mike Cronin remaining on the FMT as Managing Director, M&A and Strategic Divestments, focused on the proposed Consumer divestment process. Mike will remain with the Co-operative until the conclusion of that process.
- Effective 1 October 2024, **Emma Parsons** was appointed Chief Executive Officer, Kotahi Logistics LP, a joint venture between Fonterra and Silver Fern Farms.

1 Title changes for Teh-han and Richard were effective from 12 March 2025. The structural changes associated with these appointments came into effect 1 August 2025.

Corporate Governance Statement

Fonterra's Board of Directors, Co-operative Council and FMT are committed to achieving the highest standards of corporate governance to promote the success of our Co-operative and build long-term value.

Our governance framework reflects Fonterra's unique characteristics as a globally competitive New Zealand based dairy co-operative, and is regularly reviewed and updated to remain appropriate and effective, and to align with best practice and contemporary corporate governance trends.

This Corporate Governance Statement reports the extent to which Fonterra has followed the recommendations of the NZX Corporate Governance Code dated 31 January 2025. It is current as at 24 September 2025 and has been approved by the Board.

Principle 1: Ethical Standards

Code of ethics

Our Code of Business Conduct, The Way We Work, reflects the expectation that our Board of Directors and employees globally should consistently maintain high standards of ethical behaviour, and act responsibly and with integrity and transparency. We have an Ethical Behaviour Policy and Standard that sets out our commitments, expectations, and requirements that support the Code.

All new employees are provided with a copy of the Code, along with our other key global policies. An annual e-learning is assigned to senior leaders and those in sensitive roles to support the ongoing awareness and understanding of the Global Policy Framework, including our commitments and expectations regarding ethical behaviour.

In addition, the Board has adopted its own Code of Conduct, undertaking the responsibility of leading by example and nurturing an environment where integrity and accountability are key.

The Way We Work, the Ethical Behaviour Policy and the Board Code of Conduct are available on fonterra.com.

All employees are required to record actual or potential conflicts in the Fonterra Conflict of Interest register, and mitigating actions must be approved by their managers. 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. Employees are also required to declare external governance appointments prior to accepting them (and new employees must declare existing appointments), and in certain situations, such appointments will require approval from FMT.

We fund an independently administered whistleblowing hotline (The Way We Work Hotline), facilitated by Deloitte. More information regarding this hotline can be found on page 18 of the Modern Slavery Statement. The legislative requirements that must be followed in relation to whistleblowing (referred to as Protected Disclosures) are outlined in Fonterra's Ethical Behaviour Standard.

Employee Assistance Programme

We provide a free and confidential Employee Assistance Programme where employees and their immediate family 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. In 2025, services were extended to offer Rongoā Māori, a holistic and traditional Māori healing system.

Securities Trading Policy

We have a Securities Trading Policy and Standard that detail the rules for trading in:

- shares, retail bonds, wholesale bonds, units, derivatives, and any other listed securities of Fonterra or the Fonterra Shareholders' Fund; and
- any swap contract, contract for difference, futures contract or options contract that settles to the Fonterra Farmgate Milk Price.

The policy applies to all Directors, employees and contractors of the Fonterra group globally, as well as members of the Co-operative Council and the Milk Price Panel, and is in addition to legislative prohibitions on insider trading. Our Securities Trading Policy and Standard are available on fonterra.com.

Principle 2: Board Composition and Performance

Board Charter

The Board Charter includes details about the Board's role, responsibilities, obligations, composition and procedures, and establishes the Board's relationship with management. It is reviewed regularly and is available on fonterra.com.

Board appointments

Fonterra's Constitution provides for a maximum of nine Directors, comprising up to six Directors elected by farmer shareholders (Elected Directors) and up to three Directors appointed by the Board (Appointed Directors). Fonterra's Board size reduced from a maximum of 11 Directors to nine following the conclusion of Fonterra 2024 Annual Meeting.

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

All Directors enter into written agreements establishing the terms of their appointment.

Elected Director selection process

The Elected Director selection process involves a three-member Independent Assessment Panel (IAP) that assesses and recommends appropriate candidates to be put to our farmer shareholders for election. The members of the IAP are independent of the Co-operative and are jointly appointed by the Board and the Co-operative Council. In addition to the candidates assessed and recommended by the IAP, there is a non-assessed candidate process where candidates can put themselves forward for election as Elected Directors with the support of 35 shareholders.

Elected Directors are elected by postal ballot and online voting by our farmer shareholders. The voting packs circulated to all farmer shareholders with voting entitlements include biographical information on each candidate including relevant skills and experience. The Elected Director elections are overseen by the Co-operative Council.

Director rotation

At each Annual Meeting, one-third of the Elected Directors retire from their position on the Board. The Elected Directors who retire are those who have served the longest since their last election. Retiring Elected Directors are eligible for re-election. Where the application of these rules would mean that an Elected Director would serve a term exceeding three years, then that Director also retires from office.

Appointed Director selection process

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

The following changes were made during the year ended 31 July 2025, all in November 2024:

- Chairman Peter McBride and Elected Director John Nicholls were re-elected to the Fonterra Board;
- Appointed Director Alistair Field was appointed to the Board effective 1 November 2024, and this appointment was ratified by shareholders at the 2024 Annual Meeting; and
- Elected Director Leonie Guiney and Appointed Director Clinton Dines retired from the Board.

In August 2025, it was announced that Elected Director Andy Macfarlane will retire from the Board following the Annual Meeting in December 2025.

Diversity

Diversity, equity, and inclusion (DEI) are critical to the success of our Co-operative. We're committed to an inclusive workplace where differences are valued and our people reflect the diverse communities we serve.

Details of our DEI initiatives, including progress against key objectives and targets, are available in our sustainability reporting. Our DEI Policy is published on fonterra.com.

There is value in having diversity on a board in order to capture a wider set of experiences, outlooks and perspectives, and the Fonterra Board takes this into account when Appointing Directors.

Gender is just one aspect of diversity that is considered in respect of board composition. As the majority of Directors are elected by our farmer shareholders through an independent process, the Board has not adopted formal Board gender targets for FY25. The Board is, however, committed to addressing the gender composition of the Board through the appointment of Appointed Directors and building a pipeline of diverse Directors through the Fonterra Governance Development Programme.

The gender composition of the Board is shown in the table below.

	TOTAL	MALE	FEMALE	GENDER DIVERSE
As at 31 July 2025	9[1]	6 67%	3 33%	– 0%
As at 31 July 2024	10[2]	6 60%	4 40%	– 0%

1 In November 2024 following the Annual Meeting, Fonterra's Board maximum size reduced from 11 to nine directors.
2 As at 31 July 2024, there was a vacant Appointed Director position following the retirement of Mr Scott St John on 31 March 2024.

The gender composition of the FMT[1] is shown in the table below.

	TOTAL	MALE	FEMALE	GENDER DIVERSE
As at 31 July 2025	9	6 67%	3 33%	– 0%
As at 31 July 2024	9[2]	4 44%	5 56%	– 0%

1 Fonterra's 'Officers' for the purposes of the NZX Listing Rules.
2 This includes Mr Simon Till, who held the position of acting Chief Financial Officer until 31 July 2024, and Ms Judith Swales, who held the position of Chief Executive Officer Global Markets until 31 July 2024. It does not include the members of FMT appointed as of 1 August 2024.

Ongoing training

Directors undertake an induction programme following their appointment to the Board. The areas covered include:

- business strategy and planning;
- health, safety and wellbeing, and risk management;
- an overview of key financial metrics to monitor business performance;
- an overview of material areas of our business, including through meetings with key executives; and
- our Constitution and governance framework.

Directors are expected to keep themselves informed 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 trends. Board visits to our manufacturing sites and global businesses occur regularly.

Performance assessment

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.

The Co-operative Council issues a Letter of Members' Expectations to the Board setting out the expectations of Co-op members. The Board and the Council's independent assessment of Fonterra's performance against these expectations is published in the Council's annual report. Further information regarding the Council can be found on page 96.

The Board is responsible for reviewing the Chief Executive Officer's performance.

Director independence

The NZX Listing Rules require us to have at least two Independent Directors, defined in the NZX Listing Rules as a Director who is not an employee of Fonterra and who has no 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 reasonably be perceived to influence, in a material way, the Director's capacity to bring an independent view to decisions relating to the Co-operative, to act in Fonterra's best interests or to represent the interests of our shareholders generally. A ruling issued by the NZ RegCo to Fonterra on the definition of "Disqualifying Relationship" contains specific examples of what may give rise to a disqualifying relationship.

Elected Directors must be farmer shareholders under section 12.3 of the Constitution and are therefore not considered independent. A waiver granted to Fonterra by the NZ RegCo permits Elected Directors to be elected by farmer shareholders. Further information about the suite of Fonterra's waivers and rulings from the NZX Listing Rules is available on page 115 and on our website.

Appointed Directors cannot be shareholders and are expected to maintain independence for the length of their term.

To assess the independence of Appointed Directors, a holistic assessment is undertaken against the requirements of the Companies Act 1993 (Companies Act), the Fonterra Board Charter and the NZX Corporate Governance Code.

Fonterra currently has three Appointed Directors. As at 31 July 2025, Bruce Hassall, Holly Kramer and Alistair Field each did not have (and continue not to have) any disqualifying relationship in relation to Fonterra and are therefore Independent Directors.

Our Constitution currently allows for up to three independent Appointed Directors, out of a maximum of nine Board members (refer to page 84 for further information on changes to the Board size and composition which took effect from November 2024). Accordingly, the Board does not consist of a majority of independent directors.

Conflict management arrangements

There are conflict management arrangements in place to record any actual or potential conflicts of interest of Directors, and Directors are expected to proactively advise the Co-operative of any potential conflicts.

Division of roles

Under our Constitution the Chair must be an Elected Director, reflecting our structure as a co-operative company, and is therefore not independent. Peter McBride, who is an Elected Director, is the Board-elected Chair.

The Chair and Chief Executive Officer roles at Fonterra are not exercised by the same individual.

Principle 3: Board Committees

We have a number of permanent Board Committees, and the membership and purpose of each permanent Committee is detailed below. Additional non-permanent 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 and to make recommendations to the Board.

Each permanent Committee is governed by a charter, which defines the scope and responsibilities of that Committee and is regularly reviewed by the Board. These charters are available on fonterra.com.

In November 2024, the Strategic Review Committee became a permanent Committee to continue to assist the Board and management in the consideration of strategic opportunities. In November 2024, the Board formed one non-permanent Committee, the Due Diligence Committee, to assist the Board and management in considering a potential initial public offering of its Consumer business as part of an initial dual-track pathway.

COMMITTEE OR GROUP	MEMBERSHIP AS AT 31 JULY 2025	PURPOSE
Audit, Finance and Risk Committee	Bruce Hassall[1] (Chair) Alistair Field[1] Brent Goldsack Alison Watters Cathy Quinn	To assist the Board in fulfilling its corporate governance responsibilities relating to Fonterra's: – financial management and internal control frameworks, financial reporting, climate risk reporting, audit activities, capital markets matters, and funding activities; and – management and monitoring of the Group Risk Appetite Statement, and the Group Risk Appetite and Tolerance position (noting that other Board Committees share oversight of some individual Group Risks).
Co-operative Relations Committee	John Nicholls (Chair) Brent Goldsack Andy Macfarlane Alison Watters	– To assess matters relating to New Zealand milk supply terms and aspects of milk pricing, and to assess the rules relating to shareholding, and the risk management policy referred to in the Constitution which manages the distribution of ownership in the Co-operative. – 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 the Co-operative Principles periodically, seek to resolve supplier complaints before referral to the Milk Commissioner, and undertake activities relating to the annual Fonterra Co-operative Council elections.
Disclosure Committee	Andy Macfarlane (Chair) Bruce Hassall[1] Peter McBride Cathy Quinn John Nicholls	– 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 (except for disclosures reviewed by other Board Committees).

COMMITTEE OR GROUP	MEMBERSHIP AS AT 31 JULY 2025	PURPOSE
Milk Price Panel	David Pilkington[2,3] (Chair) Andrew Barlass[4,5] Bill Donaldson[4] Pat Duignan[2,6] Prof. Hamish Gow[2,6] Bruce Hassall[1] John Nicholls Fred Ohlsson[2,4]	– 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 reserved for the Board.
People, Culture and Safety Committee	Holly Kramer[1] (Chair) Alistair Field[1] Peter McBride Cathy Quinn	To assist the Board in fulfilling its corporate governance responsibilities relating to: – Fonterra's management of health, safety and wellbeing (including promoting a safe and healthy working environment for all employees, contractors and members of the public as required); – the recruitment, retention, remuneration and development of Directors, executives and other employees; and – optimising Fonterra's culture to deliver high performance.
Strategic Review Committee	Cathy Quinn (Chair) Brent Goldsack Bruce Hassall[1] Holly Kramer[1] Peter McBride	To assist the Board in fulfilling its corporate governance responsibilities in relation to material transactions or potential transactions that are identified by the Board, including any decision to: – exit from a market, product or segment category by way of transaction; – acquire any business; and – undertake any significant change to the structure of the business by way of a transaction in order to give effect to any material initiative or transaction being considered by Fonterra.
Sustainability and Innovation Committee	Alison Watters (Chair) Holly Kramer[1] Andy Macfarlane Brent Goldsack	To assist the Board in fulfilling its corporate governance responsibilities relating to: – reviewing and overseeing the sustainability aspects of Fonterra's strategy, including reviewing the Co-operative's key sustainability metrics, commitments and targets and monitoring performance against them; and – reviewing Fonterra's innovation and research and development strategy, including monitoring performance against agreed metrics and reviewing the approach to Fonterra's intellectual property portfolio.

1 Independent Director.
2 Independent Member as defined in the Dairy Industry Restructuring Act 2001.
3 Approved by the Minister of Agriculture under subsection 150E(1)(b) of the Dairy Industry Restructuring Act 2001.
4 Nominated by the Co-operative Council.
5 Attended as non-voting observer.
6 Nominated by the Minister of Agriculture under subsection 150E(1)(a) of the Dairy Industry Restructuring Act 2001.

Board and Committee attendance

	BOARD		AUDIT, FINANCE AND RISK COMMITTEE		CO-OPERATIVE RELATIONS COMMITTEE		DISCLOSURE COMMITTEE		MILK PRICE PANEL		PEOPLE, CULTURE AND SAFETY COMMITTEE		SUSTAINABILITY AND INNOVATION COMMITTEE		STRATEGIC REVIEW COMMITTEE	
	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[1]	5	3	1	1	1	1	–	–	–	–	2	1	1	1	–	–
Brent Goldsack	12	12	7	7	6	6	–	–	–	–	–	–	5	5	16	14
Leonie Guiney[1]	5	4	1	1	–	–	–	–	2	2	2	2	–	–	–	–
Bruce Hassall	12	12	7	7	–	–	6	4	7	6	–	–	1[2]	1	16	16
Holly Kramer	12	12	3[2]	1	–	–	–	–	–	–	6	6	5	4	16	14
Andy Macfarlane	12	12	3[2]	3	6	6	6	6	–	–	–	–	5	5	–	–
Peter McBride	12	12	2[3]	2	–	–	6	6	–	–	6	6	–	–	16	14
John Nicholls	12	12	–	1[4]	6	6	6	6	5	5	–	–	–	1[4]	–	–
Cathy Quinn	12	12	7	7	–	–	6	6	–	–	6	6	1[2]	1	16	16
Alison Watters	12	12	7[5]	7	6	6	–	–	–	–	–	–	5	5	–	–
Alistair Field	8	7	6	3	–	–	–	–	–	–	4	3	1[2]	1	–	–

1 Retired in November 2024.
2 Eligible to attend the joint Audit, Finance and Risk Committee and Sustainability and Innovation Committee portion of the meeting to discuss the Group Climate Statements.
3 Eligible to attend as Chair of the Board.
4 Attended as an observer.
5 Eligible to attend one meeting as a member of the Sustainability and Innovation Committee (for the joint portion of the meeting to discuss the Group Climate Statements), then as a member of the Audit, Finance and Risk Committee from November 2024.

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

The membership of the Audit, Finance and Risk Committee and the People, Culture and Safety Committee (which fulfils the role of a remuneration committee) does not consist of a majority of independent Appointed Directors.

Under a waiver granted by the NZ RegCo to Fonterra from NZX Listing Rule 2.13.2(c), the Audit, Finance and Risk Committee is not required to comprise of a majority of Appointed Directors, subject to conditions including a minimum of two independent Appointed Directors with one serving as Chair and a maximum of five members in total.

Given the Board's composition, there is no ability to have more than three independent Appointed Directors as the majority of the positions are filled by Elected Directors (and as noted on page 86, the Elected Directors are not considered independent). As such, it is difficult for us to appoint a majority of Appointed Directors to these Committees without excluding Elected Directors or significantly increasing the workload of the Appointed Directors.

We do not consider that this is a significant issue, as both of these Committees are chaired by independent Appointed Directors.

Management only attends 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 (DIRA) requires that the Chair and a majority of the members of the Milk Price Panel (Panel) are independent. In addition, the Dairy Industry Restructuring (Fonterra Capital Restructuring) Amendment Act 2022 (DIRA Amendment Act) amended DIRA with effect from 1 June 2023 to, amongst other things:

- require that the independent Chair of the Panel have no "meaningful association" with Fonterra or a shareholder, and be approved by the responsible Minister under DIRA; and
- increase the number of members on the Panel nominated by the responsible Minister under DIRA from one to two.

The Panel members as at 31 July 2025 are:

- David Pilkington, independent Chair approved by the Minister;
- Professor Hamish Gow, independent Ministerial nominee;
- Pat Duignan, independent Ministerial nominee;
- Fred Ohlsson, independent Co-operative Council nominee;
- Andrew Barlass, Co-operative Council non-voting observer[1];
- Bill Donaldson, Co-operative Council nominee[1];
- John Nicholls, an Elected Director; and
- Bruce Hassall, an independent Appointed Director.

1 On 24 August 2024, Fonterra confirmed the appointment of Andrew Barlass to the Milk Price Panel as a Co-operative Council non-voting observer from 1 September 2024, to be appointed as a full member from 1 September 2025, succeeding Bill Donaldson.

Nominations committee

The People, Culture and Safety Committee fulfils the role of a nominations committee in respect of Appointed Directors. The election and selection process for Elected Directors and Appointed Directors is explained under Board Appointments on page 84.

Takeover offer

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

Principle 4: Reporting and Disclosure

Continuous disclosure

Fonterra's Disclosure Policy and Standard facilitate compliance with the continuous disclosure obligations in the NZX Listing Rules, and underpins our commitment to maintaining a well-informed market through effective communication with investors and market participants. The Disclosure Policy and associated Disclosure Standard are available on fonterra.com.

Fonterra and the Manager of the Fonterra Shareholders' Fund have 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 listing rules of the NZX is disclosed simultaneously to the NZX Main Board.

Trading of Fonterra Co-operative Group Limited (FCG) shares migrated from the Fonterra Shareholders' Market (FSM) to the NZX Main Board on 15 January 2025. The last day of trading of FCG shares on the FSM was 14 January 2025.

The Fonterra Shareholders' Fund was delisted from the ASX at the close of ASX trading on 27 February 2025.

Financial and non-financial reporting

Our Annual Report and supporting material disclose financial matters affecting the Co-operative in a balanced, clear and objective manner, and includes the audited Financial Statements on page 119. We also release financial performance information during the year at our Interim Results and Quarterly Business Update announcements.

In addition, we also disclose non-financial information in our Annual Report and supporting material, which includes consideration of environmental, social sustainability and governance factors and practices, and how these support our strategic objectives. Specifically:

- We have continued to prepare sustainability disclosures (refer to page 43 of this report) with reference to the Global Reporting Initiative (GRI) Standards, and we obtain independent assurance in relation to these disclosures. We have adopted this internationally recognised reporting framework to help users of our sustainability performance information compare our disclosed information with others.
- As a climate reporting entity under the New Zealand Financial Markets Conduct Act 2013, we have released our FY25 Group Climate Statements (refer to page 177 of this report), prepared in compliance with the Aotearoa New Zealand Climate Standards. Our first mandatory climate-related disclosures were released in September 2024, following voluntary disclosures released in November 2023.
- We have released our sixth Modern Slavery Statement to meet the regulatory disclosure requirements in the Australian Modern Slavery Act 2018. The Statement sets out the actions taken by Fonterra to address modern slavery risks in its operations and supply chain during FY25.

Principle 5: Remuneration

The Remuneration Report on page 98 of this report details Fonterra's remuneration framework, strategy, and governance processes for its employees and Directors.

Principle 6: Risk Management

The Board, supported by the Audit, Finance and Risk Committee, has responsibility for overseeing the implementation of our risk management framework.

Our risk management framework supports the implementation of risk management practices across the Co-operative and is aligned with the three lines model. Our first line manages our risks and controls, and is responsible for implementing risk management practices within their processes. Managers and individual business units hold clear risk management responsibilities, including requirements to comply with external obligations as well as our Global Policy framework. Our second line consists of the risk management practices and assurance processes delivered by our 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 providing reporting to the FMT and to the Board via the Audit, Finance and Risk Committee.

Our Risk Appetite Statement specifies the amount of risk we are willing to take or accept in pursuit of our strategy. It indicates the parameters within which we conduct our operations, providing guardrails and baseline decision making guidance on our tolerance for uncertainty, and where we are willing to accept risk as part of delivering on our strategy. It is further operationalised through our Global Policies, Standards and other documents within the Global Policy framework.

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". They outline our risk management principles and accountabilities, and set out the requirements for managing risk across our business. They are designed to embed a positive risk culture and co-operative-wide risk management capability, including establishing a consistent approach to identifying, analysing, evaluating, controlling, treating, monitoring, and communicating our key risks.

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

The following table sets out Fonterra's key risks and provides an overview of our mitigation activities in FY25.

KEY RISK	RISK DESCRIPTION	RISK MITIGATIONS
Climate Change	The risk that Fonterra' activities or those of its farmers are disrupted due to an increased frequency and severity of both physical and transitionary climate impacts.	Our emissions reduction targets and Climate Roadmap express the key climate activities across the Co-operative's value chain to help retain our position in emissions efficient pasture-based dairy. Our climate risk programme and mandatory disclosure requirements actively identifies climate-related risks and potential mitigations to build a resilient Co-operative. Ongoing engagement with stakeholders on climate activities remains a priority.
Commodity Price	The risk that the impact of product and commodity price volatility on Fonterra's portfolio, is not adequately identified, quantified, and then leveraged for value creation, and/or appropriately managed.	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.
Cybersecurity	The risk that the Co-operative's ability to maintain the confidentiality, integrity or availability of critical business assets and information is compromised due to unauthorised access to systems and/or a data breach.	Implementation of ongoing cyber programme to build defence by improving capability to govern, identify, detect, protect, respond, and recover from cyber incidents. Ongoing activity to improve cyber awareness and enable our staff as a key part of cyber defence. Active engagement with key strategic partners, industry groups and government agencies to share threat intelligence and work together to help keep Fonterra cyber safe. Regular cybersecurity control reviews and assessments conducted to assess the environment and manage cyber risk across people process and technology.
Environmental Sustainability	The risk that the sustainability of the environment is adversely impacted due to Fonterra's activities or those of its farmers.	Resourcing plans to make progress against environmental targets. Refer to our sustainability reporting for our sustainability goals and performance. Proactive engagement with industry, iwi, government, non-governmental organisations, and regulators. Tailored Farm Environment Plans in place to identify and manage on-farm environmental risks.
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.	Our Global Quality Management framework provides that the purchase, supply, production and release of food is aligned with global regulatory standards as a minimum. Our global third-party sourcing network undergoes specific food safety and quality audits by specialists from Fonterra. External global regulatory bodies undertake independent audits of our global management system, and manufacturing and distribution footprint. Internal global audit programme that supports and demonstrates compliance to external global regulatory and certification programme requirements.

KEY RISK	RISK DESCRIPTION	RISK MITIGATIONS
Foreign Exchange and Interest Rate	The risk that foreign exchange and/or interest rate exposures, are not identified and/or appropriately managed.	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. Regular review of foreign exchange and interest rate exposures and approval of the hedging plans.
Health, Safety and Wellbeing	The risk that Fonterra's operations may expose employees, contractors, or other stakeholders to serious physical and/or psychological harm due to inadequate and/or ineffectively applied health and safety controls, processes, or culture.	Regular detailed evaluations and verification of critical risks and employee safety, prioritising hazard elimination, and the presence of direct/engineered controls where elimination is not reasonably practicable. Engaging employees in making work safe through proactive risk management and ongoing training and dialogue. Addressing physical and psychosocial health risks through comprehensive programmes and balancing the nature of work with health. Robust learning reviews using digital systems and tools to document, analyse, and act on incidents and feedback, promoting transparency and accountability, and worker involvement in understanding events. Setting goals and reporting and measuring events in an enterprise-wide management system to drive action and delivery priorities. Exceeding regulatory compliance and maintaining open communication with all stakeholders to enhance safety standards. Clear strategic plan for ongoing improvements in Health, Safety and Wellbeing systems and approaches.
Information Technology	The risk that Fonterra fails to establish, maintain and safeguard an appropriate information technology (IT) and data management framework, that maintains the confidentiality, integrity and availability of Fonterra's data, systems and supply chain.	Ongoing implementation of risk reduction programmes to improve stability, reliability and resilience of our IT landscape. Multi-year programme to replace old and complex hardware and software systems. Continued expansion of the Data and Artificial Intelligence (AI) programme to improve management and protection of data, and leverage AI technologies as these develop.
Innovation	Inability to innovate effectively to respond to market trends and disruptions.	Insights and outputs from strategic development and implementation processes feed directly through to integrated innovation forums. Targeted use of a spectrum of innovation vehicles (e.g., Fonterra's Ki Tua investment fund, internal research and development expertise, third party partners, research institutions and government) to identify, develop, and/or acquire relevant innovations, technologies, and research and development capabilities.

KEY RISK	RISK DESCRIPTION	RISK MITIGATIONS
Legal and Compliance	The risk that Fonterra fails to manage or respond to changes in legal and Compliance obligations, within the markets in which it operates.	Annual Employee Policy Commitment (including certification of compliance with Fonterra Legal and Compliance policies and standards). Regular legal and compliance training (both broad based and market/function specific), accessible legal and compliance guidance, and reporting systems and processes. Support and advice from internal Legal, Regulatory and Trade Strategy teams, supplemented by specialist external support as required.
Licence to Operate	The risk that Fonterra's licence to operate is impeded due to the failure to adequately consider and respond to societal impacts, stakeholder interests, and/or legal and regulatory obligations.	Fonterra's Doing Good Together Programme delivers community programmes across three pillars addressing food insecurity, community led nature initiatives, and mental health and wellbeing in rural communities. Active stakeholder engagement programme in New Zealand and key international markets. Achievement of key environmental and other relevant targets. Continuous oversight and escalation processes relating to resource consents.
Liquidity and Funding	The risk that Fonterra is unable to access sufficient funds to meet financial obligations, and/or insufficient financial flexibility to take advantage of opportunities.	Established financial assurance framework including oversight from the Financial Risk Committee, and the Audit, Finance, and Risk Committee. Active management of debt, working capital, and cashflow forecasting. Regular review of relevant policies, standards, and procedures to maintain a robust control framework.
Market Access / Geopolitical	The risk that Fonterra's ability to access global markets is impeded due to supply chain disruption, geopolitical tensions, changing regulations and/or protectionist trade barriers across our global supply chain.	Trade and regulatory advocacy, including through international government/industry engagement, insights and intelligence to inform business decisions and strategy. Scenario planning and modelling, and development of bespoke action plans, in relation to specific risks. Annual reporting on market concentration risk. Active centralised portfolio management with product portfolio plans that capture a diverse global demand pool. Multimarket, diverse product and channel offerings with specific strategies in place to support.
Milk Supply	The risk that Fonterra is unable to retain milk supply due to disruption (e.g. biosecurity/weather event), competitor activity, changes in farm productivity, unfavourable returns and/or adverse regulatory settings.	Delivering strategic milestones and strong financial performance to provide sustainable value for suppliers and farmer shareholders. Retaining, growing and winning milk supply while supporting farmers in producing high-quality sustainable milk and building efficient, resilient farming businesses. Flexible capital structure, farmer-focused price risk and cashflow management and share investment tools Engaging and supporting farmers to attract the next generation to help keep land in dairy.

KEY RISK	RISK DESCRIPTION	RISK MITIGATIONS
People	The risk that Fonterra is unable to identify, attract, and maintain required people capability due to inadequate leadership, culture, development, union relationships, and/or changes in the external market.	Continued delivery of programmes to strengthen organisational culture, talent, leadership development, future capabilities, and strategic workforce planning. Clear roadmap to simplify People and Culture (P&C) processes and technology systems. Leveraging the P&C operating model to improve strategic business partnering and support high priority initiative deployment. Continued provision of tools and training to upskill people leaders, improve decision making, and leadership effectiveness. Embedding diversity, equity and inclusion across all relevant facets of our high priority initiatives.
Strategic Decision	The risk that Fonterra's strategy does not align to the purpose and aspirations of the Co-operative and its farmers, and the realities of its organisational context, due to significant changes in its operating environment and/or inadequate inputs and assumptions in decision-making processes.	Organisational strategy system generates continuous insights and provides regular reviews of the beliefs and assumptions which underpin the strategy for consideration by FMT and the Board.
Strategic Execution	The risk that execution of Fonterra's strategy is impeded due to the failure to adapt to changes in the Co-operative's operating environment.	Strategic deployment milestones and decision points are integrated into management systems and business planning. Annual review and reconciliation of business activity and results against strategic expectations and targets.
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.	Reliable and efficient collection, treatment and distribution of milk. Strong focus on global supply chain management: implementing resilience strategies to mitigate impacts of global shipping and local supply chain disruption. Established, robust business continuity plans to address identified manufacturing and supply chain risks. Third-party supplier risk assessment process, and category sourcing strategies.

Principle 7: Auditors

External auditor framework

The Audit, Finance and Risk Committee is responsible for making recommendations to the Board regarding the appointment of the external auditor. It reviews the independence of the auditor, external audit fees, terms of engagement and the annual audit plan.

The external auditor is appointed by our farmer shareholders at the Annual Meeting. KPMG has been appointed as Fonterra's external auditor for six consecutive years, and the fees paid to KPMG for FY25 are detailed in Note 3 of the Financial Statements (page 141 of this report). The lead external audit partner must be rotated at least every five years, and the most recent partner rotation began in FY25.

Our Group Audit Independence Policy and Standard enable the auditor to carry out its statutory audit role in a manner where its independence is not impaired or could be perceived to be impaired. The Standard 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.

All non-audit services to be undertaken by the auditor require pre-approval by the Chief Financial Officer or the 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 external auditor attends all Audit, Finance and Risk Committee meetings, and meets with the Committee without Fonterra management at least twice a year. The Chair of the Committee also communicates regularly with the external auditor.

Annual Meeting

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

Internal audit

Our Internal Audit function provides independent and objective assurance to the Audit, Finance and Risk Committee and management on the adequacy of risk management, control and governance processes.

Our internal audit approach is based on the principle that Fonterra's management is responsible for implementing, operating, and monitoring the internal controls to manage risk and achieve business objectives.

Fonterra's Internal Audit team is responsible for:

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

Principle 8: Shareholder Rights and Relations

Website and disclosure

Our website (fonterra.com) provides investors and interested stakeholders access to Fonterra's financial, operational, and key corporate governance information.

Information regarding our performance, annual and half-year financial results, Director changes, and other significant matters, is disclosed to the market through the NZX in accordance with relevant laws and listing rules. All media and market releases are also available on fonterra.com.

Co-operative Council

One of the Board's most important relationships is with the Co-operative Council, a national representative body of Fonterra farmers that operates independently within Fonterra's organisational framework. The Council is established under the Constitution and its role is to support shareholders' democratic control of Fonterra and to represent and seek to protect Co-op members' interests.

As at 31 July 2025, the Council consisted of 25 elected Councillors from each of the 25 wards across New Zealand, and two appointed Councillors.

The Council publishes an annual report, outlining its activities and which includes separate assessments by the Board and the Council of the extent to which Co-op members' expectations are being met. The Council's annual report is emailed to all members of the Co-operative and made available on the Farm Source website.

The Council, Board and Fonterra's management have a working interface document which sets out the principles to facilitate their working relationship and the way operational issues will be addressed. The working interface document is available on the Farm Source website.

Engaging with our farmer shareholders

There's a sense of pride, belonging and connection that comes with being part of a co-operative, and fostering that is an important part of what we do.

We are looking to continuously improve the way we engage with our farmer shareholders to keep them well informed about relevant topics – including where we are at and where we are headed as a Co-operative.

The teams that are involved with refining and implementing our farmer engagement plan oversee a range of communications channels. This includes the Farm Source website, which allows farmer shareholders, and their authorised employees, contractors and business partners to access information and tools across key areas such as milk production and quality, online statements and price risk management services.

The My Co-op app delivers up-to-date news and information, including Milk Price announcements, upcoming events, Farm Source Rewards balances, and updates from the Chair and Chief Executive Officer. Meanwhile, 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 past 30 days.

Local Farm Source teams regularly contact farmers in their area, while the Farmer Support Team is also available 24/7 on 0800 65 65 68.

We arrange face-to-face and online meetings throughout the year, so we can have conversations with farmer shareholders as well as other key groups, such as sharemilkers, contract milkers and rural professionals.

We also seek feedback in a variety of ways, including surveys and in-person focus groups. A new relationship survey was introduced in December 2024 to gain deeper insights into what drives farmers' feelings about Fonterra. This will be run annually, with the feedback helping us shape our initiatives and approach to better support farmers and strengthen the relationship they have with their Co-operative.

Regular emails from the Chair, Chief Executive Officer, Group Director Farm Source and Regional Heads are also used to keep our farmers informed, and we issue a monthly Global Dairy Update to provide an overview of the global dairy market and our performance.

Annual and Special Meetings

Our Annual Meeting, held at a different venue around New Zealand each year, is an opportunity to communicate directly with our farmer shareholders. The meetings are designed to encourage participation from our farmers, with appropriate time provided for farmer shareholders to raise issues or ask questions from the floor. The Chief Executive Officer attends the Annual Meeting.

Our Constitution describes the process for a farmer shareholder to 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 at least 10 working days before the meeting in line with Fonterra's Constitution and the Companies Act. For Fonterra's 2024 Annual Meeting held on 14 November 2024, the notice of meeting was made available on 21 October 2024.

Our 2025 Annual Meeting will be hybrid, allowing farmer shareholders to join either online or in person.

Voting

Shareholders have the right to vote on major transactions (as defined in the Companies Act) as well as other major decisions that may change the nature of Fonterra as prescribed by the NZX Listing Rules. In particular, NZX Listing Rule 5.1.1 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 involve 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.

Remuneration report

Message from the People, Culture & Safety Committee Chair — Holly Kramer

Dear Shareholders

On behalf of the Board, I am pleased to present Fonterra's remuneration report for the financial year ended 31 July 2025.

FY25 performance and remuneration outcomes

The Board acknowledges the great performance delivered over the past year and formally recognises the contributions of the FMT, and their respective teams across the Co-operative.

Short-term Incentive (STI)

Our senior leaders' STI is aimed at delivering exceptional results against our annual goals, which are aligned with our strategic choices. For FY25 we further strengthened our focus on Health, Safety and Wellbeing (HSW) with the introduction of an additional measure linked to our Global HSW plan. We also broadened the definition of Serious Harm to include a wider range of injuries and to include contractors, aligning with global standards. We introduced a measure linked to milk supply, recognising the importance of securing milk for the long-term performance of the Co-op. The weighting of the Group Return on Capital (ROC) and Farmgate Milk Price (FGMP) measures in the STI plan were also increased, further strengthening alignment of remuneration outcomes with those of our farmer shareholders.

Positive outcomes were achieved across seven of eight measures including Group ROC and FGMP, both of which support alignment with our farmer shareholders. We saw significant progress through FY25 on our customer measure of delivered in full, on time (DIFOT), further building on improvements made through FY24. Continued positive progress has also been made against our Sustainability measure of Greenhouse Gas Emissions (GHG), and Serious Harm. Good performance was achieved across our milk supply and Innovation measures. The resulting achievement for the FY25 STI plan is 117.6%. This outcome reflects a very strong year of performance across the Co-operative's annual goals, particularly in Group ROC and FGMP, which contribute significantly to the STI.

The Chair of the Board reviews the CEO's performance each year, and recommends to the Board the STI payment to be made to the CEO. The CEO's FY25 STI outcome as approved by the Board is provided in the CEO Remuneration section of this Report.

Long-term Incentive (LTI)

The LTI plan introduced in FY23, called Alignment Rights, is aimed at rewarding the delivery of sustainable outcomes for all shareholders. The third grant of Alignment Rights was made in FY25 to senior leaders, further supporting attraction and retention and alignment to farmer outcomes.

Fifty percent of the value of Alignment Rights is based on the performance of a Co-operative share on the Fonterra Shareholders' Market (FSM) over a six-year period (called Co-op Unit).

The remaining 50% is based on the change in on-farm profitability per hectare over the six-year period as measured through the DairyNZ Economic Survey (called Farm Unit).

The value of the Co-op Unit as at 31 July 2025, is $4.35. This is an increase for all three grants made to date with $2.82 being the value for the FY23 grant, $2.38 for the FY24 grant, and $2.66 for the FY25 grant. Participants of the FY23 and FY24 grants received dividend equivalent payments to the value of the FY24 interim and final dividends provided to farmer shareholders resulting in an annualised total shareholder return of 29.8% for the FY23 grant and 48.3% for the FY24 grant.

The value of the Farm Unit as at 31 July 2025, is $3,337. This is an increase from $2,700 for the FY23 grant, and a small decrease for both the FY24 and FY25 grants from $3,365 and $3,454 respectively. No payments are made to participants relating to the Farm Unit until the end of the performance period (generally six years).

Looking ahead

We have made a number of changes to our STI plan for FY26 with the objective of driving the right outcomes for the Co-operative and continuing to align with our long-term strategy. Our approach to measuring HSW performance continues to evolve, as we progress against our Global HSW plan. Whilst our HSW measures remain focused on minimising Serious Harm, this will be supported with a focus on the actions that significantly reduce critical risk exposure. Additionally, we are sharpening our focus on Scope 3 on-farm emissions, by introducing an emissions measure linked to achievement of the 2030 on-farm emissions intensity reduction target, further supporting alignment with the goals of our farmer shareholders. Recognising the significant importance of Food Quality we are introducing a Food Quality measure for FY26.

In FY26, we will continue to maintain our LTI plan and make the fourth grant of Alignment Rights to our senior leaders, further supporting attraction and retention and alignment to farmer outcomes.

Holly Kramer
People, Culture & Safety Committee Chair

Employee remuneration

Remuneration strategy	Our purpose	Our values	Our strategic choices	Our remuneration principles
Fonterra's remuneration strategy has been designed to align to and support our purpose, values, and the delivery of our strategic choices. These are the foundation of the Co-operative and the lens through which all behaviours, decisions and choices are made.	Our Co-operative, Empowering people To create goodness for generations. You, me, us together Tātou, tātou	Good Together Better Every Day Every Drop Counts	Deliver the strongest farmer offering Unleash our Ingredients engine Keep up the momentum in Foodservice Invest in operations for the future Build on our sustainability position Innovate to drive our advantage	Attract and retain key experience, expertise and knowledge Reflect individual contribution --- Align employees with sustainable prosperity for farmers via Co-op returns and Farmgate Milk Price; and strength and value of the Co-op Reward collaboration to deliver the most value from each litre of milk for dollar of capital invested Support Fonterra values --- Be simple and transparent Have robust governance

Remuneration framework FY25

The details included in this section relate to the remuneration framework in place for FY25.

Employee remuneration

The Co-operative's remuneration framework is designed to attract and retain talent, and motivate and recognise the role our people play in the success of Fonterra. It is aimed at supporting our strategy, purpose, and values.

Fonterra's remuneration framework for salaried staff includes base salary, benefits (KiwiSaver, superannuation and insurance where applicable), and variable remuneration (incentives).

Fonterra's remuneration packages are benchmarked against comparable companies in relevant markets, using information obtained from independent remuneration consultants. Adjustments to remuneration packages may occur on a cyclical basis, such as an annual salary review, or on an as-needed basis, for example to recognise promotions, or address internal relativity (including gender pay).

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

Enterprise Leader remuneration

Senior employees, who are deemed to have the greatest ability to have a long-term impact on the Co-operative's performance, are defined as Enterprise Leaders. This group generally includes the CEO, FMT, and their senior direct reports.

The components of the remuneration package of Enterprise Leaders are set out in the table below and includes the LTI plan called Alignment Rights introduced in FY23.

The remuneration package and any incentive payments made following the completion of the financial year, to the CEO and eligible FMT, are approved by the People, Culture and Safety Committee (PCSC) (and in the case of the CEO, the Board) at its discretion. The PCSC retains absolute discretion in respect of payments for all incentive schemes.

Total Remuneration

	FIXED REMUNERATION	SHORT-TERM INCENTIVE	ALIGNMENT RIGHTS
How it works	Consists of base salary and benefits (KiwiSaver, superannuation and insurance where applicable). Reviewed annually based on performance and behaviours. Set based on capability, experience, performance, internal relativity (including gender pay), and external relativity with the applicable country or region.	Calculated based on achievement against a Fonterra Group Scorecard which aligns to our strategic choices and key people measures. It is comprised of financial and non- financial ESG measures. An individual multiplier (in the range of 0.8x to 1.2x) is applied to the STI outcome for the CEO and each individual FMT member to recognise and reward individual performance and contribution. Achievement is determined over a one- year performance period (1 August – 31 July, aligned to Fonterra's financial year). The Group Scorecard is capped at 150% of on-target opportunity. CEO on-target opportunity is 72% of Base Salary. Eligible FMT and other Enterprise Leaders on-target opportunity is between 25% and 60% of Base Salary.	The value of the Alignment Rights will increase or decrease in value relative to sustainable farmer prosperity and Co-operative value over a six-year period. 50% of the Alignment Rights is based on the performance of a Co-operative share on the Fonterra Shareholders' Market (FSM) over the six-year period. The remaining 50% is based on the change in on-farm profitability per hectare over the six-year period as measured through the DairyNZ Economic Survey. CEO grant value is 48% of Base Salary. Eligible FMT and other Enterprise Leaders grant value is between 20% and 40% of Base Salary.
What it does	Attracts and retains key talent in the markets in which Fonterra operates.	Aligns Enterprise Leaders on delivering exceptional results over both the short and long term for farmer shareholders.	Aligns Enterprise Leaders with the financial interests of Fonterra's farmer shareholders.
Benchmarking & market positioning	The remuneration packages of Enterprise Leaders are benchmarked against the external market using comparable companies in the applicable country or region. Benchmarking of the CEO and FMT's remuneration packages is conducted using an independent remuneration consultant appointed by the PCSC and is based on a comparator group of companies similar in size, complexity and operational scope. Fonterra aims to pay Fixed Remuneration and Total Remuneration of the CEO and FMT in the range of the 50th to 65th percentile of the comparator benchmark peer group.		

Short-term Incentive FY25

The STI is a critical component of our remuneration framework. It is aimed at motivating, aligning and rewarding performance over a 12-month business performance cycle and comprises financial and non-financial ESG measures.

The measures included in the scheme align with Fonterra's strategic choices, as well as key people-related priorities. Each year these measures are reviewed to align with our longer-term strategic targets.

The FY25 measures include:

- Group Return on Capital
- Farmgate Milk Price
- Milk Supply
- Delivery in full, on time
- Greenhouse gas emissions
- Value from innovation
- Health and safety

Achievement against these for FY25 is provided in the CEO Remuneration section of this report.

Long-term Incentive FY25

The LTI called Alignment Rights was introduced in FY23 and is aimed at aligning the financial interests of Fonterra's Enterprise Leaders with those of the Co-operative's farmer shareholders.

Those eligible for Alignment Rights are our Enterprise Leaders which includes the CEO, FMT and their senior direct reports who are deemed to have the greatest ability to have a long-term impact on the Co-operative's performance.

Alignment Rights are comprised of two separate measures, each equally weighted at 50%. The first measure is called the Co-op Unit and the second is the Farm Unit. Further detail on these respective measures and the rationale for inclusion in the scheme is provided in the table below.

The performance period of the plan is typically six years. After completion of the performance period, a cash payment will be made based on the performance of the Co-op Unit and the Farm Unit. The first grant of Alignment Rights, including the value of the Co-op Unit and Farm Unit at grant, was approved by the PCSC and awarded in FY23. The second grant of Alignment Rights was approved by the PCSC and awarded in FY24, and the third grant was approved and awarded in FY25.

Prior to the introduction of Alignment Rights, the CEO and certain members of the FMT participated in the Executive Incentive Plan (EIP). This plan included a deferred component payable three years after grant subject to a performance hurdle. The last grant made under the EIP was for FY22 performance. Recognising the longer performance period of six years under the Alignment Rights plan, those transitioning from the EIP plan (including the CEO) have shorter performance periods for the first two grants. These shorter performance periods are no less than four years.

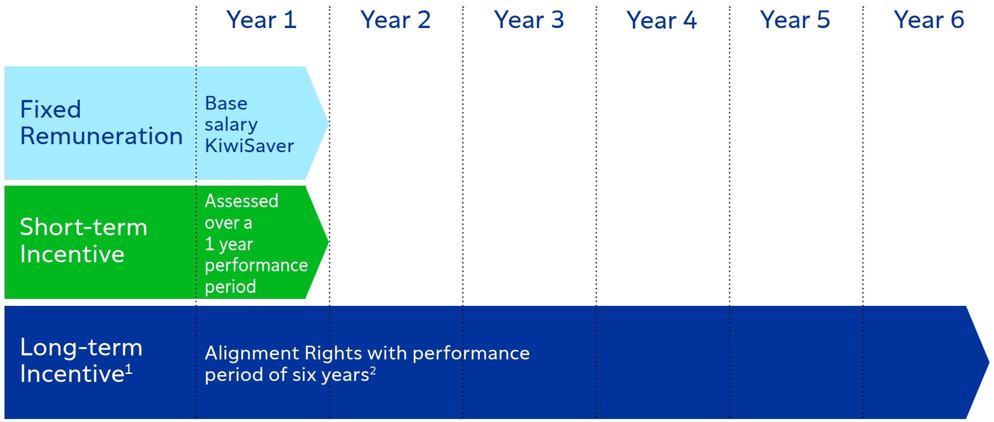
MEASURE	WEIGHTING	FURTHER DETAIL AND RATIONALE FOR MEASURE
Co-op Unit	50%	The value of the Co-op Unit will go up or down based on the performance of a Co-operative share. Dividend equivalent payments and other cash distributions will be made during the performance period to replicate the returns received for a Co-operative share. The Co-op Unit is designed to replicate the returns a farmer shareholder receives and incentivises Enterprise Leaders to focus on the long-term performance of a Co-operative share.
Farm Unit	50%	The Farm Unit is based on the three year average of on-farm profitability per hectare as measured through the DairyNZ Economic Survey. The value of the Farm Unit will go up or down based on on-farm profitability. No dividend equivalent payments or other cash distributions are made on the Farm Unit. The Farm Unit is designed to replicate the change in on-farm profitability over the performance period and incentivises Enterprise Leaders to focus on those factors that influence on-farm profitability for our farmer shareholders.

Chief Executive Officer remuneration

The following section of the remuneration report sets out the remuneration structure, pay mix, and remuneration earned and received by the CEO for FY25.

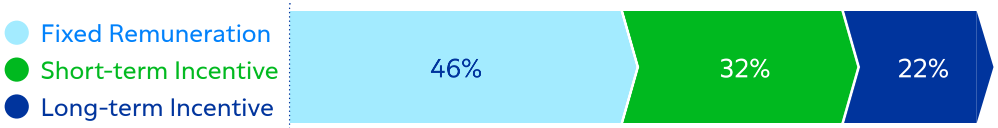
CEO remuneration components and performance period

The diagram below sets out the remuneration structure and delivery timing for the CEO. The same performance periods apply for all Enterprise Leaders.



CEO pay-mix

The remuneration pay-mix graph below shows the percentage of each remuneration element that makes up the CEO's on-target remuneration opportunity for FY25.



1 Eligible for dividend equivalent payments and other cash distributions during the performance period. These would be paid annually to support alignment through the performance period.

2 Recognising the longer performance period of six years under the Alignment Rights plan, those transitioning from the EIP plan (including the CEO) have shorter performance periods for the first two grants. The first grant made to the CEO in FY23 comprised two equally weighted tranches. The first tranche had a performance period of four years, and the second tranche had a performance period of five years. The second grant made to the CEO in FY24 comprised of two equally weighted tranches. The first tranche had a performance period of five years, and the second tranche had a performance period of six years. The performance period for the first tranche of the first grant is due to end in FY27.

Total CEO remuneration paid

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

Miles Hurrell has held the role of CEO for the full financial year.

His annual salary as at 31 July 2025 is $2,463,818. The pay for performance component paid in FY25 includes the FY24 STI, the deferred component of the FY21 EIP which was subject to a performance hurdle being met, and the dividend equivalent payments made on the Co-op Units of the FY23 and FY24 Alignment Rights grants.

Further information on Alignment Rights can be found on page 101 of this report. The remuneration earned by Mr Hurrell in FY25 for the Alignment Rights plan is set out in the next page.

The total remuneration received by Mr Hurrell in FY25 was $6,108,005 as shown in the table below.

FIXED REMUNERATION		PAY FOR PERFORMANCE		TOTAL REMUNERATION PAID IN FY25
Salary	Benefits[1]	Short-term Incentives[2]	Long-term Incentives[3]	
$2,486,780	$177,903	$1,947,441	$1,495,881	$6,108,005

1 Employee Superannuation contribution on salary, Short-term and Long-term Incentive.

2 The value of the Short-term Incentive represents the FY24 Short-term Incentive Plan.

3 The value of the Long-term Incentive represents the deferred component of the FY21 EIP which was subject to a performance hurdle being met and the dividend equivalent payments on the Co-op Units of the Alignment Rights granted 1 October 2022 and 1 October 2023.

Total CEO remuneration earned

Total remuneration earned aligns remuneration outcomes with the performance period in which the remuneration is earned, providing what Fonterra believes is a more transparent indication of pay for performance.

The FY25 STI achievement for Mr Hurrell was $2,503,396, based on a Group Scorecard outcome of 117.6% and an individual multiplier of 1.2. Achievement of the Group Scorecard measures is provided on the next page of this report.

Alignment Rights were awarded to Mr Hurrell during FY25 at a total value at allocation of $1,182,633 (48% of Base Salary), which will be recognised over the service period to 30 September 2027 (adjusted for movements in fair value). The payment date is 30 September 2030. The amounts in the table over the next page represent the fair value of the pro-rata amounts earned by Mr Hurrell in FY25.

The number of Alignment Rights granted to Mr Hurrell during FY25 is provided on the next page.

The deferred component of the FY22 EIP is subject to a performance hurdle of FY25 Group ROC over Milk Price Weighted Average Cost of Capital. Based on achievement against the performance hurdle, maximum payment of $1,353,780 was achieved. This amount has been fully recognised in prior Remuneration Reports within the CEO remuneration earned table, therefore this value is not included below. No further awards have been made under the EIP.

Fonterra believes its reporting approach to total CEO remuneration earned provides the right balance of transparency and disclosure while accurately reflecting the outcomes for FY25.

	FY25
Fixed remuneration	
Salary	$2,486,780
KiwiSaver on salary[1]	$74,603
Pay for performance	
Short-term Incentive	$2,503,396
Long-term Incentive	
Alignment Rights granted payable as cash in future periods[2]	$1,584,625
Dividend Equivalent Payments and cash distributions[3]	$386,164
KiwiSaver on Incentives[1]	$134,226
Total remuneration earned in FY25	**$7,169,794**

1 Employer Superannuation contribution on salary, Short-term and Long-term Incentive.
2 The service period for the FY23, FY24 and FY25 grants ends on 30 September 2025, 30 September 2026 and 30 September 2027 respectively. Amounts recognised in the above table represent the pro-rata amounts earned in FY25, adjusted for movements in fair value of all units. Further information on grants – including grant date, number of units and payment dates can be found on page 104.
3 Dividend equivalent payments and cash distributions on Co-op Units will be made on an annual basis during the performance period, based on the returns received by FSM shareholders. No dividend payments or cash distributions are made on Farm Units. Amount above is exclusive of the final dividend for FY25 which will appear in FY26 earnings.

Group Scorecard achievement

Achievement against the FY25 STI measures is provided in the below table. This Scorecard achievement applies to the CEO, FMT and their senior direct reports.

PILLAR	MEASURES	STI WEIGHTING	WEIGHTED OUTCOME
Financial	Group ROC	30%	37.5%
	FGMP	30%	37.5%
Customer	DIFOT	10%	10.8%
Sustainability	GHG Emissions	10%	11.3%
Innovation	Value from Innovation	10%	10.3%
People	Health and Safety	10%	10.0%
TOTAL SCORECARD OUTCOME (before multiplier)			117.3%
Milk Supply Multiplier			1.0025
TOTAL SCORECARD OUTCOME (after multiplier)[1]			**117.6%**

1 The figures in this table may not sum to the total due to rounding.

Alignment Rights held by the CEO as at 31 July 2025

Mr Hurrell has been awarded three grants under the Alignment Rights Plan. The tables below summarise the number of Co-op Units and Farm Units held at the end of FY24, the number granted during FY25 and the resulting balance at the end of FY25. No payments have been made relating to the Co-op Units and Farm Units included in the below table, other than the dividend equivalent payments as set out in the CEO Remuneration Paid and Earned sections of this report. The value of these units increases or decreases relative to performance of a Co-operative Share (in the case of the Co-op Unit) and relative to on-farm profitability per hectare (in the case of the Farm Unit).

Co-op Unit

						UNIT VALUE[1]	
GRANT DATE	PAYMENT DATE	BALANCE AS AT 31 JULY 2024	UNITS GRANTED DURING FY25	UNITS PAID DURING FY25	BALANCE AS AT 31 JULY 2025	AT GRANT	AT PAYMENT
1 October 2022 (Tranche 1)	30-Sep-26	101,298	–	–	101,298	2.82	–
1 October 2022 (Tranche 2)	30-Sep-27	101,298	–	–	101,298	2.82	–
1 October 2023 (Tranche 1)	30-Sep-28	124,226	–	–	124,226	2.38	–
1 October 2023 (Tranche 2)	30-Sep-29	124,226	–	–	124,226	2.38	–
1 October 2024	30-Sep-30	–	222,299	–	222,299	2.66	–
TOTAL[2]		**451,047**	**222,299**	**–**	**673,346**		

1 Co-op Unit value is based on the 12-month Volume Weighted Average Price of a Co-operative Share.
2 The figures in this table may not sum to the total due to rounding.

Farm Unit

						UNIT VALUE[3]	
GRANT DATE	PAYMENT DATE	BALANCE AS AT 31 JULY 2024	UNITS GRANTED DURING FY25	UNITS PAID DURING FY25	BALANCE AS AT 31 JULY 2025	AT GRANT	AT PAYMENT
1 October 2022 (Tranche 1)	30-Sep-26	106	–	–	106	2,700	–
1 October 2022 (Tranche 2)	30-Sep-27	106	–	–	106	2,700	–
1 October 2023 (Tranche 1)	30-Sep-28	88	–	–	88	3,365	–
1 October 2023 (Tranche 2)	30-Sep-29	88	–	–	88	3,365	–
1 October 2024	30-Sep-30	–	171	–	171	3,454	–
TOTAL[4]		**387**	**171**	–	**558**		

3 Farm Unit value is based on the 3-year average Owner Operator Dairy Operating Profit/ha as published by the DairyNZ Economic Survey.
4 The figures in this table may not sum to the total due to rounding.

Employee remuneration over $100,000

Fonterra operates in a number of countries where remuneration market levels differ widely. During the year ended 31 July 2025, 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:

Rajiv, Auckland

REMUNERATION RANGE (NZD)		NEW ZEALAND HEAD OFFICE[1]	REGIONAL NEW ZEALAND[1]	OFFSHORE[2]	CESSATIONS[3]	TOTAL
$100,000	$110,000	79	1,205	191	67	1,542
$110,000	$120,000	61	1,929	131	65	2,186
$120,000	$130,000	56	1,665	150	52	1,923
$130,000	$140,000	90	933	170	40	1,233
$140,000	$150,000	55	601	191	25	872
$150,000	$160,000	48	620	205	17	890
$160,000	$170,000	53	566	155	21	795
$170,000	$180,000	44	220	135	15	414
$180,000	$190,000	39	164	118	5	326
$190,000	$200,000	61	128	76	7	272
$200,000	$210,000	46	92	81	10	229
$210,000	$220,000	34	74	61	9	178
$220,000	$230,000	26	53	54	7	140
$230,000	$240,000	38	45	47	2	132
$240,000	$250,000	23	34	37	9	103
$250,000	$260,000	24	16	43	1	84
$260,000	$270,000	15	14	23	6	58
$270,000	$280,000	28	16	20	5	69
$280,000	$290,000	19	15	24	3	61
$290,000	$300,000	16	9	16	2	43
$300,000	$310,000	12	12	13	2	39
$310,000	$320,000	18	10	12	1	41
$320,000	$330,000	12	4	11	0	27
$330,000	$340,000	7	4	11	1	23
$340,000	$350,000	4	5	10	2	21
$350,000	$360,000	4	2	9	3	18
$360,000	$370,000	6	12	10	1	29
$370,000	$380,000	4	4	15	2	25
$380,000	$390,000	5	4	6	0	15
$390,000	$400,000	4	5	12	3	24
$400,000	$410,000	3	0	13	1	17
$410,000	$420,000	4	1	5	1	11
$420,000	$430,000	3	2	6	0	11
$430,000	$440,000	4	3	7	1	15
$440,000	$450,000	2	5	6	0	13
$450,000	$460,000	1	2	7	1	11

REMUNERATION RANGE (NZD)		NEW ZEALAND HEAD OFFICE[1]	REGIONAL NEW ZEALAND[1]	OFFSHORE[2]	CESSATIONS[3]	TOTAL
$460,000	$470,000	3	1	6	0	10
$470,000	$480,000	6	0	3	1	10
$480,000	$490,000	3	2	0	1	6
$490,000	$500,000	3	0	4	0	7
$500,000	$510,000	1	1	1	1	4
$510,000	$520,000	2	0	6	0	8
$520,000	$530,000	3	0	4	0	7
$530,000	$540,000	2	0	5	0	7
$540,000	$550,000	2	0	4	1	7
$550,000	$560,000	1	0	2	0	3
$560,000	$570,000	3	0	3	2	8
$570,000	$580,000	0	0	1	0	1
$580,000	$590,000	1	0	0	0	1
$590,000	$600,000	2	0	1	0	3
$600,000	$610,000	1	1	3	0	5
$610,000	$620,000	1	0	1	2	4
$620,000	$630,000	2	0	1	0	3
$630,000	$640,000	0	0	0	1	1
$640,000	$650,000	1	0	2	0	3
$650,000	$660,000	0	0	1	0	1
$660,000	$670,000	1	0	2	1	4
$670,000	$680,000	1	1	0	1	3
$680,000	$690,000	0	0	4	1	5
$690,000	$700,000	1	0	2	0	3
$700,000	$710,000	0	0	1	0	1
$710,000	$720,000	1	0	0	2	3
$720,000	$730,000	0	0	0	2	2
$730,000	$740,000	0	0	0	1	1
$740,000	$750,000	1	0	1	0	2
$750,000	$760,000	1	0	2	0	3
$760,000	$770,000	0	0	1	0	1
$770,000	$780,000	1	0	1	0	2
$780,000	$790,000	0	0	1	1	2
$790,000	$800,000	0	0	1	0	1
$800,000	$810,000	0	0	1	0	1
$810,000	$820,000	1	0	1	0	2

REMUNERATION RANGE (NZD)		NEW ZEALAND HEAD OFFICE[1]	REGIONAL NEW ZEALAND[1]	OFFSHORE[2]	CESSATIONS[3]	TOTAL
$820,000	$830,000	1	0	1	0	2
$850,000	$860,000	1	0	0	0	1
$920,000	$930,000	0	0	2	0	2
$940,000	$950,000	0	0	1	0	1
$990,000	$1,000,000	1	0	1	0	2
$1,000,000	$1,010,000	0	0	1	0	1
$1,060,000	$1,070,000	0	0	0	1	1
$1,100,000	$1,110,000	0	0	2	0	2
$1,180,000	$1,190,000	0	1	0	0	1
$1,220,000	$1,230,000	0	0	0	1	1
$1,270,000	$1,280,000	0	0	1	0	1
$1,350,000	$1,360,000	2	0	0	0	2
$1,380,000	$1,390,000	1	0	0	0	1
$1,420,000	$1,430,000	0	0	1	0	1
$1,460,000	$1,470,000	0	0	1	0	1
$1,470,000	$1,480,000	1	0	0	0	1
$1,500,000	$1,510,000	0	0	1	0	1
$1,570,000	$1,580,000	0	0	1	0	1
$1,600,000	$1,610,000	1	0	0	0	1
$1,910,000	$1,920,000	1	0	0	0	1
$3,620,000	$3,630,000	0	0	1	0	1
$4,000,000	$4,010,000	0	0	0	1	1
$6,100,000	$6,110,000	1	0	0	0	1
Totals		**1,003**	**8,481**	**2,161**	**408**	**12,053**

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, this includes employees in businesses divested part way through the financial year. The amounts paid to former employees include salary and bonuses for the current period and prior period bonuses that have been paid in the current period.

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:

REGION	100K POPULATION
Auckland	1,562
Bay of Plenty	354
Canterbury	1,356
Manawatu-Wanganui	616
Northland	409
Rest of New Zealand	202
Southland	597
Taranaki	1,369
Waikato	3,019
Grand Total	**9,484**

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:

REGION	100K POPULATION
Australia	1,214
Europe	112
Greater China	365
Latin America	14
New Zealand	9,484
Rest of Asia	306
Rest of World	74
United States	76
Cessations	408
Grand Total	**12,053**

Melody & Ted, Auckland

Director remuneration

Our Constitution modifies the Board's discretion to set remuneration of Elected Directors. 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 our Constitution.

The members of the Directors' Remuneration Committee as at 31 July 2025 were Conall Buchanan (Chair), Ellen Bartlett, Simon Couper, Mike Pavletich, Richard Stalker and Shirley Trumper.

Directors and employees only attend Directors' Remuneration Committee meetings at the invitation of the Committee.

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

At the Annual Meeting on 14 November 2024, shareholders approved, on the recommendation of the Directors' Remuneration Committee, the following amounts of remuneration to apply from that date onwards:

	NZD
Chair	498,000 per annum
Elected Directors	202,000 per annum
Discretionary additional payments to the Chair of permanent Board Committees (except when that person is the Chair of the Board, the Chair of the Audit, Finance and Risk Committee, or is already in receipt of a Committee Chair allowance)	38,500 per annum
Discretionary additional payment to the Chair of the Audit, Finance and Risk Committee	53,000 per annum

The Board has approved payment of the discretionary additional payments, at the rates outlined above.

The Board has discretion to set the remuneration of Appointed Directors, with such remuneration not required to be 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. This approach was taken by the Board for FY25.

The People, Culture and Safety Committee and the Chair of the Board have the discretion to allocate a discretionary pool of up to $200,000 per annum to remunerate Directors for additional duties, workload, and responsibilities. In FY25, the People, Culture and Safety Committee and the Chair of the Board approved payments from the discretionary pool to recognise the additional workload undertaken by those Directors who were members of more than three Board Committees during that period (including non-permanent Committees but excluding Board Committees they collected a Chair fee for), a payment to Cathy Quinn to recognise her additional work in relation to the proposed Consumer divestment, and payments to the two Directors resident in Australia (Holly Kramer and Alistair Field) as an allowance for their time travelling to New Zealand on Fonterra business.

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 FY25 are below:

	NZD			
	BOARD FEES	COMMITTEE CHAIR FEES	DISCRETIONARY POOL	TOTAL REMUNERATION
Clinton Dines[1]	56,682			56,682
Alistair Field[2]	134,441		15,000	149,441
Brent Goldsack	200,399		15,000	215,399
Leonie Guiney[3]	56,682			56,682
Bruce Hassall (Chair of the Audit, Finance and Risk Committee)	200,399	52,563	15,000	267,962
Holly Kramer[4] (Chair of the People, Culture and Safety Committee)	200,312	37,566	15,000	252,878
Andy Macfarlane[5] (Chair of the Disclosure Committee)	200,399	27,289	15,000	242,688
Peter McBride (Chair of the Board of Directors)	493,925			493,925
John Nicholls (Chair of the Co-operative Relations Committee)	200,399	38,063	15,000	253,462
Cathy Quinn[6] (Chair of the Strategic Review Committee and Due Diligence Committee)	200,399	38,063	30,000	268,462
Alison Watters (Chair of the Sustainability and Innovation Committee)	200,399	38,063		238,462

1 Mr Dines ceased to be a Director in November 2024.
2 Mr Field commenced as a Director in November 2024. Mr Field's fees vary for this period due to his remuneration being received a month in arrears.
3 Ms Guiney ceased to be a Director in November 2024.
4 Ms Kramer's fees vary for this period due to her remuneration being received a month in arrears.
5 Mr Macfarlane became Chair of the Disclosure Committee on 15 November 2024.
6 Ms Quinn commenced as Chair of the Strategic Review Committee and Due Diligence Committee on 1 November 2024, and ceased to be Chair of the Disclosure Committee on 14 November 2024.

Directors' disclosures

Disclosures of Directors' interests

The Directors have made the following general disclosures of interest during FY25. Italicised positions indicate interests that ceased or were amalgamated during FY25.

DIRECTOR	INTEREST
Alistair Field	
BlueScope Steel Ltd	Non-executive Director
Alcoa Corporation	Non-executive Director
Brent Goldsack	
Henergy Cage-Free Limited (amalgamated April 2024)	*Director*
Leonie Guiney	
Hillcrest Dairy Limited (ceased September 2024)	*Director and Shareholder*
Bruce Hassall	
Vector Limited (ceased September 2024)	*Director*
Holly Kramer	
Nbryo (ceased May 2025)	*Independent Non- Executive Director*
Peter McBride	
Shamrock Fern P and L Ltd	Director and Shareholder
Trinity Lands Limited	Chair
Elliot Trust (ceased February 2025)	*Advisor*
Andy Macfarlane	
W. H. Collins & Co., Limited	Chair
Du Velle Properties Limited	Director
Riverbank Farm (Ashburton) Limited (ceased July 2025)	*Director and Shareholder*
Stoneybeck Holdings Limited (amalgamated)	*Director and Shareholder*
Windwhistle Pastoral Limited (ceased April 2024)	*Shareholder*
John Nicholls	
Valley View Farming Limited	Director and Indirect Shareholder
Taepu Land Limited	Indirect Shareholder
Alison Watters	
Comhla Vet Limited	Chair
Livestock Improvement Corporation Limited (ceased September 2024)	*Director*
LIC Agritechnology Company Limited (ceased September 2024)	*Director*
Agriculture Resources Limited (ceased November 2024)	*Shareholder*

Use of information by Directors

During FY25, 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.

Indemnity and insurance

Fonterra has given indemnities to, and has effected insurance for, the Directors and executives of Fonterra and its related companies, in accordance with section 162 of the Companies Act and clause 35 of Fonterra's Constitution. Except for specific matters that are expressly excluded (such as the incurring of penalties and fines that may be imposed for breaches of law), Directors and executives are indemnified and insured against monetary losses as a result of actions undertaken by them in the course of their duties.

New disclosures of Directors' interests in securities

There were no new disclosures of holdings of Fonterra securities made by Directors during FY25.

Disclosure of Directors' interests in securities transactions

Directors disclosed that they (or their associated persons) acquired or disposed of a relevant interest in financial products during FY25 as follows:

Co-operative Shares transactions

DIRECTOR	NUMBER OF SECURITIES ACQUIRED / (DISPOSED)	CONSIDERATION (NZD)	DATE OF TRANSACTION
Leonie Guiney	27,800	99,524	2 October 2024
Andy Macfarlane	(80,000)[1]	–	31 October 2024
Cathy Quinn	125,000	494,638	17 October 2024
Cathy Quinn	125,000	499,575	18 October 2024
Cathy Quinn	125,000	499,575	18 October 2024

1 Transferred between wholly owned entities.

Unit transactions

DIRECTOR	NUMBER OF SECURITIES ACQUIRED / (DISPOSED)	CONSIDERATION (NZD)	DATE OF TRANSACTION
Andy Macfarlane	(123,724)	–	31 October 2024

Wholesale Bond transactions

DIRECTOR	NUMBER OF SECURITIES ACQUIRED / (DISPOSED)	CONSIDERATION (NZD)	DATE OF TRANSACTION
Cathy Quinn	(8,000,000)[1]	–	8 October 2024
Cathy Quinn	(7,510,000)[1]	–	14 October 2024

1 FCG at 5.08% matured on 19 June 2025.

Quoted Financial Products

The following table identifies the Quoted Financial Products in which each Director has a relevant interest (defined in the Financial Markets Conduct Act 2013) as at 31 July 2025:

DIRECTOR	FSF UNITS	CO-OPERATIVE SHARES
Brent Goldsack	3,493	409,843
Andy Macfarlane	147,041	1,965,990
Peter McBride	129,713	509,730
John Nicholls	–	2,083,000
Cathy Quinn	–	819,280
Alison Watters	9,317	234,737

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. All current Elected Directors have relevant interests in Co-operative shares.

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, and those interests are not disclosed above.

Statutory information

Twenty largest registered shareholders as at 31 July 2025[1]

REGISTERED NAME	NUMBER OF SHARES	%
Fonterra Farmer Custodian Limited - Fund[2]	107,410,984	6.67
Fonterra Farmer Custodian Limited - Market Makers[2]	3,770,589	0.23
Fortuna Group Limited	2,607,323	0.16
Premier Dairies Limited	2,131,483	0.13
NZ Rural Property Trust Nominees Limited – Shenstone	1,600,761	0.09
Trinity Lands Limited	1,320,614	0.08
Lyndhurst Farm Limited	1,309,334	0.08
NZ Rural Property Trust Nominees Limited - Rocklea	1,240,000	0.07
Raymond Ford Seebeck	1,232,378	0.07
Align Farms Limited	1,211,968	0.07
Anne Maureen Janson & Carrol Garth Janson	1,200,000	0.07
Jillian Margaret Harrison & Neville William Harrison & Kelbretar Trustee Limited	1,169,245	0.07
Snow View Dairy Limited	1,161,279	0.07
Melrose Dairy Limited	1,106,700	0.06
Souther Farms NZ Limited	1,096,416	0.06
NZ Rural Property Trust Nominees Limited - Penshurst	1,027,606	0.06
Singletree Dairies 2013 Limited	1,012,776	0.06
Theland Tahi Farm Group Limited	997,218	0.06
Coringa Park Dairies Limited	988,450	0.06
Cumberland Dairy Farm Limited	980,258	0.06

1 The NZX Listing Rules require that Fonterra's annual report contain the names and holdings of the registered holders having the 20 largest holdings of Co-operative shares as at a date not earlier than two months before publication of the annual report. There is a separate requirement in the Financial Markets Conduct Act 2013 to disclose in the annual report those persons who have a relevant interest in Co-operative shares in excess of five per cent (a 'substantial holding'), 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 NZX Listing Rules for those interests to be reported in the annual report.

2 Fonterra Farmer Custodian Limited holds Co-operative shares for the Fonterra Shareholders' Fund, and for the Registered Volume Providers (market makers).

Distribution of shareholders and holdings as at 31 July 2025

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 – 50,000	1,485	15.68	38,477,054	2.39
50,001 – 100,000	2,370	25.03	181,729,004	11.29
100,001 – 200,000	3,111	32.86	442,683,614	27.51
200,001 – 400,000	1,970	20.81	541,484,262	33.65
400,001 and over	532	5.62	404,816,621	25.16
Total	**9,468**	**100**	**1,609,190,555**	**100**

Substantial product holders as at 31 July 2025

According to notices given under the Financial Markets Conduct Act 2013, the following were substantial product holders in Fonterra through having a relevant interest in Co-operative shares:

SUBSTANTIAL PRODUCT HOLDER	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

The total number of Co-operative shares on issue as at 31 July 2025 was 1,609,190,555.

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. Fonterra Farmer Custodian Limited also holds some Co-operative shares for the Registered Volume Providers (market makers) in respect of the Fund.

The substantial product holders listed above and the Registered Volume Providers do not have voting rights (as set out in the Constitution).

Twenty largest registered holders of FCG050 $100 million retail bonds as at 4 August 2025

REGISTERED NAME	NUMBER OF BONDS	%
FNZ Custodians Limited	13,741,000	13.74
Custodial Services Limited	11,414,000	11.41
BNP Paribas Nominees (NZ) Limited – NZCSD	10,919,000	10.92
BNP Paribas Nominees (NZ) Limited – NZCSD	9,971,000	9.97
HSBC Nominees (NZ) Limited O/A Euroclear Bank – NZCSD	9,223,000	9.22
HSBC Nominees (NZ) Limited – NZCSD	8,570,000	8.57
HSBC Nominees (NZ) Limited A/C State Street – NZCSD	7,530,000	7.53
Generate KiwiSaver Public Trust Nominees Limited	6,275,000	6.28
Public Trust	4,404,000	4.40
NZX WT Nominees Limited	2,175,000	2.18
Forsyth Barr Custodians Limited	1,941,000	1.94
FNZ Custodians Limited	1,561,000	1.56
Citibank Nominees (NZ) Limited – NZCSD	1,000,000	1.00
Dunedin City Council	1,000,000	1.00
Rgtkmt Investments Limited	1,000,000	1.00
Forsyth Barr Custodians Limited	825,000	0.83
TEA Custodians Limited Client Property Trust Account – NZCSD	761,000	0.76
JBWere (NZ) Nominees Limited	744,000	0.74
JBWere (NZ) Nominees Limited	500,000	0.50
JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct – NZCSD	400,000	0.40

Distribution of FCG050 $100 million retail bond holders as at 4 August 2025

SIZE OF HOLDING	NUMBER OF BONDHOLDERS	%	NUMBER OF BONDS	%
5,000 – 9,999	4	2.96	28,000	0.03
10,000 – 49,999	79	58.52	1,793,000	1.79
50,000 – 99,999	15	11.11	840,000	0.84
100,000 – 999,999	22	16.30	6,615,000	6.62
1,000,000 and over	15	11.11	90,724,000	90.72
Total	**135**	**100**	**100,000,000**	**100**

Twenty largest registered holders of FCG060 $300 million retail bonds as at 4 August 2025

REGISTERED NAME	NUMBER OF BONDS	%
BNP Paribas Nominees (NZ) Limited	63,169,000	21.06
Custodial Services Limited	59,562,000	19.85
TEA Custodians Limited Client Property Trust Account – NZCSD	42,250,000	14.08
FNZ Custodians Limited	31,744,000	10.58
HSBC Nominees (NZ) Limited A/C State Street – NZCSD	17,200,000	5.73
HSBC Nominees (NZ) Limited – NZCSD	12,000,000	4.00
Forsyth Barr Custodians Limited	11,492,000	3.83
Citibank Nominees (NZ) Limited – NZCSD	10,500,000	3.50
Generate KiwiSaver Public Trust Nominees Limited	9,717,000	3.24
JBWere (NZ) Nominees Limited	4,910,000	1.64
NZPT Custodians (Grosvenor) Limited – NZCSD	4,400,000	1.47
Dunedin City Council	4,000,000	1.33
MT Nominees Limited – NZCSD	3,000,000	1.00
NZX WT Nominees Limited	2,857,000	0.95
Forsyth Barr Custodians Limited	2,443,000	0.81
Investment Custodial Services Limited	1,786,000	0.60
FNZ Custodians Limited	1,723,000	0.57
JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct – NZCSD	1,500,000	0.50
ANZ Custodial Services New Zealand Limited – NZCSD	1,265,000	0.42
Charles Thomas Holbrook Ashworth	1,000,000	0.33

Distribution of FCG060 $300 million retail bond holders as at 4 August 2025

SIZE OF HOLDING	NUMBER OF BONDHOLDERS	%	NUMBER OF BONDS	%
5,000 – 9,999	13	5.86	81,000	0.03
10,000 – 49,999	128	57.66	2,692,000	0.90
50,000 – 99,999	29	13.06	1,600,000	0.53
100,000 – 999,999	32	14.41	9,109,000	3.04
1,000,000 and over	20	9.01	286,518,000	95.51
Total	**222**	**100**	**300,000,000**	**100**

Co-operative status

In accordance with section 10 of the Co-operative Companies Act 1996 (the Co-operative Companies Act), the Directors of Fonterra unanimously resolved on 21 August 2025 that Fonterra was, for FY25, 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).
- throughout that period, not less than 60% 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).

Current credit rating status

S&P Global Ratings' long-term rating for Fonterra is A- with a stable rating outlook. Fitch Ratings' long-term rating is A with a stable rating outlook. Retail Bonds have been rated the same as Fonterra's long-term rating by both S&P Global Ratings and Fitch Ratings.

Stock exchange listings

Fonterra's Co-operative shares are listed and quoted on the NZX Main Board operated by the NZX Limited under the code 'FCG'. In addition, Fonterra has a Non-Standard (NS) designation on the NZX Main Board to notify the market of our unique governance arrangements. Details of the waivers and rulings granted by the NZX in respect of Fonterra's NS designation can be found below and on our website.

Fonterra has two retail bonds listed and quoted on the NZDX under the codes 'FCG050 and 'FCG060". Fonterra also has a Euro Medium Term Note Programme listed on the Singapore Stock Exchange.

As at 31 July 2025, there were 1,609,190,555 Co-operative shares on issue.

Exchange rulings and waivers

As part of Fonterra's migration to the NZX Main Board, Fonterra applied for and was granted a number of rulings and waivers from specific NZX Listing Rules on 17 December 2024. Details of the waivers and rulings granted to Fonterra by NZ RegCo or relied upon by Fonterra during the financial year ended 31 July 2025 are available on our website.

Waiver from NZX Listing Rule 5.1.1

On 17 December 2024, NZ RegCo granted Fonterra a waiver from NZX Listing Rule 5.1.1(b) to permit entry into and performance of its Primary Business Undertakings, these being transactions or series of linked or related transactions entered relating to the purchase and payment by Fonterra for milk or with a customer for the supply of dairy products derived from milk supplied to Fonterra.

The waiver was granted on the conditions that:

- Fonterra's Directors certify to the NZX that the waiver is in the best interests of both Fonterra and its shareholders;
- Fonterra's Directors certify to the NZX that such transactions are in the best interests of Fonterra and its shareholders, do not significantly change the nature of Fonterra's business and be in the ordinary course of business;
- a summary of the core grounds for these certification must be provided to the NZX at the time Fonterra enters into any transactions covered by the waiver, and this summary must be published to the NZX alongside the certification; and
- the waiver, its conditions and the implications of the waiver are disclosed in Fonterra's first annual report following the publication of the waivers dated 17 December 2024.

The waiver does not exempt Fonterra from seeking shareholder approval for any transaction that would significantly change the nature of its business or exceed the thresholds set out in NZX Listing Rule 5.1.1 and the Companies Act. Shareholders continue to retain protections under the Companies Act, including the requirement for special resolution approval for major transactions exceeding 50% of Fonterra's average market capitalisation.

Waiver from NZX Listing Rule 5.2.1

On 17 December 2024, NZ RegCo granted Fonterra a waiver from NZX Listing Rule 5.2.1 to permit it to enter into and perform certain transactions with its Supplying Shareholders without seeking shareholder approval. These transactions include:

- those entered into in the ordinary course of business with all or a number of Supplying Shareholders, where participation and terms are determined according to general criteria applicable to that group; and
- transactions for the purchase and payment of milk supplied by Supplying Shareholders

(known together as the "Exempted Rule 5.2 Transactions")

The waiver was granted on the conditions that:

- Fonterra's Directors certify to NZX that the waiver is in the best interests of both Fonterra and its shareholders;
- Fonterra's Directors certify that the Exempted Rule 5.2 Transactions are not influenced by any undue influence from a Related Party and are conducted on arm's length terms;
- a summary of the core grounds for these certifications must be provided to NZX at the time Fonterra enters into any Exempted Rule 5.2 Transactions, and this summary must be published to the NZX alongside the certification; and
- the waiver, its conditions and the implications of the waiver are disclosed in Fonterra's first annual report following the publication of the waivers dated 17 December 2024.

This waiver acknowledges the co-operative nature of Fonterra's business, where transactions with Supplying Shareholders – including Elected Farmer Directors – are routine and governed by transparent criteria. It ensures that such transactions do not confer special benefits or favourable treatment, and that shareholder protections under the NZX Listing Rules and Companies Act remain in place for any material or non-routine transactions.

NZX trading halts

No trading halts were placed on Fonterra securities by NZX in the financial year ended 31 July 2025.

Donations

Donations of $1,680,317 were made by Fonterra and its subsidiaries during FY25.

This does not include other amounts paid in relation to sponsorship or partnership arrangements.

For further information regarding our Doing Good Together programme and our community partnerships, refer to page 39.

Subsidiary company directors

The following companies were subsidiaries of Fonterra as at 31 July 2025. Directors as of this date are listed below. Those who resigned during the year are denoted with an (R), and alternate Directors are denoted with an (A).

NEW ZEALAND	
Canpac International Limited	B T L Morar , P D Wynen
Dairy Industry Superannuation Scheme Trustee Limited	M A Apiata-Wade, B J Kerr, T P McGuinness, R T Price, S E Pinny, D W C Scott (R), E Y M A El Shall, P D Wynen
Fonterra (Delegated Compliance Trading Services) Limited	G A Duncan, S J Reid
Fonterra (International) Limited	G A Duncan, R T Whiteman
Fonterra (Kotahi) Limited	M R Cronin, A L Palairet
Fonterra (Middle East) Limited	G A Duncan, R T Whiteman
Fonterra (New Zealand) Limited	G A Duncan, R T Whiteman
Fonterra (North Asia) Limited	G A Duncan, S J Reid
Fonterra Brands (New Zealand) Limited	M R Cronin, R J Dedoncker, A B Murray
Fonterra Commodities Limited	G A Duncan, D McGowan
Fonterra Equities Limited	G A Duncan, S J Reid
Fonterra Finance Corporation Limited	G A Duncan, S J Reid
Fonterra Ingredients Limited	G A Duncan, B T L Morar
Fonterra LATAM Brands Limited	G A Duncan, J B Nichols

NEW ZEALAND	
Fonterra Limited	M R Cronin (R) , A van der Nagel (R), P D Murphy (R), C K Kane, A L Palairet
Fonterra PGGRC Limited	G A Duncan, J P Hill
Fonterra TM Limited	G A Duncan, S J Reid
Glencoal Energy Limited	G A Duncan, P D Wynen
Ki Tua Fund GP Limited	R Barrangou, M R Cronin, W F Liao, K Mistry-Mehta
Kotahi GP Limited	M R Cronin, A L Palairet, D J Courtney, R T Whiteman
Kowbucha Limited	J P Hill, K Mistry-Mehta
Lactanol Limited	G A Duncan, B T L Morar
Mainland Group Holdings Limited (previously NZ Milk International Limited)	G A Duncan, H L Moore (R), R J Dedoncker
Milktest GP Limited	P J van Boheemen, P G Brown, R G Townshend, T A Winter, C J Rutherford, A J Wicks
MyMilk Limited	M R Cronin, K F Shaw
New Zealand Dairy Board	G A Duncan, H L Moore
New Zealand Milk Brands Limited	G A Duncan, S J Reid
NZAgbiz Limited	A Douglas, G A Duncan
RD1 Limited	A Douglas, G A Duncan
SAITL Limited	T A Winter, A J Wicks
Whareroa Co-Generation Limited	G A Duncan, P D Wynen

OVERSEAS	
Australasian Food Holdings Pty. Limited [Australia]	R J Dedoncker, G A Duncan
Bonland Cheese Trading Pty. Limited [Australia]	R J Dedoncker, G A Duncan
Dairymas (Malaysia) Sdn Bhd [Malaysia]	A B Murray (R), F Quak, G Thiagarajan, S W Yeo, R J Dedoncker
Darnum Park Pty. Limited. [Australia]	R J Dedoncker, G A Duncan
Fonterra (Brasil) Limitada [Brazil]	R F Aracil Filho, B de Luca Zanatta
Fonterra (Canada), Inc. [Canada]	R J Allen, G A Duncan, B Kipping, A Geraghty
Fonterra (China) Limited [Hong Kong]	M R Cronin, G A Duncan
Fonterra (Europe) Coöperatie U.A. [Netherlands]	M van de Poll, M Bones (R), G A Duncan, D Krabbe
Fonterra (France) SAS [France]	M Bones
Fonterra (Ing.) Limited [Mauritius]	A Aggarwal, T Chow (R), P Ming, R J Allen, C Lee, G Lee, K Lee
Fonterra (Japan) Limited [Japan]	K Kumagai, K Kumagai, A Okuyama, R Whiteman, R Allen, T Kunimoto,
Fonterra (Korea) Limited Liability Company [Korea]	G A Duncan, T Kunimoto
Fonterra (Logistics) Limited [United Kingdom]	M Bones, G A Duncan, T J Mackett
Fonterra (Malaysia) Sdn Bhd [Malaysia] (previously Anmum (Malaysia) Sdn Bhd)	A B Murray (R), F Quak, G Thiagarajan, S W Yeo, R J Dedoncker
Fonterra (Mexico) S.A. de C.V. [Mexico]	L Barona Mariscal (A), F R Camacho (A), G A Duncan, J A Del Rio
Fonterra (SEA) Pte. Ltd. [Singapore]	R Lawn, J Mueller-Leiendecker (R), B K Connolly

OVERSEAS	
Fonterra (Thailand) Limited [Thailand]	R Lawn, K Vunthanadit
Fonterra (USA) Inc. [United States]	R J Allen (R), N R Christiansen, G A Duncan, A Geraghty, B Johnston
Fonterra Australia Pty. Ltd. [Australia]	R J Dedoncker, G A Duncan
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, G A Duncan, S T Y Lam
Fonterra Brands (Malaysia) Sdn Bhd [Malaysia]	A B Murray (R), F Quak, G Thiagarajan, S W Yeo, R J Dedoncker
Fonterra Brands (New Young) Pte. Ltd. [Singapore]	A Aggarwal, Y Li, C Lin, Y Lin, J Ling, S Mantry
Fonterra Brands (Singapore) Pte. Ltd. [Singapore]	Y Nee (R), V Sivaraja, B K Connolly
Fonterra Brands (Thailand) Ltd. [Thailand]	G Julcampa, S Nitkitjatorn, G Tucker, A B Murray
Fonterra Brands (Viet Nam) Company Limited [Vietnam]	A B Murray (R), V Sivaraja, R J Dedoncker, C P Viet, L R T de Silva
Fonterra Brands Indonesia, PT [Indonesia]	D M Irfani, Y Wigneswaran, R Budiyanti, A J T Punongbayan
Fonterra Brands Lanka (Private) Limited [Sri Lanka]	M F Faizal, A B Murray (R), T Salpitikorala, V Sivaraja, R J Dedoncker
Fonterra Brands Manufacturing Indonesia, PT [Indonesia]	M A Nasution, T A B Siswanto, Y Wigneswaran, R Budiyanti

OVERSEAS	
Fonterra Brands Myanmar Co. Ltd. [Myanmar]	G A Duncan, S Nitkitjatorn, C D Wickramanayake
Fonterra Brands Phils. Inc. [Philippines]	R A Mendoza, A B Murray (R), M J S Magsajo, P S Tan, B K Connolly, K F Cillo, J M D Concepcion, R J Dedoncker
Fonterra Chile SpA [Chile]	G A Duncan, J P Egaña Bertoglia (A), R Lavados McKenzie (A), R Sepúlveda Seminario, J B Nichols, A Saffie Vega (A)
Fonterra Commercial Trading (Shanghai) Company Limited [China]	A Aggarwal, G A Duncan, J Dai
Fonterra Dairy Products Philippines Incorporated	J M D Concepcion, R J Dedoncker, P S Tan
Fonterra Dairy Products Indonesia, PT	R Budiyanti, Y Wigneswaran
Fonterra Egypt Limited [Egypt] (in liquidation)	G A Duncan
Fonterra Europe Manufacturing B.V. [Netherlands]	D Krabbe, I Jameel, B Morar
Fonterra Global Business Services Asia Sdn Bhd [Malaysia] (in liquidation)	M B Suzari, G Thiagarajan
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 Insurance Pte. Limited [Singapore] (previously Anchor Insurance Pte. Ltd)	G A Duncan, H N Toh (A), N Weerasooriya, A J Wicks
Fonterra Investments Pty Ltd [Australia]	R J Dedoncker, G A Duncan
Fonterra Microbiome Research Centre (Ireland) Limited [Ireland]	S Allan, M A J Birken, D Krabbe

OVERSEAS	
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 Vietnam Company Limited	R J Dedoncker, D S Roshan, V Sivaraja, C P Viet
Key Ingredients, Inc. [United States]	R J Allen (R), N R Christiansen, G A Duncan, A Geraghty, B Johnston
Kotahi Logistics Australia Pty Limited [Australia]	D Ross, R Howell
Mainland Group (USA) Ltd (previously Ki Tua Fund (US) Limited)	N R Christiansen, G A Duncan
Milk Products Holdings (North America) Inc. [United States]	R J Allen (R), N R Christiansen, A Geraghty, B Johnston
New Tai Milk Products Co. Ltd. [Taiwan]	A Aggarwal, T Chow (R), C Lee, G Lee, K Lee, C Thomas (R), L Yu-Wen, R Allen
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 Products (Ethiopia) SC [Ethiopia]	A B Abubeker, M B Abubeker, M Woodward, G Amade
Newdale Dairies (Private) Limited [Sri Lanka]	M F Faizal, A B Murray (R), T Salpitikorala, V Sivaraja, R Dedoncker
United Milk Tasmania Pty. Limited [Australia]	R J Dedoncker, G A Duncan

In this section

Financial Statements

Katie, Edendale

Independent Auditor's Report

KPMG

To the shareholders of Fonterra Co-operative Group Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 July 2025;
- the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements of Fonterra Co-operative Group Limited (the **Company**) and its subsidiaries (the **Group**) on pages 125 to 176 present fairly, in all material respects:

i. the Group's financial position as at 31 July 2025 and its financial performance and cash flows for the year ended on that date; and

ii. 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 Co-operative Group Limited 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 consolidated financial statements* section of our report.

Our firm has also provided other services to the Group in relation to climate related assurance, farmgate milk price assurance, agreed upon procedures, vendor due diligence in relation to the divestment of the Consumer and associated businesses and have been engaged to provide assurance over the compilation of proforma information in the Notice of Meeting to shareholders. We also performed an audit of the Mainland Group combined and carve-out financial statements in relation to the divestment. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Scoping

The scope of our audit is designed to ensure that we perform adequate work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the financial reporting systems, processes and controls, and the industry in which it operates.

In establishing the overall approach to our audit, we considered the centralised nature of the Group's operations, the risk profile of countries where the Group operates, and changes taking place within the business. We also considered the financial significance of each business unit together with any local statutory audit requirements.

The Group financial statements are a consolidation of over 100 individual subsidiaries and equity accounted investees. We scoped in 6 subsidiaries in New Zealand and Australia to be subject to audit due to their financial significance and risk profile and we undertook audits of these subsidiaries ourselves. In addition, we performed specific risk-focused audit procedures on certain transactions and balances in respect of a further 6 subsidiaries in New Zealand, Australia, Japan, the USA and Singapore. We also identified 10 additional subsidiaries in Indonesia, Netherlands, Malaysia, New Zealand, Philippines, Saudi Arabia, Sri Lanka, Thailand, United Arab Emirates and Vietnam to include in our scoping to provide additional coverage over the Group's revenue and assets.

Taken together, the subsidiaries in scope for the Group audit accounted for 94% of the Group's revenue and 88% of the Group's total assets. For the remaining subsidiaries, we performed analysis at an aggregated Group level to confirm our assessment that there were no significant risks of material misstatement associated with them.

We assigned materiality levels to in scope subsidiaries for performance of audits and specified audit procedures. These were lower than the materiality level for the Group as a whole, ranging from $5 million to $40 million, and determined with reference to the size and risk profile of the subsidiary.

We visited subsidiary locations in New Zealand, Australia, Singapore, China, Malaysia and Taiwan. We held meetings with management responsible for the financial information of all in scope subsidiaries.

We audited the Group consolidation, financial statement disclosures and a number of significant audit areas centrally in New Zealand. These included general IT controls, controls operated through the Group's shared service centre environment, the assessment of held for sale and discontinued operations, revenue recognition, and impairment of goodwill and brands.

Independent Auditor's Report CONTINUED

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 consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $60 million determined with reference to a benchmark of the cost of New Zealand sourced milk. We chose the benchmark because, in our view, this is a key measure of the Group'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 consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the Shareholders as a body may better understand the process by which we arrived at our audit opinion.

Our procedures were undertaken in the context of and solely for the purpose of our audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
Revenue Recognition	
Refer to Note 1 to the financial statements. We considered the recognition of revenue from contracts with key customers and distributors to be a key audit matter due to: – the significance of the Group's $26.4 billion (including $2.3 billion of revenue presented within Discontinued Operations) of revenue to the financial statements as a whole; – the level of judgement involved in establishing the timing and amount of revenue recognised for certain customers and distributors, in particular judgement related to agent versus principal considerations; and – the extent of audit effort required to examine the Group's contracts with customers in the context of the size and complexity of this area, and the requirement under auditing standards for us to consider fraud risk associated with revenue recognition.	The procedures we performed to evaluate whether revenue had been recognised appropriately included: – identifying and testing relevant controls over revenue recognition, and using data analytics routines to evaluate 100% of sales transactions undertaken through the Group's two core ERP systems (representing 92% of Group revenue); – assessing the Group's revenue recognition accounting policies, and evaluating the application of these policies to actual contracts with customers as noted below; – evaluating contractual arrangements with key customers and distributors through discussion with management and inspection of the underlying documentation, as well as sample testing other sales arrangements; and – performing other audit procedures specifically designed to address the risk of management override of controls including journal entry testing, applying particular focus to the timing of revenue transactions. We completed these procedures and have no matters to report.

Independent Auditor's Report CONTINUED

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
Goodwill and Brands	
Refer to Note 12 to the financial statements. We considered the Group's annual impairment testing of goodwill and brands to be a key audit matter due to the significance of the balance of $1.5 billion (including $0.9 billion classified as assets held for sale) to the financial statements as a whole and the level of judgement involved in determining the methodology and assumptions used in the testing. In 2025 the Group reclassified certain assets and liabilities of the Group to held for sale (See key audit matter – held for sale and discontinued operations). Immediately prior to the reclassification to held for sale, relevant brand assets and cash generating units were assessed for indicators of impairment. As a result of this assessment, the Australian cash generating unit (CGU) was assessed for impairment by reference to its fair value less costs of disposal. The Group also tested its consumer & foodservice brands for impairment using the relief from royalty method. Management engaged an independent valuer to assist in determining the fair value of the Australian CGU, and valuation of the brands. We focused our audit effort in respect of goodwill on the Australian CGU, which includes $287 million of goodwill and brands, and on the Anlene brand with a carrying amount of $171m due to its heightened risk of impairment. For the Australian CGU we focused on the following judgements and assumptions the Group applied in their impairment testing: – future maintainable earnings including the impact of the Australian milk price environment, the Long Term Supply Agreements between the Group and Mainland Group Holdings Limited and the effect of standalone costs; – earnings multiple applied with reference to relevant comparable companies; and – the impact of the use of the Bega license and probability weighting applied to possible outcomes. For the Anlene brand we focused on the following assumptions the Group applied in their impairment testing: – local currency sales forecasts and market royalty rates appropriate to each brand; and – terminal growth rates and discount rates.	The procedures we performed to evaluate the impairment assessments included: – assessing whether the methodology adopted was consistent with accepted valuation approaches of IAS 36 Impairment of Assets; – evaluating the significant assumptions by comparing to historical trends, revenue and cashflow forecasts prepared for the purposes of the divestment (including evaluating the impact of the Long Term Supply Agreements and stand-alone costs) and external market data; – comparing the earnings multiple to observed trading multiples using KPMG valuation specialists; – comparing discount rates and terminal growth rates applied to the estimated future cash flows as well as the range of market royalty rates for each brand to relevant benchmarks using KPMG valuation specialists; – challenging the above assumptions and judgements by performing sensitivity analysis, considering a range of likely outcomes based on various scenarios; and – considering the appropriateness of the disclosures in the financial statements. No impairment of goodwill was recognised in respect of the Australian CGU. No impairment was recognised in respect of the Anlene brand. We found the impairment testing methodologies to be consistent with IAS 36. We found the discount rate and terminal growth rate assumptions were in an acceptable range, and that the other significant assumptions were supported by comparison to the sources we considered. For the Australian CGU and Anlene, our scenario analysis indicated that limited headroom exists over the carrying amount of these assets and that adverse movements in key assumptions could have resulted in impairment. We consider the impairment disclosures to be a fair reflection of the underlying impairment tests.

Independent Auditor's Report CONTINUED

KPMG

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
Held for sale and discontinued operations	
Refer to Note 2 to the financial statements. On 31 July 2025, the Group classified the 'Consumer and associated businesses' disposal group as held for sale and recognised the related operations as discontinued. We considered the classification of the disposal group as held for sale and a discontinued operation at 31 July 2025 to be a key audit matter due to: – the magnitude of impact of the classification of the disposal group as held for sale and a discontinued operation on the financial statements. Net assets of $2.8 billion have been reclassified to held-for-sale, representing 34% of the Group's net assets; – the level of judgement involved in determining at the balance date whether the disposal group is available for immediate sale in its present condition and its sale is highly probable of being completed within the next 12 months; – the level of judgment in determining whether the disposal group represents a discontinued operation of the Group; and – the level of judgement and estimates involved in determining the allocation of shared assets to held for sale and the separation of items of profit and loss between continuing and discontinued operations.	Our audit procedures included: – assessing managements technical analysis concluding the disposal group was held for sale at the balance date. This included ensuring the binding offers had been obtained for the perimeter of the Group being marketed by management, at prices that were within the valuation range determined for the disposal group. We inquired with the executive management responsible for the transaction, reviewed the active trade sale programme, and reviewed management papers to the directors of the Group in order to evaluate their commitment at the balance date to the sale of the disposal group to one of the bidders and execution of the transaction within 12 months. We considered outstanding matters required to separate the disposal Group and complete the transaction to assess whether they are usual and customary and would not impede the completion of the transaction. We considered shareholder polling results and the economics of the transaction to evaluate managements assumption that there is sufficient shareholder support at the balance date to approve the transaction; – assessing managements technical analysis concluding the disposal group represents a discontinued operation of the Group as defined by NZ IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. This included assessing the perimeter of the disposal group ensuring it comprised operations and cashflows that can be clearly distinguished operationally and for financial reporting purposes from the Group; – evaluating whether the assets and liabilities of the disposal group had been appropriately combined and recognised as held for sale, including challenging the appropriateness of assumptions underlying the allocation of certain assets. Additionally, evaluating the split of income and expenses between continuing and discontinued operations, considering relationships that will continue with the new owner of the disposal group after its disposal; – evaluating binding offers ensuring the disposal group is recognised at the lower of its carrying amount and fair value less costs of disposal; and – evaluating the presentation of the disposal group as held for sale and discontinued operations in consolidated financial statements of the Group, including the completeness of related disclosures and restatement of comparative information for discontinued operations. The disposal group has been appropriately classified as held for sale and a discontinued operation at the balance date. The allocation of assets and liabilities to held for sale reflects the perimeter of the disposal group, and income and expenses relating to the disposal group have been appropriately presented between continuing and discontinuing operations. The disposal group is appropriately measured at the lower of its carrying amount and fair value less cost of disposal. The disposal group has been appropriately presented in the consolidated financial statements of the Group.

Independent Auditor's Report CONTINUED

Other information

The Directors, on behalf of the Company, are 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 consolidated 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 consolidated financial statements our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders 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 shareholders for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the Company, are responsible for:

- the preparation and fair presentation of the consolidated 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 consolidated set of financial statements that is free from material misstatement, whether due to fraud or error; and
- assessing the ability of the Group 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 consolidated 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board (XRB) website at:
https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1-1/

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

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

For and on behalf of:

KPMG

KPMG
Auckland

24 September 2025

Statement of Financial Position

AS AT 31 JULY

($ MILLION)

	NOTES	2025	2024[1]
ASSETS			
Current assets			
Cash and cash equivalents		**309**	540
Trade and other receivables	17b,19	**1,462**	2,123
Inventories	9	**4,204**	4,405
Derivative financial instruments		**294**	282
Other assets	13	**73**	89
Assets held for sale	2a	**3,815**	3
Total current assets		**10,157**	7,442
Non-current assets			
Inventories	9	**68**	53
Property, plant and equipment	11	**5,595**	6,400
Intangible assets	12	**818**	1,785
Deferred tax assets	16b	**113**	208
Derivative financial instruments		**364**	344
Other assets	13	**411**	447
Total non-current assets		**7,369**	9,237
Total assets		**17,526**	16,679

	NOTES	2025	2024[1]
LIABILITIES			
Current liabilities			
Bank overdraft		**30**	42
Borrowings	6	**470**	1,032
Trade and other payables	10,17b	**4,193**	4,196
Tax payable		**391**	107
Derivative financial instruments		**157**	362
Other liabilities	14	**149**	108
Liabilities held for sale	2a	**969**	–
Total current liabilities		**6,359**	5,847
Non-current liabilities			
Borrowings	6	**2,668**	2,356
Derivative financial instruments		**65**	90
Deferred tax liabilities	16b	**34**	135
Other liabilities	14	**62**	76
Total non-current liabilities		**2,829**	2,657
Total liabilities		**9,188**	8,504
Net assets		**8,338**	8,175
EQUITY			
Subscribed equity	4	**5,064**	5,064
Retained earnings		**3,001**	2,960
Foreign currency translation reserve	20a	**158**	127
Hedge reserves	20a	**11**	(72)
Other reserves		**11**	20
Non-controlling interests		**93**	76
Total equity		**8,338**	8,175

1 Comparative information includes re-presentations for consistency with the current period.

The Board approved and authorised for issue these Financial Statements on 24 September 2025.

For and on behalf of the Board:

Peter McBride
Chairman

Bruce Hassall
Director

Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 JULY
($ MILLION)

	NOTES	2025	2024[1]
Revenue from sale of goods	1	**24,111**	20,423
Cost of goods sold:			
New Zealand sourced cost of milk		***(15,326)***	*(11,679)*
Non-New Zealand sourced cost of milk		***(40)***	*(16)*
Other collection and manufacturing costs		***(6,245)***	*(5,832)*
Increase in inventories		***785***	*99*
Total cost of goods sold[2]	3a	**(20,826)**	(17,428)
Gross profit		**3,285**	2,995
Other operating income		**104**	82
Foreign exchange gains		**9**	11
Operating expenses	3a	**(1,838)**	(1,746)
Net finance costs	7	**(184)**	(156)
Profit before tax from continuing operations		**1,376**	1,186
Tax expense	16	**(372)**	(139)
Profit after tax from continuing operations		**1,004**	1,047
Profit after tax from discontinued operations	2b	**75**	81
Profit after tax		**1,079**	1,128
Cash flow hedges and other costs of hedging, net of tax	20a	**83**	(115)
Net investment hedges and translation of foreign operations, net of tax	20a	**38**	52
Foreign currency translation reserve (losses)/gains transferred to profit or loss	2b,20a	**(7)**	68
Total items that may be reclassified subsequently to profit or loss		**114**	5
Total items that will not be reclassified subsequently to profit or loss		**(4)**	7
Total other comprehensive income		**110**	12
Total comprehensive income		**1,189**	1,140
Earnings per share attributed to equity holders of the Co-operative			
Basic and diluted earnings per share from continuing operations ($)		**0.60**	0.63
Basic and diluted earnings per share from discontinued operations ($)		**0.05**	0.04
Total basic and diluted earnings per share ($)		**0.65**	0.67
Weighted average number of shares (thousands of shares)		**1,606,895**	1,607,734

1 Comparative information includes re-presentations for consistency with the current period.
2 This Statement is presented on a functional basis. The shaded information provides an additional breakdown of cost of goods sold by nature of expense.

Statement of Cash Flows

FOR THE YEAR ENDED 31 JULY
($ MILLION)

	NOTES	2025	2024[1]
Cash flows from operating activities			
Profit after tax		**1,079**	1,128
Adjustments for:			
Net finance costs		**184**	164
Tax expense		**467**	235
Depreciation and amortisation		**635**	627
(Gain)/loss on sale of businesses		**(8)**	66
Other		**70**	70
Total adjustments		**1,348**	1,162
(Increase)/decrease in working capital and other operating activities	15	**(376)**	112
Net taxes paid		**(91)**	(89)
Net cash flows from operating activities		**1,960**	**2,313**
Cash flows from investing activities			
Proceeds relating to divestments	2b	**8**	–
Acquisition of property, plant and equipment		**(650)**	(577)
Acquisition of intangible assets		**(50)**	(73)
Acquisition of investments		**(20)**	(73)
Other cash outflows		**–**	(32)
Other cash inflows		**14**	44
Net cash flows from investing activities		**(698)**	**(711)**

	NOTES	2025	2024[1]
Cash flows from financing activities			
Proceeds from borrowings		**5,548**	2,895
Other cash inflows		**28**	8
Repayment of borrowings		**(5,744)**	(3,806)
Capital return paid	4	**–**	(804)
Dividends paid		**(1,026)**	(925)
Interest paid		**(197)**	(218)
Share buyback		**–**	(4)
Net cash flows from financing activities		**(1,391)**	**(2,854)**
Net decrease in cash		**(129)**	**(1,252)**
Opening cash		**498**	1,750
Effect of exchange rate changes		**4**	–
Closing cash		**373**	**498**
Reconciliation of closing cash to the Statement of Financial Position			
Cash and cash equivalents		**309**	540
Bank overdraft		**(30)**	(42)
Cash balances included in assets and liabilities held for sale	2a	**94**	–
Closing cash		**373**	**498**

1 Comparative information includes re-presentations for consistency with the current period.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 JULY

($ MILLION)

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE CO-OPERATIVE						
	NOTES	SUBSCRIBED EQUITY	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION RESERVE[1]	HEDGE RESERVES[1]	OTHER RESERVES[1]	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As at 1 August 2024		**5,064**	**2,960**	**127**	**(72)**	**20**	**76**	**8,175**
Profit after tax		**–**	**1,038**	**–**	**–**	**–**	**41**	**1,079**
Other comprehensive income		**–**	**–**	**31**	**83**	**(9)**	**5**	**110**
Total comprehensive income		**–**	**1,038**	**31**	**83**	**(9)**	**46**	**1,189**
Transactions with equity holders:								
Dividends paid	5	**–**	**(997)**	**–**	**–**	**–**	**(29)**	**(1,026)**
As at 31 July 2025		**5,064**	**3,001**	**158**	**11**	**11**	**93**	**8,338**
As at 1 August 2023		5,073	2,774	7	43	9	62	7,968
Profit after tax		–	1,074	–	–	–	54	1,128
Transfer between reserves		–	(4)	–	–	4	–	–
Other comprehensive income		–	–	120	(115)	7	–	12
Total comprehensive income		–	1,070	120	(115)	11	54	1,140
Transactions with equity holders:								
Dividends paid	5	–	(884)	–	–	–	(41)	(925)
Dairy Partners Americas Brasil Limitada capital contributions received		–	–	–	–	–	8	8
Derecognition of non-controlling interest in Dairy Partners Americas Brasil Limitada		–	–	–	–	–	(7)	(7)
Share buyback	4	(9)	–	–	–	–	–	(9)
As at 31 July 2024		5,064	2,960	127	(72)	20	76	8,175

1 Comparative information includes re-presentations for consistency with the current period.

Basis of Preparation

FOR THE YEAR ENDED 31 JULY 2025

AT A GLANCE

The basis of preparation describes changes in material accounting policies and significant judgements and estimates that are relevant to the Group's Financial Statements as a whole. Where a policy, judgement or estimate is specific to a particular Note, it is included in the Note to which it relates.

a) About Fonterra

Fonterra Co-operative Group Limited (Fonterra, the Company or the Co-operative) is a multinational dairy co-operative. Fonterra is primarily involved in the collection, manufacture and sale of milk and milk-derived products through its Ingredients, Consumer and Foodservice channels. At 31 July 2025 the Group's Consumer and associated businesses were classified as a disposal group held for sale, which is described throughout these Financial Statements, in particular in Note 2 *Divestments*.

Fonterra is incorporated and domiciled in New Zealand. Fonterra is registered under the Companies Act 1993 and the Co-operative Companies Act 1996, and is an FMC Reporting Entity under the Financial Markets Conduct Act 2013. Fonterra is also required to comply with the Dairy Industry Restructuring Act 2001 (DIRA).

b) Basis of preparation

These Financial Statements comprise Fonterra and its subsidiaries (together referred to as the Group) and the Group's interests in its equity accounted investments.

These Financial Statements:

- Comply with International Financial Reporting Standards (IFRS Accounting Standards);
- Comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS Accounting Standards);
- Have been prepared in accordance with Generally Accepted Accounting Practice (GAAP) applicable to for-profit entities;
- Have been prepared on a historical cost basis except where otherwise stated. Assets and liabilities measured at fair value are summarised in Note 18 *Fair value measurement*; and
- Are presented in New Zealand Dollars ($ or NZD), which is Fonterra's functional currency, and rounded to the nearest million, except where otherwise stated.

Re-presentations

At 31 July 2025, the Group's Consumer and associated businesses were classified as a disposal group held for sale and considered to be a discontinued operation.

- Discontinued operations are presented in a single line item in the Statement of Profit and Loss and Other Comprehensive Income in the current and comparative reporting periods. Comparative period information has been re-presented to reflect the classification of the Consumer and associated businesses as a discontinued operation.

  Refer to Note 2 *Divestments*, Note 22 *Subsidiaries* and Note 23 *Re-presentations* for further information.
- As the Consumer and associated businesses were classified as a disposal group held for sale during the current reporting period, associated amounts are presented in assets held for sale and liabilities held for sale in the Statement of Financial Position at 31 July 2025, and comparative amounts have not been re-presented.

In addition, at each balance date the Group assesses the aggregation and disaggregation of individual line items. For the current year, reserves have been disaggregated into foreign currency reserve, hedge reserve and other reserves. Comparative information has been re-presented for consistency with the current period.

c) Basis of consolidation

In preparing these Financial Statements, subsidiaries are consolidated from the date the Group gains control until the date on which control ceases. The Group's share of results of equity accounted investments are included in the Financial Statements from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. All transactions with subsidiaries are eliminated.

Translation of the Financial Statements into NZD

The assets and liabilities of Group companies whose functional currency is not NZD are translated into NZD at the year-end exchange rate. The revenue and expenses of these companies are translated into NZD at rates approximating those at the dates of the transactions. Exchange differences arising on this translation that are attributable to equity holders of the Co-operative are recognised in the foreign currency translation reserve. On disposal or partial disposal of an entity, the related exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Basis of Preparation CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

d) Material accounting policies

Accounting policies which are considered material to an understanding of the Financial Statements are provided throughout the notes in blue shading.

New and amended accounting standards

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

Accounting standards issued but not yet effective

NZ IFRS 18 *Presentation and Disclosure in Financial Statements* is effective for the year ending 31 July 2028 and will impact the presentation of the Statement of Profit or Loss and Other Comprehensive Income, with an allocation of income and expenses between operating, investing and financing categories, and new sub-totals such as operating profit. Financial performance measures used to explain the Group financial performance in public communications outside the financial statements will also be required to be disclosed, and there is enhanced guidance on the aggregation and disaggregation of information. The Group has made a preliminary assessment of the scope of changes. The detailed impact assessment is yet to be completed.

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 Group.

e) Significant judgements and estimates

In the preparation of these Financial Statements, a number of judgements and estimates have been made. Accordingly, actual outcomes may differ to these estimates.

Information about judgements, estimates and assumptions which are considered material to an understanding of the Financial Statements are provided in the following notes in grey shading.

NOTE		ITEM INVOLVING SIGNIFICANT JUDGEMENT OR ESTIMATION
Note 1	*Segment reporting and revenue*	Revenue recognition for transactions involving distributors
Note 2	*Divestments*	Determining if a disposal group is held for sale and discontinued operations
Note 11	*Property, plant and equipment*	Determining residual values and useful lives
Note 12	*Intangible assets*	Assumptions used in the impairment tests

f) Climate-related uncertainties

Climate change, Fonterra's response, and how farmer shareholders, customers, regulators and others also respond may have significant impacts on the recognised amounts of assets and liabilities.

The Group has a number of climate-related targets, including:

- Reducing its global absolute Scope 1 and 2 greenhouse gas (GHG) emissions by 50.4% by financial year (FY) 2030 (from a FY2018 base year); and
- Reducing its Scope 1 and 3 Forest, Land and Agriculture (FLAG) GHG emissions from dairy by 30% per tonne of fat and protein corrected milk (FPCM) by FY2030 (from a FY2018 base year).

The Group has also committed to exiting coal by FY2037.

While the effects of climate change are a continuing source of uncertainty, climate-related risks and opportunities have been assessed as not having a material impact to the Financial Statements for the year ended 31 July 2025.

Judgements and estimates

The Group has specifically considered the following areas of uncertainty:

Estimated useful lives of property, plant and equipment

The Group revisits the appropriateness of useful life estimates annually as described in Note 11 *Property, plant and equipment*, and has taken into account decarbonisation plans, for example coal boiler assets that will no longer be used following decarbonisation are expected to be fully depreciated by 2037.

Recoverable amounts of assets - impairment assumptions

The Group performs impairment reviews as described in Note 12 *Intangible assets*, and although there have been impairments recognised in the current year, these are not explicitly related to climate change and are attributed to the estimates and assumptions for each cash generating unit as described in Note 12 *Intangible assets*.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2025

Michael, Southland

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025
($ MILLION)

Performance

This section focuses on the Group's financial performance and the returns provided to equity holders.

1 Segment reporting and revenue

AT A GLANCE

This note provides information on the Group's organisational structure and segment performance, from continuing operations, together with information on the Group's external revenue. The Group's reportable segments are Global Markets (excluding the Consumer and associated businesses), Greater China, and Core Operations.

Segment information provided in this note reflects the Group's performance from continuing operations only. The Consumer and associated businesses are considered a discontinued operation and has been excluded from the disclosures in this note (31 July 2024: the Consumer and associated businesses, and the Brazil consumer and foodservice businesses up until the date of its sale). Please see Note 2 *Divestments* for further information about the Group's discontinued operations.

a) Reportable segments

Operating segments reflect the way financial information is regularly reviewed by the Fonterra Management Team (FMT). The FMT is considered to be the Chief Operating Decision Maker (CODM). At 31 July 2025, the FMT consists of the Group's Chief Executive Officer (CEO), Chief Financial Officer, Chief Operating Officer, the President Global Markets - Ingredients, the CEO Greater China (who is also the President Global Foodservice), the Chief Innovation and Brand Officer, the Managing Director People and Culture, the Managing Director Co-operative Affairs and the Managing Director M&A and Strategic Divestments. The Managing Director M&A and Strategic Divestments FMT role was created effective March 2025 to lead the divestment of the Consumer and associated businesses.

The measure of profit or loss used by the FMT to evaluate the underlying performance of operating segments is earnings before interest and tax (EBIT).

At 31 July 2025, the previous Global Markets - Ingredients and Global Markets - Consumer and Foodservice business units (as presented in the 31 January 2025 Interim Financial Statements) have been recombined into one Global Markets business unit, excluding the Consumer and associated businesses. This reflects the previous Managing Director Global Markets - Consumer and Foodservice's appointment as CEO-elect of Mainland Group during the year and their withdrawal from the FMT.

The Group's operating model and the way financial information is presented to the FMT has been updated to align to this new organisational structure. This is now based around the two customer-facing regional business units, Global Markets and Greater China, and Core Operations which comprises:

- Core operating functions which includes New Zealand milk collection, processing operations and assets, and Supply Chain;
- The physical and financial commodity portfolio management function which includes optimising the New Zealand milk pool, product pricing support for the regions, managing Fonterra's dairy and non-dairy price risk and providing price risk management tools to both our customers and farmer shareholders; and
- Fonterra Farm Source™ retail stores.

Corporate Services costs including Innovation and Brand, Group IT and Co-operative Affairs are allocated to Global Markets, Greater China and Core Operations.

The operating model forms the basis for the Group's operating segments.

The Group has identified its reportable segments based on a number of factors, including how the CODM makes decisions about resource allocations and assesses performance. The Group has determined that its reportable segments are Global Markets, Greater China and Core Operations at 31 July 2025. Comparative information within this note has been restated to reflect the change in the Group's reportable segments.

REPORTABLE SEGMENTS	DESCRIPTION
Global Markets	Represents the global Ingredients, Foodservice and residual Consumer channels outside of Greater China.
Greater China	Represents the Ingredients, Foodservice and Consumer channels in Greater China.
Core Operations	Represents core operating functions, the physical and financial commodity portfolio management function and Fonterra Farm Source™ retail stores.

In March 2025, Fonterra announced changes to its FMT aligned with a channel-led structure, effective from 1 August 2025. Two new FMT roles were created to lead the Group's global Foodservice and Ingredients businesses effective 1 August 2025, the President Global Foodservice and the President Global Ingredients. The President Global Foodservice is a dual role held by the CEO Greater China. The President Global Ingredients replaces the President Global Markets - Ingredients FMT role.

The performance of large multinational customers are reported within the reportable segment that they are managed by. This can differ from the geographical region of the destination of goods sold.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

1 Segment reporting and revenue CONTINUED

a) Reportable segments CONTINUED

The performance of the Group's reporting segments includes transactions between the segments for the purchase and sale of goods, which are eliminated at the total Group level. Transactions between Core Operations and the other reportable segments are based on transfer pricing that is indexed where possible to observable market pricing (such as Global Dairy Trade prices). For products with specifications that vary from those with observable market pricing, incremental manufacturing and services costs are included in the transfer price.

External revenue presented in the following tables is determined in accordance with the accounting policy, estimates and judgements set out below. Core Operations includes external revenue together with adjustments to reflect that it acts as an agent for other segments, and the volatility associated with the Group's sales hedging activities.

	YEAR ENDED 31 JULY 2025				
CONTINUING OPERATIONS	GLOBAL MARKETS	GREATER CHINA	CORE OPERATIONS	ELIMINATIONS	TOTAL
Revenue from sale of goods	14,354	7,964	20,430	(18,811)	23,937
Cost of goods sold	(13,172)	(7,170)	(19,240)	18,811	(20,771)
Gross profit	1,182	794	1,190	–	3,166
Operating expenses	(524)	(383)	(931)	–	(1,838)
Other[1]	69	1	43	–	113
Normalised segment EBIT	727	412	302	–	1,441
Add normalisation adjustment[2]					119
Continuing operations EBIT	727	412	302	–	1,560
Other segment information:					
– External revenue					
Ingredients channel revenue	12,505	4,548	32	–	17,085
Foodservice channel revenue[3]	1,487	3,387	(189)	–	4,685
Total continuing external revenue	13,992	7,935	(157)	–	21,770
– Inter-segment revenue	362	29	18,420	(18,811)	–
– Continuing revenue from discontinued operations	–	–	2,341	–	2,341
Continuing operations revenue	14,354	7,964	20,604	(18,811)	24,111
– Depreciation and amortisation	(59)	(26)	(447)	–	(532)
– Share of profit of equity accounted investees	13	–	(3)	–	10

1 Comprises other operating income (inclusive of the share of profit of equity accounted investees) and foreign exchange gains/(losses).

2 Trade terms for sales and purchases between the Group and the Consumer and associated business will change following the divestment. The pricing elements relating to trade terms which are not expected to continue following the divestment have been normalised, and excluded from segment results in this table.

3 Comprises Foodservice and residual Consumer revenues.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

1 Segment reporting and revenue CONTINUED

a) Reportable segments CONTINUED

	YEAR ENDED 31 JULY 2024[4]				
CONTINUING OPERATIONS	GLOBAL MARKETS	GREATER CHINA	CORE OPERATIONS	ELIMINATIONS	TOTAL
Revenue from sale of goods	12,513	6,369	16,977	(15,556)	20,303
Cost of goods sold	(11,388)	(5,493)	(16,074)	15,556	(17,399)
Gross profit	1,125	876	903	–	2,904
Operating expenses	(545)	(375)	(826)	–	(1,746)
Other[1]	53	2	38	–	93
Normalised segment EBIT	633	503	115	–	1,251
Add normalisation adjustment[2]					91
Continuing operations EBIT	633	503	115	–	1,342
Other segment information:					
– External revenue					
Ingredients channel revenue	10,961	3,593	82	–	14,636
Foodservice channel revenue[3]	1,242	2,771	(132)	–	3,881
Total continuing external revenue	12,203	6,364	(50)	–	18,517
– Inter-segment revenue	310	5	15,241	(15,556)	–
– Continuing revenue from discontinued operations	–	–	1,906	–	1,906
Continuing operations revenue	12,513	6,369	17,097	(15,556)	20,423
– Depreciation and amortisation	(54)	(24)	(443)	–	(521)
– Share of profit/(loss) of equity accounted investees	7	(2)	(6)	–	(1)

1 Comprises other operating income (inclusive of the share of profit of equity accounted investees) and foreign exchange gains/(losses).
2 Trade terms for sales and purchases between the Group and the Consumer and associated business will change following the divestment. The pricing elements relating to trade terms which are not expected to continue following the divestment have been normalised, and excluded from segment results in this table.
3 Comprises Foodservice and residual Consumer revenues.
4 Comparative information includes re-presentations for consistency with the current period.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

1 Segment reporting and revenue CONTINUED

b) Revenue

The Group recognises revenue from the sale of products when control of the products transfers to the customer. The transfer of control of products typically occurs at the following times:

– Ingredient products (export sales) – once the products are loaded onto the ship.

– Ingredient products (domestic sales) – on delivery of the products to the customer's designated location.

– Consumer and foodservice products – on delivery of the products to the customer's designated location.

The amount of revenue recognised reflects the consideration that the Group expects to be entitled to for providing the products to the customer. Revenue is measured as the sales price specified in the contract adjusted for pricing adjustments, trade spend and rebates. Pricing adjustments, trade spend and rebates are recognised as deductions from revenue at the time that the related sale is recognised. The estimated amount of the deduction from revenue is based on historical experience and the specific terms of the contracts with customers so that it is highly probable that a significant reversal of revenue recognised will not occur.

For export sales the Group sells a significant proportion of its products on terms that include freight and insurance to the destination port. For these sales the Group has a separate performance obligation to arrange freight and insurance services for the customers after the date at which control of the products passes to the customer. As the Group does not control the freight and insurance services before those services are transferred to the customer, the Group is acting as an agent. Therefore, the Group recognises the net agency fee as revenue when freight and insurance services are made available to customers, usually this is when the products are loaded onto the ship.

The Group offers credit terms which are short-term in nature. In addition, as part of its normal trade terms, the Group receives payments in advance from certain customers. Contracts with customers do not contain significant financing components.

The Group sells products either directly to customers or through distributors. For transactions involving distributors, judgement is required to assess whether:

– Control of the products passes and therefore revenue is recognised when the products are transferred to the distributor, in which case the distributor is the Group's customer; or

– The Group retains control of the products after transfer to the distributor, in which case control of the products does not pass until the products reach the customer in the supply chain who does obtain control of the product. In this situation the customer, referred to as the 'end customer' may be a retailer, reseller or food manufacturer. Revenue is not recognised until the products are transferred to the end customer.

The assessment of whether control of the products passes to the distributor can involve significant judgement. In assessing control, the following indicators are considered:

– The ability to direct the use of the product. This includes consideration of who has the primary responsibility for providing the products to the end customer and whether the Group can restrict who the distributor sells the product to.

– The transfer of inventory risk and demand risk. This includes consideration of the level of, or allowance for, product returns and who bears the residual risk of product expiry.

– The level of support provided by the Group to assist the distributor to on-sell the product. This includes consideration of collaboration on marketing plans, financial support provided by the Group through pricing discounts or funding of promotional activity.

Sales to distributors where significant judgement is involved in determining the timing of revenue recognition are primarily in the Foodservice channel.

Contractual terms vary across markets and sales channels. In most arrangements the contractual terms indicate that the distributor is responsible for providing the products to the end customer and has assumed the inventory risk. The Group often retains price risk through the provision of price discounts, funding promotional activity or influence over price setting. In general, these pricing mechanisms impact the amount of revenue recognised by the Group rather than indicating control of the products is retained.

In order to conclude on the transfer of control of the products the contract must be assessed in its entirety, along with implied contractual terms based on commercial customary practices.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

1 Segment reporting and revenue CONTINUED

b) Revenue CONTINUED

In addition to the segment and channel revenue set out above, revenue is also presented by geography on the basis of the destination of the goods sold. Geographical groupings in the following table are not aligned with the Group's reportable segments.

GEOGRAPHICAL EXTERNAL REVENUE	ASIA (EXCLUDING CHINA)	CHINA	NEW ZEALAND	AMERICAS	REST OF WORLD	TOTAL
Year ended 31 July 2025	**9,101**	**7,131**	**1,332**	**2,545**	**1,661**	**21,770**
Year ended 31 July 2024[1]	7,865	5,629	1,293	2,324	1,406	18,517

1 Comparative information includes re-presentations for consistency with the current period, primarily to exclude the Consumer and associated businesses presented as discontinued operations.

c) Geographical analysis of non-current assets

Geographical groupings in the following table are not aligned with the Group's reportable segments.

GEOGRAPHICAL NON-CURRENT ASSETS	ASIA (EXCLUDING CHINA)	CHINA	NEW ZEALAND	AMERICAS	AUSTRALIA	REST OF WORLD	TOTAL
As at 31 July 2025	**422**	**33**	**5,891**	**5**	**–**	**155**	**6,506**
As at 31 July 2024	732	21	6,357	3	970	180	8,263

RECONCILIATION OF GEOGRAPHICAL NON-CURRENT ASSETS TO TOTAL NON-CURRENT ASSETS	2025	2024
Geographical non-current assets	**6,506**	8,263
Deferred tax assets	**113**	208
Derivative financial instruments	**364**	344
Other financial instruments	**386**	422
Total non-current assets	**7,369**	9,237

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

2 Divestments

AT A GLANCE

This note provides information on components of the Group that have been divested or are held for sale, and discontinued operations.

At 31 July 2025, the Consumer and associated businesses met the criteria to be classified as held for sale and as a discontinued operation which is described further in this note.

The Group completed the sale of the Brazil consumer and foodservice business during the year ended 31 July 2024.

a) Disposal groups held for sale and divestments

A disposal group is a group of assets and liabilities to be disposed of (by sale or otherwise) in a single transaction. A disposal group is classified as held for sale if it is available for immediate sale in its present condition and its sale is highly probable.

Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Immediately prior to being classified as held for sale, the carrying amounts of assets and liabilities in the disposal group are measured in accordance with the applicable accounting policy. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, assets are no longer depreciated or amortised and equity accounted investments are no longer equity accounted.

Assets of disposal groups held for sale are presented in a single line item within current assets, and liabilities of disposal groups held for sale are presented in a single line item within current liabilities. Comparative period information for assets and liabilities held for sale is not re-presented in the Statement of Financial Position.

An asset, investment or group of assets and liabilities (e.g. a business) are derecognised when the Group loses control in a sale transaction. A gain or loss on sale is recognised as the difference between the total sales proceeds and the carrying amount of the assets and liabilities at the date of sale, less transaction and other disposal costs.

Foreign currency translation reserves (and cash flow hedge reserves) recorded in equity and reclassified to profit or loss at sale also form part of the gain or loss on sale.

Judgement is involved in determining whether a disposal group is held for sale at balance date. Significant judgement and estimation has also been applied in attributing amounts to assets and liabilities held for sale.

The major classes of assets and liabilities held for sale are presented in the following table.

ASSETS AND LIABILITIES HELD FOR SALE	2025	2024
Cash and cash equivalents	**94**	–
Trade receivables	**599**	–
Inventory	**986**	–
Property, plant and equipment	**1,071**	–
Intangible assets	**916**	–
Deferred tax assets	**87**	–
Other assets	**62**	3
Total assets held for sale	**3,815**	3
Borrowings	**104**	–
Trade and other payables	**593**	–
Deferred tax liabilities	**164**	–
Other liabilities	**108**	–
Total liabilities held for sale	**969**	–
Net assets held for sale	**2,846**	3

In May 2024, the Group first announced its intention to explore full or partial divestment options for some or all of its global Consumer business, as well as its integrated businesses Fonterra Oceania and Fonterra Sri Lanka. At 31 July 2025, the Group's global Consumer business (excluding Greater China) and Consumer brands, and the integrated businesses in Oceania and Sri Lanka (the Consumer and associated businesses) met the criteria to be classified as held for sale as they are available for immediate sale, and the sale is highly probable. The sale is considered highly probable because binding offers had been received, shareholder approval, regulatory approvals and completion was also expected within twelve months, and separation activities are 'usual and customary'. The significant subsidiaries presented as held for sale are set out in Note 22 *Subsidiaries*.

The amounts presented as held for sale reflect the Consumer and associated businesses under negotiation at 31 July 2025. The carrying values of Asia brands have been allocated to held for sale based on the relative fair values of brands in each region, as described in Note 12 *Intangible assets*.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

2 Divestments CONTINUED

a) Disposal groups held for sale and divestments CONTINUED

At 31 July 2025, the foreign currency transaction reserve attributable to the Consumer and associated businesses was a credit balance of $122 million, which will be reclassified to profit or loss on completion of the sale.

Subsequent event

In August 2025 the Group announced it had agreed to sell the Consumer and associated businesses to B.S.A. SAS (Lactalis). The sale includes the Bega licences held by Fonterra's Australian business and aggregate consideration is $4.22 billion, subject to customary post-completion adjustments. In association with the sale, the Group is targeting a tax free capital return of $2 per Co-operative share. The sale is subject to customary conditions, farmer shareholder approval, separation of the businesses from Fonterra and receipt of regulatory approvals.

The sale now includes a number of changes to what was presented as held for sale at 31 July 2025, which is a non-adjustable subsequent event under NZ IFRS Accounting Standards. Additional net assets with a carrying value of $145 million at 31 July 2025 are not included in the amounts presented as held for sale in the table above, but will be a part of the sale.

b) Discontinued operations

A disposal group that meets the criteria to be classified as held for sale (or has been sold) is a discontinued operation if it represents, or is part of a single co-ordinated plan to dispose of, a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Profit after tax from discontinued operations is presented in a single line item in the Statement of Profit or Loss and Other Comprehensive Income for both the current and comparative year.

Significant judgement and estimation has been applied in attributing amounts to discontinued operations, for example when identifying and attributing avoidable corporate costs to discontinued operations.

During the year, the financial performance of the Consumer and associated businesses was recognised in profit after tax from discontinued operations (31 July 2024: the Consumer and associated businesses, and the Brazil consumer and foodservice business up until the date of its sale).

The summarised financial performance recognised in profit after tax from discontinued operations and net cash generated by the discontinued operations, is presented in the following table.

DISCONTINUED OPERATIONS	2025	2024
Revenue of discontinued operations	5,403	5,051
Elimination of intra-group revenue:		
– Continuing sales to continuing operations	(723)	(574)
– Continuing sales to discontinued operations	(2,341)	(1,906)
Revenue presented in discontinued operations	2,339	2,571
Cost of goods sold of discontinued operations	(4,497)	(4,158)
Elimination of intra-group purchases:		
– Continuing purchases from continuing operations	2,341	1,906
– Continuing purchases from discontinued operations	723	574
Cost of goods sold presented in discontinued operations	(1,433)	(1,678)
Gross profit	906	893
Other operating income	15	9
Operating expenses[1]	(749)	(717)
Net finance costs	(2)	(8)
Profit before tax from discontinued operations	170	177
Tax expense	(95)	(96)
Profit after tax from discontinued operations	75	81
Share of profit attributable to non-controlling interests	–	14
Profit after tax attributable to equity holders of the Co-operative	75	67
Profit after tax from discontinued operations	75	81
Net cash inflow from operating activities	159	204
Net cash outflow from investing activities	(65)	(97)
Net cash outflow from financing activities	(82)	(143)
Net increase/(decrease) in cash generated by the discontinued operations	12	(36)

1 Includes the Consumer and associated businesses divestment transaction costs of $106 million (31 July 2024: $1 million), and foreign currency translation reserve losses transferred to profit or loss of nil (31 July 2024: $68 million loss, on sale of the Brazil consumer and foodservice business).

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

2 Divestments CONTINUED

b) Discontinued operations CONTINUED

The Group will continue to sell and purchase product to and from the Consumer and associated businesses presented in discontinued operations. Intra-group transactions between continuing and discontinued operations have been fully eliminated in the consolidated results: i) the amounts presented in continuing operations presents the continuance of these transactions; and ii) management has presented all eliminations within discontinued operations. The presentation of eliminations in the table above reflects the application of the Basis of Consolidation elimination principles set out in the Basis of Preparation of these Financial Statements. However, the results of discontinued operations do not reflect the revenue and cost of goods sold that would be presented in stand alone financial statements of those businesses.

Included in other cash inflows/(outflows) (31 July 2024: proceeds relating to divestments) within investing activities in the Statement of Cash Flows, amounts relating to divestments include the following.

	2025	2024
Proceeds received	**8**	4
Less: Cash and cash equivalents disposed of	–	(33)
Total proceeds/(outflow)	**8**	(29)

3 Profit before tax from continuing operations

AT A GLANCE

This note provides information on expenses and cost of goods sold by function that have been included in profit before tax from continuing operations (unless otherwise stated), together with additional information on expenses by nature.

Cost of goods sold is primarily made up of New Zealand-sourced cost of milk.

New Zealand-sourced cost of milk includes the cost of milk supplied by farmer shareholders, supplier premiums paid, and the cost of milk purchased from contract milk suppliers during the financial year.

New Zealand-sourced cost of milk supplied by farmer shareholders comprises the volume of milk solids supplied at the Farmgate Milk Price as determined by the Board for the relevant season. In making that determination the Board takes into account the Farmgate Milk Price calculated in accordance with the Farmgate Milk Price Manual, which is independently assured. The Fonterra Farmgate Milk Price Statement sets out information about the Farmgate Milk Price, and how it is calculated. It can be found in the 'Investors/Farmgate Milk Prices/Milk Price Methodology' section of Fonterra's website.

Other collection and manufacturing costs include changes in inventory levels together with purchases of other products, raw materials, packaging, direct labour costs, depreciation and other costs directly incurred to bring inventory to its final point of sale location.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025
($ MILLION)

3 Profit before tax from continuing operations CONTINUED

a) Expenses by function

	2025	2024[1]
Cost of goods sold	**20,826**	17,428
Administrative expenses	**915**	837
Selling and marketing expenses	**366**	369
Distribution expenses	**276**	269
Other operating expenses	**281**	271
Operating expenses	**1,838**	1,746

b) Expenses by nature

COST OF GOODS SOLD	2025	2024[1]
Cost of milk:		
– New Zealand sourced	**15,326**	11,679
– Non-New Zealand sourced	**40**	16
Other ingredient purchases and manufacturing costs	**3,567**	3,165
Employee benefits expense	**1,092**	1,043
Energy costs	**585**	592
Packaging	**354**	354
Storage and distribution	**281**	312
Depreciation and amortisation	**366**	366
Total other collection and manufacturing costs	**6,245**	5,832
Increase in inventories	**(785)**	(99)
Total cost of goods sold	**20,826**	17,428

OPERATING EXPENSES	2025	2024[1]
Employee benefits expense	**826**	776
Storage and distribution	**127**	130
Advertising and promotion	**98**	109
Information technology	**177**	185
Professional and management fees	**185**	207
Depreciation and amortisation	**166**	155
Enterprise Resource Planning system upgrade	**123**	39
Other	**136**	145
Total operating expenses	**1,838**	1,746

The table below presents further information on expenses recognised in the Statement of Profit or Loss and Other Comprehensive Income within both cost of goods sold and operating expenses from continuing operations.

	2025	2024[1]
Total employee benefits expense	**1,918**	1,819
Total depreciation and amortisation expense	**532**	521
Total research and development costs	**103**	99

1 Comparative information includes re-presentations for consistency with the current period.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

3 Profit before tax from continuing operations CONTINUED

c) Fees paid to the auditor and network firms

KPMG has been appointed the Group's external auditor for six consecutive years and the lead audit partner has served for one consecutive year. The Audit, Finance and Risk Committee has overseen compliance with the Group's Audit Independence Policy and approved the performance of permitted non-audit services provided by KPMG during the year in addition to audit, review and audit-related services.

A breakdown of fees paid to the auditor and network firms which are included in the Statement of Profit or Loss and Other Comprehensive Income is presented in the following table. Fees are inclusive of any disbursements.

	$ THOUSANDS	
	2025	2024
Audit and review services		
Audit and review of the Financial Statements of the Group and its subsidiaries:		
– New Zealand	**8,021**	6,524
– Network firms of the auditor	**1,463**	1,362
Audit of Financial Statements relating to the divestment:		
– New Zealand	**3,924**	–
– Network firms of the auditor	**54**	–
Total fees for audit and review services	**13,462**	7,886
Audit and review related services performed by the New Zealand auditor:		
Assurance engagements		
– Farmgate Milk Price Statement	**513**	516
– Shareholder continuity report	**–**	7
– Assurance on the Group Climate Statements	**479**	155
Agreed upon procedures engagements		
– Compliance with banking arrangements[1]	**16**	14
Total fees for audit and review related services	**1,008**	692
Divestment related vendor due diligence[1]		
– New Zealand	**3,667**	–
– Network firms of the auditor	**3,438**	–
Total fees for other services	**7,105**	–
Total fees paid to auditor	**21,575**	8,578

1 Presented in discontinued operations.

Debt and equity

This section outlines the Group's capital structure and the related financing costs. It also provides information on how the funds that finance current and future activities are raised and how the Group manages capital.

4 Subscribed equity instruments

AT A GLANCE

This note provides information on the Group's capital structure, including shares of the Co-operative and Units of the Fonterra Shareholders' Fund.

Subscribed equity instruments comprise Co-operative shares and units in the Fonterra Shareholders' Fund (the Fund). Incremental costs directly attributable to equity transactions are recognised as a deduction from subscribed equity.

Under Fonterra's Flexible Shareholding capital structure farmer shareholders are required to hold their "minimum holding" and no more than their "maximum holding" of shares in accordance with Fonterra's Constitution for the 2025/2026 season by the Compliance Date of 1 December 2025.

Information about the Group's capital structure is available in the 'Investors/Capital Structure' section of Fonterra's website.

a) Co-operative shares, including shares held within the Group

Co-operative shares can be traded between eligible shareholders on the Fonterra Shareholders' Market (a private market operated by NZX Limited). Co-operative shares may only be held by:

- A shareholder supplying milk to Fonterra (farmer shareholder);
- Former farmer shareholders and/or their "permitted transferee(s)" (being a relative of, or someone with a sufficient ownership or control relationship with, a former farmer shareholder) who must dispose of their shares within a specified period after cessation of supply. This "exit period" is determined by when the former farmer shareholder became a farmer shareholder;
- Sharemilkers, contract milkers and lessors who are associated with a farm that supplies milk to Fonterra; and
- Fonterra Farmer Custodian Limited (the Custodian).

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

4 Subscribed equity instruments CONTINUED

a) Co-operative shares, including shares held within the Group CONTINUED

Voting rights are dependent on milk supply supported by Co-operative shares. The rights attaching to Co-operative shares are set out in Fonterra's Constitution, available in the 'Our Co-operative/Governance and Management' section of Fonterra's website.

A reconciliation of movements in shares of the Co-operative is presented in the following table.

	SHARES		$ MILLION	
	2025	2024	**2025**	2024
Co-operative shares				
Co-operative shares on issue at beginning of period	**1,609,190,555**	1,609,244,669	**5,078**	5,078
Shares acquired (and cancelled) under buyback programmes	**–**	(54,114)	**–**	–
Co-operative shares on issue at end of period	**1,609,190,555**	1,609,190,555	**5,078**	5,078
Treasury shares				
Treasury shares at beginning of period	**(5,000,000)**	(2,000,000)	**(14)**	(5)
Additional treasury shares	**–**	(3,000,000)	**–**	(9)
Treasury shares at end of period	**(5,000,000)**	(5,000,000)	**(14)**	(14)
Co-operative shares on issue, excluding treasury shares	**1,604,190,555**	1,604,190,555	**5,064**	5,064

Capital returns

On 18 August 2023 the approved capital return of $804 million was paid to shareholders. 268,208,181 shares were repurchased and cancelled. At the same time, one share held by each shareholder which was not repurchased was subdivided into such number of shares as were repurchased, plus one. Accordingly, there was no change in the number of shares on issue. This capital return is not reflected in the above table as it was accrued at 31 July 2023.

In association with the Consumer and associated businesses sale described in Note 2 *Divestments*, the Group is also targeting a tax free capital return of $2 per Co-operative share. This capital return is not reflected in the above table as it was not accrued at 31 July 2025.

Share buyback programmes and treasury shares

Fonterra allocated up to $50 million to an on-market share buyback programme in August 2023, as part of its ongoing capital management, however this programme was terminated following the announcement to explore divestment options for the global Consumer business.

The treasury shares relate to shares that can be acquired by the Market Makers which the Group is required to fund, with the legal title held by Fonterra Farmer Custodian Limited, but which are treated as treasury shares for accounting purposes. At 31 July 2025, the Market Makers had acquired and the Group had funded 2,863,481 shares (31 July 2024: 1,947,594 shares).

b) Units in the Fonterra Shareholders' Fund (the Fund)

The Custodian holds legal title of Co-operative shares of which the Economic Rights have been sold to the Fund on trust for the benefit of the Fund. Units in the Fund are traded on the New Zealand Stock Exchange (NZX).

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 future, the Board considered it was appropriate to increase the Fund size, it could do so up to the overall Fund size limit (as a percentage of total Co-operative shares on issue) of 10% (31 July 2024: 10%). The current Fund size is 6.7% (31 July 2024: 6.7%). The Fonterra share buyback programmes have not had a material impact on the Fund size as a percentage of the total number of Co-operative shares on issue.

The rights attaching to units are set out in the Fonterra Shareholders' Fund 2025 Annual Report, available in the 'Investors/Fonterra Shareholders' Fund' section of Fonterra's website.

At 31 July 2025, there were 107,410,984 units on issue (31 July 2024: 107,410,984 units).

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

5 Dividends

All Co-operative shares, including those held by the Custodian, are eligible to receive dividends if declared by the Board.

Dividends are recognised as a liability in the Group's Financial Statements in the period in which they are declared by the Board. The Group's Dividend Policy can be found in the 'Investors/Results & Reporting/Dividends & Reinvestment Plan' section of Fonterra's website.

	2025	2024
2025 Interim dividend – 22 cents per share (fully imputed)	**354**	–
2024 Final dividend – 25 cents per share (not imputed)	**402**	–
2024 Special dividend – 15 cents per share (not imputed)	**241**	–
2024 Interim dividend – 15 cents per share (not imputed)	**–**	241
2023 Final dividend – 40 cents per share (not imputed)	**–**	643

Dividend declared after balance date

On 24 September 2025, the Board declared a fully imputed final dividend of 35 cents per share to be paid on 15 October 2025 to all holders of Co-operative shares on issue at 2 October 2025.

6 Borrowings

AT A GLANCE

This note provides information on the Group's borrowings, including movements during the year.

Borrowings (excluding lease liabilities) are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method, with the hedged risks on certain debt instruments measured at fair value.

Lease liabilities are recognised at the commencement date of the lease as the present value of the lease payments over the lease term. The lease payments include the exercise price of a purchase option where the Group is reasonably certain to exercise the option.

The lease payments are discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease term is the non-cancellable period, plus renewal options if they are reasonably certain to be exercised. Once a lease has commenced, the Group will only reassess the lease term on the occurrence of a significant event or change in circumstance that is within its control and affects its ability to exercise, or not exercise, an option not previously included in the lease term.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025
($ MILLION)

6 Borrowings CONTINUED

	2025	2024
Total current borrowings	470	1,032
Total non-current borrowings	2,668	2,356
Total borrowings	3,138	3,388
Bank loans	125	39
Lease liabilities	282	359
NZX-listed bonds	403	98
Medium-term notes	2,328	2,892
Total borrowings[1]	3,138	3,388

1 All borrowings other than lease liabilities are both unsecured and unsubordinated.

A breakdown of movements in total borrowings is presented in the following table.

	2025	2024
Opening balance	3,388	3,941
Proceeds	5,549	2,895
New lease liabilities	85	47
Repayments	(5,828)	(3,643)
Foreign exchange movements	(17)	83
Changes in fair values	48	52
Other	17	13
Transferred to liabilities held for sale	(104)	–
Closing balance	3,138	3,388

During the year total cash payments for leases (including lease liability repayments above, and also short-term and low value leases) were $116 million (31 July 2024: $120 million).

7 Net finance costs

Interest income and expense is recognised on an accrual basis in profit or loss, using the effective interest method.

Finance costs also include the changes in fair value relating to derivatives used to manage interest rate risk, and the associated changes in fair value of the borrowings designated in a hedge relationship attributable to the hedged risk. Information about the Group's hedge accounting policies are included in Note 20 *Hedge accounting*.

	2025	2024[1]
Finance income	13	26
Interest expense[2]	(198)	(194)
Changes in fair value relating to:		
– Borrowings designated in a hedge relationship	(51)	(52)
– Derivatives designated in a hedge relationship	52	66
– Derivatives where hedge accounting has not been applied	–	(2)
Total fair value movements	1	12
Finance costs	(197)	(182)
Net finance costs	(184)	(156)

1 Comparative information includes re-presentations for consistency with the current period.
2 Includes interest expense of $9 million (31 July 2024: $8 million) relating to lease liabilities.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025
($ MILLION)

8 Capital management

AT A GLANCE

This note provides information on measures the Board uses to monitor the Group's capital.

The Group's objectives when managing capital are to maintain an appropriate balance between debt and equity to finance the Group's activities, assets and growth. The Group is not subject to substantive debt covenants or any other externally imposed capital requirements. The Board closely monitors the following non-GAAP measures: adjusted net debt, the gearing ratio, the debt to earnings before interest, tax, depreciation and amortisation (EBITDA) ratio and return on capital.

a) Adjusted net debt, gearing and debt to EBITDA

Adjusted net debt, the gearing ratio and the debt to EBITDA ratio are monitored by the Board and Management and provide useful information aligned with how certain rating agencies calculate these ratios when considering and determining the Group's credit rating.

At 31 July 2025, the Board approved Gearing Policy establishes a maximum adjusted net debt gearing ratio of 45%, with a long-term target range of 30% to 40%, and the Board approved Debt Policy establishes a maximum debt to EBITDA ratio of 3.5x (31 July 2024: 3.75x), with a long-term target range of 2.0 to 3.0x (31 July 2024: 2.5x to 3.0x).

The Adjusted net debt gearing ratio and Debt to EBITDA ratio are presented in the following tables.

	2025	2024
Total borrowings	**3,138**	3,388
Add: Bank overdraft	**30**	42
Less: Cash and cash equivalents	**(309)**	(540)
Add: Borrowings attributable to disposal groups held for sale	**104**	–
Less: Cash and cash equivalents attributable to disposal groups held for sale	**(94)**	–
Add: Cash adjustment of 25% for cash held by subsidiaries (including cash and cash equivalents attributable to disposal groups held for sale)	**49**	47
Less: Derivatives used to manage changes in hedged risks on debt instruments	**(298)**	(332)
Adjusted net debt	**2,620**	2,605
Equity excluding hedge reserves	**8,327**	8,247
Total capital	**10,947**	10,852
Adjusted net debt gearing ratio	**23.9%**	24.0%

	2025	2024[1]
Adjusted net debt	**2,620**	2,605
Profit after tax	**1,079**	1,128
Add: Net finance costs from continuing operations	**184**	156
Add: Net finance costs from discontinued operations	**2**	8
Add: Tax expense from continuing operations	**372**	139
Add: Tax expense from discontinued operations	**95**	96
Total Group EBIT	**1,732**	1,527
Add: Depreciation and amortisation from continuing operations	**532**	521
Add: Depreciation and amortisation from discontinued operations	**103**	106
Less: EBITDA relating to divestments	**–**	(33)
Add: Normalisation adjustments[2]	**106**	66
(Less)/add: Share of (profit)/loss of equity accounted investees	**(10)**	1
Less: Net foreign exchange gains from continuing operations	**(9)**	(11)
Less: Net foreign exchange gains from discontinued operations	**(7)**	(5)
Total Group normalised EBITDA excluding divestments, share of profit of equity accounted investees and net foreign exchange gains/losses	**2,447**	2,172
Debt to EBITDA ratio	**1.1x**	1.2x

1 Comparative information includes re-presentations for consistency with the current period.
2 Comprised of the Consumer and associated business divestment transaction costs (31 July 2024: Loss on sale of the Brazil consumer and foodservice business).

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

8 Capital management CONTINUED

b) Average capital employed and return on capital

Return on capital is calculated as total Group normalised earnings before interest and tax (total Group normalised EBIT) including finance income on long-term advances less a notional tax charge, divided by average capital employed.

The return on capital ratio is reported regularly to key management personnel, and compared against budget and prior years return on capital.

	2025	2024
Adjusted net debt	**2,620**	2,605
Less: Cash adjustment	**(49)**	(47)
Add: Cash and cash equivalents held by subsidiaries for operational purposes	**161**	180
Add: Equity excluding hedge reserves	**8,327**	8,247
Less: Net deferred tax assets	**(79)**	(73)
Capital employed (at 31 July)	**10,980**	10,912
Impact of seasonal variation in capital employed	**1,368**	992
Average capital employed (13 month rolling average)	**12,348**	11,904
Total Group EBIT	**1,732**	1,527
Add: Normalisation adjustments[1]	**106**	66
Total Group normalised EBIT	**1,838**	1,593
Add: Finance income on long-term advances	**8**	14
Less: Notional tax charge[2]	**(498)**	(259)
Total Group normalised EBIT including finance income on long-term advances less notional tax charge	**1,348**	1,348
Return on capital	**10.9%**	11.3%

1 Comprised of the Consumer and associated business divestment transaction costs (31 July 2024: Loss on sale of the Brazil consumer and foodservice business).

2 Consistent with Note 16 *Taxation*, the notional tax charge now includes the tax effect of electing not to take a deduction for distributions to farmer shareholders.

Assets and liabilities

This section provides information about certain elements of the Group's assets and liabilities. This includes:

- Short-term operating assets and liabilities generated by the Group. Movements in these items have a direct impact on the net cash flows generated from operating activities.
- Long-term assets to operate the business and generate returns to equity holders. These assets include physical assets such as land and buildings, and non-physical assets such as right-of-use assets, brands and goodwill.

9 Inventories

Raw materials and finished goods

Raw materials and finished goods are measured at the lower of cost or net realisable value on a first-in-first-out basis.

In the case of manufactured inventories, cost includes all direct costs plus the portion of fixed and variable production overheads incurred in bringing inventories to their present location and condition.

Net realisable value is the estimated selling price, less the costs of completion and selling expenses.

Emissions units

Emissions units are held primarily for compliance purposes, which are measured at the lower of cost or net realisable value on a weighted average cost basis. The Group's obligation to surrender emissions units is included in other current liabilities. Emissions units are derecognised as they are surrendered to settle the Group's emissions obligation.

	2025	2024
Raw materials	**545**	741
Finished goods	**3,642**	3,652
Less: Provision for impairment of raw materials and finished goods	**(86)**	(94)
Emissions units	**171**	159
Total inventories	**4,272**	4,458

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

10 Trade and other payables

Trade and other payables are recognised at the amount invoiced by the vendor and employee entitlements are recognised on an accrual basis. Due to their short-term nature, they are not discounted.

Amounts owing to suppliers are amounts the Group owes to farmer shareholders and New Zealand contract milk suppliers for the collection of milk, which includes end of season adjustments, offset by amounts owing from farmer shareholders for goods and services provided to them by the Group. These amounts are recognised at the net amount due to the supplier for the milk provided.

	2025	2024
Owing to suppliers	**1,820**	1,623
Trade payables	**1,885**	2,120
Employee entitlements	**290**	369
Other	**198**	84
Total trade and other payables	**4,193**	4,196

The Board uses its discretion in establishing the rate at which the Group will pay suppliers for the milk supplied over the season. This is referred to as the advance rate. For the 2025 season, amounts advanced during the financial year as a percentage of the Farmgate Milk Price (per kgMS) were 89% (31 July 2024: 87%). The Fonterra Farmgate Milk Price Statement sets out information about the Farmgate Milk Price as calculated in accordance with the Farmgate Milk Price Manual. It can be found in the 'Investors/Farmgate Milk Prices/Milk Price Methodology' section of Fonterra's website.

11 Property, plant and equipment

AT A GLANCE

This note provides information on owned and leased assets including movements during the year, and capital commitments at the reporting date.

	2025	2024
Property, plant and equipment – owned	**5,370**	6,070
Right-of-use assets – leased	**225**	330
Total property, plant and equipment	**5,595**	6,400

a) Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. Cost includes the purchase consideration and those costs directly attributable to bringing the asset to the location and condition necessary for its intended use. It also includes financing costs directly attributable to the acquisition, production or construction of the asset. Subsequent costs are capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are recognised in profit or loss.

Depreciation

Depreciation is calculated on a straight-line basis to allocate the cost of the asset, less any residual value, over its estimated useful life. The range of estimated useful lives for each class of property, plant and equipment is as follows:

– Land	Indefinite
– Buildings and leasehold improvements	2 to 35 years (31 July 2024: 2 to 35 years)
– Plant, vehicles and equipment	2 to 35 years (31 July 2024: 2 to 35 years)

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

11 Property, plant and equipment CONTINUED

a) Owned assets CONTINUED

Judgement is involved in determining the assets' residual values and useful lives, which are reviewed and adjusted each financial year.

The estimates of useful lives may be impacted by climate-related risks in future and changes in expectations, for example the following events may shorten estimated useful lives of existing assets and result in an acceleration of depreciation:

- Milk supply and demand: In the event milk supply and demand reduce faster than expected, a plant closure may become necessary before the end of an existing asset's useful life; and
- Capital expenditure: In the event regulatory change or other factors require larger or earlier future investments, existing assets may need to be replaced before the end of their useful lives.

The Group's New Zealand ingredients manufacturing sites are utilised as a single network for processing raw milk supply. In estimating useful lives and residual values of its New Zealand ingredients manufacturing assets, the Group has considered the impact of:

- Possible flat or declining milk supply scenarios (together with individual plant peak milk processing requirements);
- Regulatory or environmental matters (such as the New Zealand Government's Emissions Reduction Plan);
- The Group's investment in sustainability, including its decarbonisation plan to exit coal by 2037 and electrification of the vehicle fleet;
- Technological advancements; and
- Changing consumer preferences and market competition.

A breakdown of total owned property, plant and equipment is presented in the following table.

	LAND	BUILDINGS AND LEASEHOLD IMPROVEMENTS	PLANT, VEHICLES AND EQUIPMENT	CAPITAL WORK IN PROGRESS	TOTAL
Net book value					
As at 1 August 2024	384	1,416	3,798	472	6,070
Additions	–	3	3	740	746
Transferred from capital work in progress	26	71	485	(582)	–
Depreciation charge	–	(96)	(366)	–	(462)
Transferred to assets held for sale	(72)	(249)	(607)	(55)	(983)
Other	–	8	(8)	(1)	(1)
As at 31 July 2025	338	1,153	3,305	574	5,370
Represented by:					
Cost	338	2,396	7,974	574	11,282
Accumulated depreciation and impairment	–	(1,243)	(4,669)	–	(5,912)
Net book value					
As at 1 August 2023	378	1,432	3,651	521	5,982
Additions	6	1	4	534	545
Transferred from capital work in progress	–	83	496	(579)	–
Depreciation charge	–	(96)	(352)	–	(448)
Transferred from assets held for sale	–	1	3	–	4
Other	–	(5)	(4)	(4)	(13)
As at 31 July 2024	384	1,416	3,798	472	6,070
Represented by:					
Cost	384	2,744	8,726	472	12,326
Accumulated depreciation and impairment	–	(1,328)	(4,928)	–	(6,256)

Capital commitments

As at 31 July 2025 the Group was committed to spend $325 million (31 July 2024: $229 million), primarily related to buildings, plant, vehicles and equipment.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025
($ MILLION)

11 Property, plant and equipment CONTINUED

b) Leased assets

The Group is a lessee of various types of assets, including buildings, plant, vehicles and equipment. Right-of-use assets reflect the Group's right to use leased assets. Corresponding lease liabilities reflect the present value of the related future lease payments.

Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses. Cost is calculated as the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs required to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use assets are depreciated on a straight-line basis over the lease term, unless the useful life of the asset is less than the lease term or if the Group will own the asset at the end of the lease term. In these situations, the right-of-use asset is depreciated over the useful life of the asset, which is determined on the same basis as those of property, plant and equipment. Right-of-use assets are also adjusted for any impairment losses and certain remeasurements of the lease liability.

The Group enters into lease arrangements for land and buildings with options for renewal that typically run for a period of 3 to 10 years (31 July 2024: 3 to 10 years), however some property leases can run up to a period of 35 years (31 July 2024: 35 years). Lease payment changes are renegotiated at periods specified in the lease contracts and are usually based on local price indices or market rental rates.

Leases for plant, vehicles and equipment typically run for a period of 2 to 5 years (31 July 2024: 2 to 5 years).

Information about right-of-use assets from leases for which the Group is a lessee is presented in the following table.

	NET BOOK VALUE		DEPRECIATION CHARGE	
	2025	2024	**2025**	2024[1]
Land	**26**	22	**3**	2
Buildings	**182**	223	**43**	44
Plant, vehicles and equipment	**17**	85	**6**	11
Total	**225**	330	**52**	57

1 Comparative information includes re-presentations for consistency with the current period.

At 31 July 2025, $88 million has been reclassified as held for sale.

Refer to Note 6 *Borrowings* for information about lease liabilities.

12 Intangible assets

AT A GLANCE

This note provides information on the Group's intangible assets which include goodwill, brands and software assets. Movements during the year and information on the Group's assessment of impairment for continuing operations are also included within this note. An impairment is recognised when the carrying amount of an asset or cash-generating unit (CGU) is greater than its recoverable value.

The significant intangible assets recognised by the Group are goodwill, brands and software assets.

Goodwill

Goodwill represents the premium paid by the Group over the fair value of the Group's share of the net identifiable assets of an acquired business at the date of acquisition. Goodwill is initially recognised at cost and subsequently measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually and is not amortised.

Brands

Brands that are purchased by the Group are initially recognised at cost, or at their fair value if acquired as part of a business combination, and subsequently measured at cost less any impairment losses. A brand is determined to have an indefinite life where there is an intention to maintain and support the brand for an indefinite period.

Indefinite life brands are tested for impairment annually and are not amortised.

Indefinite life brands that have been impaired are reviewed for possible reversal of impairment annually. A reversal of an impairment loss shall not exceed the carrying amount that would have been recognised had no impairment loss occurred in prior years.

Software assets

Software assets, both purchased and internally developed, are capitalised provided there is an identifiable asset that will generate future economic benefits through cost savings or supporting revenue generation. Subsequent costs are capitalised if they extend the useful life or enhance the functionality of the asset.

Software assets are amortised on a straight-line basis over their estimated useful lives of 3 to 10 years (31 July 2024: 3 to 10 years). Software assets are tested for impairment when an indicator of impairment exists.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

12 Intangible assets CONTINUED

Impairment testing

A CGU is tested for impairment when there are indicators of impairment. An impairment test is also completed on an annual basis when a CGU has goodwill or indefinite life intangibles allocated to it. To determine if an asset or CGU is impaired, the carrying amount of the asset or CGU is compared to its recoverable amount, being the higher of its value in use and fair value less costs of disposal. If the carrying amount is higher than the recoverable amount, the CGU is impaired to its recoverable amount.

Uncertainty is involved in estimating value in use and fair value less costs of disposal.

Value in use is determined as the present value of the future cash flows expected to be derived from the CGU. Judgement is involved in estimating future cash flows, discount rates and terminal growth rates. Cash flows are based on approved forecasts which are consistent with the Board approved strategy. Cash flows do not exceed five years, and discount rates are based on external data where possible.

Where the Group has applied the relief from royalty method for valuing its brands, judgement is involved in estimating both forecasted sales growth and royalty rates.

Fair value less costs of disposal reflects the price that would be received to sell the CGU in an orderly transaction between market participants at the measurement date, less the costs of disposal. Fair value has been determined using a market approach, with judgement involved in the estimate of future maintainable earnings and the earnings multiple applied.

A breakdown of total intangible assets is presented in the following table.

	BRANDS	GOODWILL	SOFTWARE	SOFTWARE WIP	OTHER	TOTAL INTANGIBLES
Net book value						
As at 1 August 2024	**1,151**	**320**	**237**	**40**	**37**	**1,785**
Additions	**–**	**–**	**–**	**58**	**–**	**58**
Transferred from work in progress	**–**	**–**	**48**	**(48)**	**–**	**–**
Amortisation	**–**	**–**	**(95)**	**–**	**(5)**	**(100)**
Impairment	**(19)**	**(7)**	**–**	**–**	**–**	**(26)**
Transferred to assets held for sale	**(638)**	**(243)**	**(33)**	**–**	**(2)**	**(916)**
Other	**20**	**(4)**	**1**	**–**	**–**	**17**
As at 31 July 2025	**514**	**66**	**158**	**50**	**30**	**818**
Represented by:						
Cost	**514**	**71**	**1,388**	**50**	**61**	**2,084**
Accumulated depreciation and impairment	**–**	**(5)**	**(1,230)**	**–**	**(31)**	**(1,266)**
Net book value						
As at 1 August 2023	1,161	316	252	82	13	1,824
Additions	–	–	–	40	30	70
Transferred from work in progress	–	–	83	(83)	–	–
Amortisation	–	–	(91)	–	(7)	(98)
Impairment	(31)	–	(2)	–	–	(33)
Other	21	4	(5)	1	1	22
As at 31 July 2024	1,151	320	237	40	37	1,785
Represented by:						
Cost	1,463	657	1,567	40	64	3,791
Accumulated depreciation and impairment	(312)	(337)	(1,330)	–	(27)	(2,006)

Notes to the Financial Statements CONTINUED

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($ MILLION)

12 Intangible assets CONTINUED

a) Goodwill and indefinite life brands

Goodwill and brands are presented in the following table. All brands presented have indefinite lives.

	2025			2024		
	BRANDS	GOODWILL	TOTAL	BRANDS	GOODWILL	TOTAL
Asia brands	394	–	394	600	–	600
Australia CGU	–	–	–	149	138	287
New Zealand consumer and foodservice CGU	–	–	–	282	108	390
NZMP brand	120	–	120	120	–	120
Other CGUs	–	66	66	–	74	74
Total	514	66	580	1,151	320	1,471

b) Impairment testing of goodwill and indefinite life brands

The Group has performed impairment tests for CGUs with goodwill or intangible assets with indefinite useful lives. Annual impairment tests are performed at 31 March.

CGUs and assets of the Group are also assessed for indicators of impairment (or reversal) at 31 July each year. At 31 July 2025, the Consumer and associated businesses brands and goodwill have been classified as held for sale and the assessment set out in this Note supports their measurement immediately prior to being classified as held for sale. Apart from the Australia CGU, no indicators of impairment (or impairment reversal) were identified at the reporting date.

Further information on significant goodwill or indefinite life brands is provided below.

Asia brands

The Asia brands represent the Group's trademarks and other intellectual property in territories outside of New Zealand and Australia, relating to the Anchor™, Anlene™, Anmum™, and Chesdale™ brands.

At 31 July 2025, an independent external valuation was obtained to support the attribution of Asia brands to the Consumer and associated businesses held for sale carrying value (refer to Note 2 *Divestments*). The recoverable amounts in the valuation were calculated by brand, country and channel, are based on fair value less costs of disposal (FVLCD) using unobservable inputs, and would be categorised under Level 3 of the fair value hierarchy.

Using FVLCD at 31 July 2025 is appropriate in light of the planned Consumer and associated businesses divestment. In the year ended 31 July 2024 the annual impairment tests at 31 March 2024 were based on value in use (VIU). The valuation is more recent than the annual impairment tests and forms the basis of disclosure in these Financial Statements.

Both approaches use the relief from royalty method which calculates the present value of notional royalty payments a licensee would theoretically incur to use the brands, adjusted for tax and discounted to present value. For FVLCD, estimated costs of disposal have been deducted.

The key assumption used in the relief from royalty method is the Board approved forecast sales growth over the next year (31 July 2024: next three years).

Growth assumptions for FY27-FY30 reflect long-term inflation expectations on a country-specific basis. The royalty rates applied in the calculation are determined based on comparable market data, and range from 2% to 6% (31 July 2024: 3% to 7%).

Further information on the significant Anchor™ and Anlene™ brands is provided below.

Anchor™ brand

As the brand is sold across a number of markets, all with different characteristics, the range of post-tax discount rates applied was 6.2% to 17.6% (31 July 2024: 8.9% to 28.6%). The range of pre-tax discount rates was 7.2% to 21.5% (31 July 2024: 10.5% to 40.3%). The long-term growth rates applied range from 1.1% to 5.0% (31 July 2024: 1.0% to 4.6%).

No impairment has been recognised (31 July 2024: nil) and no reasonably possible change in key assumptions would cause the carrying value of the brand to exceed its recoverable amount.

At 31 July 2025, the carrying value of Anchor™ is $388 million (31 July 2024: $375 million) of which $38 million has been transferred to assets held for sale.

Anlene™ brand

This brand is sold across a number of markets, all with different characteristics and the range of post-tax discount rates applied was 7.0% to 18.4% (31 July 2024: 8.9% to 28.6%). The range of pre-tax discount rates was 8.1% to 22.5% (31 July 2024: 10.5% to 40.3%). The long-term growth rates applied range from 1.1% to 5.0% (31 July 2024: 1.0% to 4.6%).

No impairment has been recognised (31 July 2024: nil), however any change in assumptions could result in a change in the recoverable amount, in which case an impairment or impairment reversal may be possible.

At 31 July 2025, the carrying value of Anlene™ is $171 million (31 July 2024: $164 million) of which $137 million has been transferred to assets held for sale.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025
($ MILLION)

12 Intangible assets CONTINUED

b) Impairment testing of goodwill and indefinite life brands CONTINUED

Australia CGU

This CGU represents a business which sells dairy products in the ingredients, consumer and foodservice channels, primarily in Australia.

At 31 July 2025, an independent external valuation was obtained to support the recoverable amount of the Australia CGU as there was an indicator of impairment. The recoverable amount in the valuation was based on FVLCD under a market approach using unobservable inputs, which would be categorised under Level 3 of the fair value hierarchy.

Using FVLCD at 31 July 2025 is appropriate in light of the planned Consumer and associated businesses divestment. In the year ended 31 July 2024 the annual impairment test at 31 March 2024 was based on VIU. The valuation is more recent than the annual impairment test and forms the basis of disclosure in these Financial Statements.

At 31 July 2025, the valuation uses a sustainable earnings before interest, tax, depreciation and amortisation (EBITDA) based on expected future maintainable earnings, and an appropriate earnings multiple of between 10.5x and 11.5x based on benchmarking against peers. The expected future maintainable earnings differs from previous experience as it includes estimates of future standalone operating costs and long-term supply arrangements with the Group.

No impairment has been recognised (31 July 2024: nil), however for the purpose of the assessment immediately prior to being classified as held for sale, any adverse change in these assumptions could result in a reduction in the recoverable amount, in which case an impairment may be possible.

At 31 July 2025, this entire CGU has been transferred to assets held for sale.

New Zealand consumer and foodservice CGU

This CGU represents a business which sells dairy products in the consumer and foodservice channels in New Zealand and selected export markets.

The recoverable amount of the business was determined on a FVLCD basis under a market approach and uses unobservable inputs which would be categorised under Level 3 of the fair value hierarchy.

The valuation uses a sustainable EBITDA based on expected future maintainable earnings, and an appropriate earnings multiple based on benchmarking against peers.

No impairment has been recognised (31 July 2024: nil), and for the purpose of the assessment immediately prior to being classified as held for sale, no reasonable possible change in key assumptions would cause the carrying amount to exceed its recoverable amount.

At 31 July 2025, this entire CGU has been transferred to assets held for sale, including $144 million in relation to the Anchor™ brand in New Zealand (in addition to the Asia brand Anchor™ amounts described above).

13 Other assets

AT A GLANCE

This note provides a summary of other asset balances aggregated in the Statement of Financial Position.

A breakdown of other assets is presented in the following table.

	2025	2024
Current		
Tax receivable	**21**	23
Other	**52**	66
Total other current assets	**73**	89
Non-current		
Equity accounted investments	**108**	128
Long-term advances	**153**	163
Ki Tua Fund investments	**64**	61
Other	**86**	95
Total other non-current assets	**411**	447

On 23 January 2020 Fonterra completed the sale of its 50 per cent share of DMV Fonterra Excipients GmbH & Co. KG (DFE Pharma) and the sale proceeds included an interest-bearing loan of $93 million. During the year ended 31 July 2025 $28 million was repaid (31 July 2024: nil). This loan is due for repayment in 2035 or earlier in certain circumstances, or at the borrower's discretion. The amount included within long-term advances at 31 July 2025 is $124 million (31 July 2024: $135 million).

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025
($ MILLION)

14 Other liabilities

AT A GLANCE

This note provides a summary of other liability balances aggregated in the Statement of Financial Position.

A breakdown of other liabilities is presented in the following table.

	2025	2024
Current		
Provisions	**109**	50
Other	**40**	58
Total other current liabilities	**149**	108
Non-current		
Provisions	**61**	72
Other	**1**	4
Total other non-current liabilities	**62**	76

a) Provisions and contingent liabilities

Provisions are recognised in the Statement of Financial Position only where the Group has a present legal or constructive obligation. This obligation must be the result of a past event, when it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Estimates and assumptions are made in determining the likelihood, amount and timing of cash outflows when the outcome is uncertain. Legal counsel or other experts are consulted on matters that may give rise to a provision or a contingent liability.

In the normal course of business, the Group is exposed to claims and legal proceedings that may in some cases result in costs.

Provisions relate to employee benefits (defined benefit scheme obligations, other obligations that fall due on termination of employment, and long-term employee benefits), and other provisions (customs and duties, legal matters, product quality claims and other claims arising in the normal course of business, and onerous contracts). The timing and amount of settlement is uncertain as it depends on factors including, for example, the outcome of judicial proceedings or commercial negotiations relating to each individual claim.

Employee benefit provisions total $59 million (31 July 2024: $60 million). A breakdown of provision movements is presented in the following table.

	2025
As at 1 August 2024	**122**
Additional provisions	**142**
Unused amounts reversed	**(29)**
Utilised during the year	**(30)**
Transferred to liabilities held for sale	**(35)**
As at 31 July 2025	**170**

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

Other

This section contains notes and disclosures that aid in understanding the Group's position and performance, and outlines the key risk management activities undertaken to manage the Group's exposure to financial risk.

15 Net movement in working capital and other operating activities

A breakdown of the (increase)/decrease in working capital and other operating activities from the Statement of Cash Flows is presented in the following table.

	2025	2024
Trade and other receivables	**(122)**	380
Inventories	**(798)**	(109)
Trade and other payables	**589**	(136)
Other movements	**(45)**	(23)
Total (increase)/decrease in working capital and other operating activities	**(376)**	112

This table includes movements in held for sale working capital balances, as these form part of the adjustments presented in the Statement of Cash Flows for the Group.

16 Taxation

AT A GLANCE

This note provides information on income tax that has been recognised in continuing operations in the Statement of Profit or Loss and Other Comprehensive Income and the effective tax rate, together with information on the deferred tax asset and liability in the Statement of Financial Position and movements during the year. This note excludes held for sale balances.

Tax expense comprises current and deferred tax. Tax expense, including the tax consequences of distributions to farmer shareholders, is recognised in profit or loss. The tax consequences of distributions to farmer shareholders are recognised in the year to which the distribution relates. Other than distributions to farmer shareholders, tax consequences of items recognised directly in equity are also recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes. Deferred tax is measured at the tax rate that is expected to apply to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted at balance date.

Deferred tax is not recognised on the following temporary differences:

- The initial recognition of goodwill;
- The initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries and equity accounted investees to the extent that the timing of the reversal is controlled by the Group and it is probable that they will not reverse in the foreseeable future.

In determining the probability of reversal, consideration is taken of whether the related assets are held for sale, future expectations of exiting, and if applicable, the impact any exit would have on the crystallisation of the deferred tax.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

16 Taxation CONTINUED

a) Taxation – Statement of Profit or Loss and Other Comprehensive Income

The total tax expense in profit or loss is summarised in the following table.

	2025	2024[1]
Current tax expense	378	42
Prior period adjustments to current tax	(12)	(6)
Deferred tax movements: Origination and reversal of temporary differences	6	103
Tax expense	372	139

The taxation charge that would arise at the standard rate of corporation tax in New Zealand is reconciled to the tax expense as follows:

	2025	2024[1]
Profit before tax from continuing operations	1,376	1,186
Prima facie tax expense at 28%	385	332
Tax effect of distributions to farmer shareholders	–	(216)
Add: Tax effect of other items	(13)	23
Tax expense from continuing operations	372	139
Effective tax rate	27.0%	11.7%
Imputation credits available for use in subsequent reporting periods	259	47

To allow imputation credits to be allocated to all Co-operative shares, the Group has elected not to take a deduction for distributions to farmer shareholders.

The Group does not expect to be significantly impacted by Pillar II tax reforms and the move towards global minimum tax rates of 15%.

b) Taxation – Statement of Financial Position

The deferred tax assets and deferred tax liabilities in the Statement of Financial Position, along with the net deferred tax, are presented in the following table.

	2025			2024		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX
Property, plant and equipment	128	(244)	(116)	104	(257)	(153)
Intangible assets	–	(89)	(89)	–	(345)	(345)
Derivative financial instruments	–	(8)	(8)	24	–	24
Inventories	140	–	140	165	–	165
Tax losses	–	–	–	193	–	193
Other	161	(9)	152	189	–	189
Total before offsetting	429	(350)	79	675	(602)	73
Offset adjustment	(316)	316	–	(467)	467	–
Total	113	(34)	79	208	(135)	73

	2025	2024
Movements for the year		
Opening balance	73	146
Recognised in profit after tax	(38)	(122)
Recognised in other comprehensive income	(32)	47
Transferred to assets and liabilities held for sale	77	–
Foreign currency translation	(1)	2
Closing balance	79	73

1 Comparative information includes re-presentations for consistency with the current period.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

16 Taxation CONTINUED

b) Taxation – Statement of Financial Position CONTINUED

Deferred tax liabilities

Earnings generated by foreign subsidiaries could be subject to withholding and other taxes on remittance. Deferred tax liabilities are not recognised in respect of unremitted earnings that are considered indefinitely reinvested in foreign subsidiaries.

As at 31 July 2025, unremitted earnings that are considered indefinitely reinvested in foreign subsidiaries amount to $68 million (31 July 2024: $165 million). The Group has made a judgement not to recognise deferred tax liabilities in respect of these amounts because it can control the timing and the manner in which the associated temporary difference will reverse. This includes controlling the timing of dividends, and in the event of divestments, the manner in which divestment proceeds are remitted, and therefore the associated tax consequences.

17 Related party transactions

AT A GLANCE

This note provides details on transactions, balances and commitments with persons or entities that are related to the Group, including key management personnel and equity accounted investees.

a) Key management personnel

Key management personnel comprise members of the Board and members of the FMT.

A number of Board Directors are also farmer shareholders.

Transactions with key management personnel are on normal trade terms and no balances are secured.

	2025	2024
Transactions with key management personnel		
Short-term employee benefits	**23**	20
Long-term employee benefits	**1**	2
Share-based payments	**3**	1
Directors' remuneration	**3**	3
Total key management personnel remuneration	**30**	26
Purchases of goods, primarily milk supplied by farmer shareholder Directors	**165**	119
Sale of goods, primarily sales through Farm Source™ retail stores	**6**	6
Dividends paid to farmer shareholder Directors	**10**	9
Capital return paid to farmer shareholder Directors	**–**	8
Balances with key management personnel		
Total payables and provisions arising from remuneration	**21**	17
Total payables arising from the purchase of goods or services	**19**	15
Total receivables arising from the sale of goods or services	**1**	–

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

17 Related party transactions CONTINUED

a) Key management personnel CONTINUED

During the year ended 31 July 2025 (and the year ended 31 July 2024) Fonterra issued Alignment Rights to FMT under a long-term incentive plan. The value on issuance of these Alignment Rights is split equally between:

- "Co-op Units", where the participant receives distributions during the period of the arrangement and a cash payment equal to the number of rights times the 12-month volume weighted average price of a Co-operative Share. This is a cash-settled share-based payment as the payment is linked to share prices, and is presented as a share-based payment above; and
- "Farm Units", where the participant receives a cash payment equal to the number of rights times the 3-year average owner operator Dairy Operating Profit per hectare, sourced from the Dairy NZ Economic Survey. This is presented as a long-term employee benefit above.

The cost is spread over the 3-year service period, and paid between 4 to 6 years from the date of issue.

b) Equity accounted investees

Transactions with equity accounted investees are on normal trade terms and no balances are secured.

	2025	2024
Transactions with equity accounted investees		
Revenue from the sale of goods and services, primarily for commodity products sold	**35**	21
Other income, primarily dividends and royalties	**15**	11
Purchases of goods, primarily commodity products	**111**	78
Purchases of services, primarily freight services	**117**	198
Contributions paid	**5**	25
Balances with equity accounted investees		
Total receivables arising from the sale of goods or services	**7**	3
Total payables arising from the purchase of goods or services	**6**	10

The Group has prospective commitments with related parties including contracts with equity accounted investees for the sale, supply and purchase of dairy products, energy and the provision of various management services.

The Group has committed to provide funding of up to $50 million to the AgriZero[NZ] joint venture, of which $31 million had been contributed by 31 July 2025 (31 July 2024: $31 million).

In addition, the Group has provided a guarantee on equity accounted investees borrowings of $14 million (31 July 2024: $14 million).

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

18 Fair value measurement

AT A GLANCE

This note provides a summary of assets and liabilities measured at fair value and categorises these into a hierarchy that indicates the extent to which fair value is based on observable information. This note also includes information about the fair value of financial assets and financial liabilities not measured at fair value.

The 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 fair values of financial assets and liabilities are calculated by reference to quoted market prices where that is possible. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If quoted market prices are not available, the methodology used to calculate the fair values of financial assets and liabilities is to identify the expected cash flows under the terms of each specific contract and then discount these values back to the present value. These models use as their basis independently sourced market data where it is available and rely as little as possible on entity-specific estimates.

The calculation of the fair value of financial instruments reflects the impact of credit risk where applicable.

Specific valuation techniques used to value financial instruments include:

- The fair value of foreign exchange contracts is determined using observable currency exchange rates, option volatilities and interest rate yield curves;
- The fair value of interest rate contracts is calculated as the present value of the estimated future cash flows based on observable interest rate yield curves;
- The fair value of commodity contracts that are not exchange traded is determined by calculating the present value of estimated future cash flows based on observable quoted prices for similar instruments; and
- The fair value on the hedged risks of borrowings and long-term advances that are not exchange traded is calculated as the present value of the estimated future cash flows based on observable currency exchange rates and interest rate yield curves.

Fair value hierarchy

The fair value hierarchy described below is used to provide an indication of the level of estimation or judgement required in determining fair value. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value hierarchy for assets and liabilities measured at fair value are presented in the following table.

	LEVEL 1		LEVEL 2		LEVEL 3	
	2025	2024[1]	**2025**	2024[1]	**2025**	2024
Measured at fair value on a recurring basis						
Derivative assets	**141**	35	**517**	591	**–**	–
Derivative liabilities	**(28)**	(77)	**(194)**	(375)	**–**	–
Other	**50**	38	**–**	–	**93**	115
Measured at fair value on a non-recurring basis						
Net assets held for sale	**–**	–	**(2)**	–	**–**	3
Fair value	**163**	(4)	**321**	216	**93**	118

1 Comparative information includes re-presentations for consistency with the current period.

The fair value of financial assets and liabilities not measured at fair value approximates carrying value, except in respect of medium-term notes. The medium-term notes have a carrying value of $2,328 million (31 July 2024: $2,892 million), and their fair value is $2,387 million (31 July 2024: $2,952 million) at level 2 of the fair value hierarchy.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025
($ MILLION)

19 Financial risk management

AT A GLANCE

This note provides information on the Group's financial risks. The Group has exposure to market risk (which includes volatility in foreign exchange, interest rates, and commodity prices), liquidity risk, and credit risk. These risks are managed in accordance with established Group policies and procedures. This note excludes held for sale exposures and balances.

The Group has exposure to the following financial risks:

- Market risk;
- Liquidity risk; and
- Credit risk.

The Group's overall financial risk management programme focuses primarily on maintaining a financial risk profile that provides flexibility to implement the Group's strategies, while optimising return on assets. Financial risk management is centralised, which supports compliance with the financial risk management policies and procedures set by the Board.

The Group uses derivatives, such as forwards, futures, options and swaps to manage its exposure to certain risks as described in this section. Derivatives are measured at fair value.

Measurement differences between derivatives and the associated item being hedged can present volatility in profit or loss. To reduce this volatility the Group applies hedge accounting. Refer to Note 20 *Hedge accounting* for further information.

Market risk

a) Foreign exchange risk

Nature and exposure of risk

Foreign exchange risk is the risk that changes in foreign exchange rates will affect the Group's future cash flows or fair value of financial instruments.

The Group is exposed to movements in foreign exchange rates through transactions and balances denominated in foreign currencies. The Group's exposure to foreign currency before applying risk management strategies are as follows:

- Forecast foreign currency transactions, which predominantly includes the Group's forecast sales transactions which are mainly denominated in United States Dollars;
- Net investments in foreign operations of $1,581 million (31 July 2024: $3,647 million). This amount includes foreign currency receivables and payables, and excludes net investments in foreign operations held for sale and borrowings held by the Group in the same currency as the investment;
- Borrowings denominated in foreign currency of $2,514 million (31 July 2024: $2,920 million); and
- Foreign currency receivables of $1,106 million (31 July 2024: $1,648 million) and payables of $528 million (31 July 2024: $1,022 million).

The concentration of borrowings by currency is presented in the following table.

	2025	2024
United States Dollar	**1,487**	1,459
Australian Dollar	**844**	537
European Euro	**30**	668
New Zealand Dollar	**624**	468
Chinese Renminbi	**18**	195
Other	**135**	61
Total borrowings	3,138	3,388

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025
($ MILLION)

19 Financial risk management CONTINUED

a) Foreign exchange risk CONTINUED

How foreign exchange risk is managed

Forecast foreign currency transactions

The Group enters into foreign currency forward contracts and foreign currency options to manage foreign exchange risk on the following forecast foreign currency transactions:

- Forecast cash receipts from foreign currency sales for a period of up to 18 months within decreasing limits approved by the Board; and
- Up to 100% of other forecast foreign currency transactions.

Foreign operations

The Group also has discretion to use foreign currency denominated borrowings and foreign currency swaps to manage foreign exchange risk on net investments in foreign operations.

Foreign currency denominated borrowings

To the extent the Group has monetary assets in the same foreign currency as the borrowing, the Group has a reduced exposure to foreign exchange risk. Foreign currency gains and losses relating to these balances are offset in profit or loss.

The Group uses cross-currency interest rate swaps (CCIRS) to manage residual foreign exchange and interest rate risk on foreign currency denominated borrowings. CCIRS exchange fixed rate foreign currency borrowings and interest payments into equivalent New Zealand Dollar-denominated amounts of principal with floating interest rates. The Group's policy is to maintain its net exposure to a foreign currency within Board approved predefined limits.

Receivables and payables denominated in foreign currency

In accordance with Board approved policy, the Group enters into foreign currency forward contracts and foreign currency options for 100% of its net foreign currency receivables and payables which generate foreign exchange risk within profit or loss.

Derivatives used to hedge the changes in the value of foreign currency receivables and payables are not hedge accounted. Changes in the fair value of these derivatives provide an offset to the changes in the value of foreign currency receivables and payables recognised in profit or loss. These are recognised within foreign exchange gains/(losses) in the Statement of Profit or Loss and Other Comprehensive Income.

Sensitivity analysis

The following table presents the Group's post-tax sensitivity of financial instruments and net assets held in foreign operations at reporting date, after taking into consideration the impact of hedge accounting, to a reasonably possible strengthening or weakening NZD against foreign currencies. Hedged forecast transactions would offset the equity impacts shown below when incurred.

	2025		2024	
	EQUITY	PROFIT	EQUITY	PROFIT
10% strengthening of the NZD	**802**	**(1)**	421	1
10% weakening of the NZD	**(914)**	**7**	(497)	(1)

b) Interest rate risk

Nature and exposure of risk

Interest rate risk is the risk that changes in interest rates will affect the Group's future cash flows or fair value of financial instruments.

Changes in interest rates expose the Group to changes in the fair value of borrowings subject to fixed interest rates (fair value risk), and changes in future interest payments on borrowings subject to floating interest rates (cash flow risk).

The Group is exposed to movements in interest rates on its interest-bearing borrowings and interest-bearing assets, including cash and cash equivalents. The Group's exposure before applying risk management strategies is $2,706 million (31 July 2024: $2,727 million).

How interest rate risk is managed

The Group issues fixed and floating rate debt and uses interest rate swaps (IRS) to manage interest rate exposure on its borrowings within a Board approved target ratio of fixed and floating rate exposure.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

19 Financial risk management CONTINUED

b) Interest rate risk CONTINUED

Sensitivity analysis

The following table presents the Group's post-tax sensitivity of floating rate financial instruments and of the fair value of fixed rate financial assets and liabilities held at reporting date to a reasonably possible change in interest rates. This analysis assumes that the amount and mix of fixed and floating rate debt remains unchanged from that in place at reporting date, and that the change in interest rates is effective from the beginning of the year.

	2025		2024	
	EQUITY	PROFIT	EQUITY	PROFIT
100 basis point increase	**40**	**1**	44	1
100 basis point decrease	**(41)**	**(1)**	(45)	(1)

c) Commodity price risk

Nature and exposure of risk

Commodity price risk is the risk that changes in commodity prices will affect the Group's future cash flow or fair value of financial instruments.

The Group is exposed to dairy commodity price risk through changes in selling prices and the cost of milk. In addition, the Group is a large purchaser of electricity, diesel and emissions units and is exposed to changes in the cost of these commodities.

How commodity price risk is managed

Dairy commodity price risk

The Group manages its exposure to dairy commodity price risk by:

- Determining the most appropriate mix of products to manufacture based on expected milk supply and global demand for dairy products;
- Governing the length and terms of sales contracts, so that sales revenue is reflective of current market prices and is, where possible, linked to Global Dairy Trade prices; and
- Using dairy commodity derivative contracts to obtain a certain price for future sales, or the cost of milk, to manage margin risk. The markets for dairy commodity derivatives are relatively limited, which reduces the ability to manage earnings volatility. As markets for these derivatives grow, the use of dairy commodity derivatives to manage dairy commodity price risk may increase.

Other commodity price risk

The Group manages its exposure to other commodity price risk through the use of derivative contracts to hedge the cost of electricity and diesel and the pre-purchase of emissions units to hedge the cost of emissions units. These are transacted at Board approved levels.

Sensitivity analysis

The following table presents the Group's post-tax sensitivity on its commodity derivatives, after taking into consideration the impact of hedge accounting, from a reasonably possible increase or decrease in commodity prices, with all other variables held constant. Commodity price sensitivity arises from the revaluation of derivative assets and liabilities in the Statement of Financial Position at balance date. Hedged forecast transactions would offset the equity impacts shown below when incurred.

	2025		2024	
	EQUITY	PROFIT	EQUITY	PROFIT
10% increase in commodity prices	**56**	**(31)**	54	(27)
10% decrease in commodity prices	**(55)**	**31**	(55)	28

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025
($ MILLION)

19 Financial risk management CONTINUED

Liquidity risk

Nature and exposure of risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The following table sets out the contractual, undiscounted cash flows for the Group's financial instruments.

	2025					
	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	3 MONTHS OR LESS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS
Non-derivative financial liabilities						
Borrowings						
– Bank loans	(125)	(126)	(1)	(125)	–	–
– Lease liabilities	(282)	(360)	(18)	(47)	(202)	(93)
– NZX-listed bonds	(403)	(464)	–	(116)	(348)	–
– Medium-term notes	(2,328)	(2,711)	(21)	(269)	(2,016)	(405)
Bank overdraft	(30)	(30)	(30)	–	–	–
Trade and other payables (excluding employee entitlements)	(3,903)	(3,903)	(3,823)	(5)	(75)	–
Other	(12)	(26)	(25)	–	(1)	–
Total non-derivative financial liabilities	(7,083)	(7,620)	(3,918)	(562)	(2,642)	(498)
Derivative financial instruments						
Gross settled derivatives						
Inflow		27,162	11,606	10,973	4,178	405
Outflow		(26,799)	(11,626)	(10,951)	(3,827)	(395)
Total gross settled derivative financial instruments	326	363	(20)	22	351	10
Net settled derivatives	110	110	92	1	17	–
Total financial liabilities and derivatives	(6,647)	(7,147)	(3,846)	(539)	(2,274)	(488)

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

19 Financial risk management CONTINUED

	2024[1]					
	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	3 MONTHS OR LESS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS
Non-derivative financial liabilities						
Borrowings						
– Bank loans	(39)	(39)	(9)	(30)	–	–
– Lease liabilities	(359)	(413)	(21)	(56)	(200)	(136)
– NZX-listed bonds	(98)	(106)	–	(4)	(102)	–
– Medium-term notes	(2,892)	(3,294)	(21)	(1,002)	(1,795)	(476)
Bank overdraft	(42)	(43)	(10)	(33)	–	–
Trade and other payables (excluding employee entitlements)	(3,827)	(3,827)	(3,759)	–	(68)	–
Other	(15)	(29)	(25)	–	(4)	–
Total non-derivative financial liabilities	(7,272)	(7,751)	(3,845)	(1,125)	(2,169)	(612)
Derivative financial instruments						
Gross settled derivatives						
Inflow		23,615	10,241	9,616	3,282	476
Outflow		(23,493)	(10,322)	(9,719)	(3,111)	(341)
Total gross settled derivative financial instruments	65	122	(81)	(103)	171	135
Net settled derivatives	109	113	10	101	2	–
Total financial liabilities and derivatives	(7,098)	(7,516)	(3,916)	(1,127)	(1,996)	(477)

1 Comparative information includes re-presentations for consistency with the current period.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

19 Financial risk management CONTINUED

How liquidity risk is managed

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has a Board approved policy in place to ensure that it has sufficient cash or facilities on demand to meet expected operational expenses for a period of at least 80 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In such situations back-up funding lines are maintained and as set out in Fonterra's Constitution, the Group can defer payments to farmer shareholders if necessary.

The Group manages its liquidity by retaining cash and marketable securities, and the availability of funding from an adequate amount of committed credit facilities. The Group would also be able to close out market positions if necessary. The Group's funding facilities are reviewed at least annually, which is one of the key financial risk management activities undertaken to ensure an appropriate maturity profile given the nature of the Group's business. At balance date the Group had undrawn lines of committed credit totalling $3,700 million (31 July 2024: $2,950 million).

Liquidity and refinancing risks are also managed by ensuring that the Group can maintain access to funding markets throughout the world. To that end, the Group maintains debt issuance programmes in a number of key markets and manages relationships with international investors.

The Group has no significant concentrations of liquidity exposure.

Credit risk

Nature and exposure of risk

Credit risk is the risk of loss to the Group due to customer or counterparty default on the Group's receivable balances. The Group's maximum exposure to credit risk is represented by the carrying amounts of cash and cash equivalents, trade and other receivables, long-term advances and derivative assets.

The Group has no significant concentrations of credit risk.

How credit risk is managed

The Group sets minimum credit quality requirements, credit limits and uses other credit mitigation tools to manage its credit risk. The Group's Board approved policy is to actively manage its exposure to credit risk through the following actions.

Derivative contracts, cash and cash equivalents and other balances

– Use of financial counterparties that have a credit rating of at least 'A-' from S&P Global Ratings (or equivalent);

– Use of commodity counterparties that have a credit rating of at least 'BBB-' from S&P Global Ratings (or equivalent) for commodity derivative contracts; and

– Posting or receiving margin in respect of derivative contracts transacted on exchanges.

As at 31 July 2025 the Group received $44 million (31 July 2024: posted $106 million) of margin as collateral for derivative financial instruments transacted on exchanges. This collateral is included in other payables within trade and other payables (31 July 2024: other receivables within trade and other receivables).

The Group further manages its credit risk through the following:

Trade and other receivables

– Application of credit limits, and credit mitigation tools, such as letters of credit.

Long-term advances

– Counterparty creditworthiness is assessed before the commencement of any long-term advances. Depending on the nature and amount of the advance, they are subject to Board approval. The collectability of long-term advances is monitored on a regular basis.

Expected credit losses on trade and other receivables

The Group recognises an allowance for expected credit losses based on the lifetime expected credit losses at balance date for trade receivables, and for other receivables if the credit risk has increased significantly since initial recognition. The allowance for expected credit losses for other amounts receivable, if the credit risk has not increased significantly since initial recognition, is based on expected credit losses during the next 12 months.

The Group's trade and other receivables (excluding prepayments) of $1,372 million (31 July 2024: $1,993 million) are largely current or less than one month past due (31 July 2025: $1,327 million, 31 July 2024: $1,924 million). Expected credit losses of $6 million have been recognised (31 July 2024: $12 million) on a trade receivables balance of $1,322 million (31 July 2024: $1,843 million).

Trade and other receivables includes other receivables of $49 million (31 July 2024: $159 million) and prepayments of $90 million (31 July 2024: $130 million).

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025
($ MILLION)

20 Hedge accounting

AT A GLANCE

This note provides information on the Group's risk and hedging instruments, where hedge accounting has been applied. The Group utilises fair value hedges, cash flow hedges, and net investment hedges to manage foreign exchange, interest rate, and commodity price risk. The hedge accounting impacts are presented within this note. This note excludes held for sale financial risks and hedging instruments.

Derivatives are measured at fair value. Refer to Note 18 *Fair value measurement* for information on how fair value is determined.

The resulting gain or loss on re-measurement is recognised immediately in profit or loss, unless the derivative is designated into an effective hedge relationship as a hedging instrument, in which case the timing of recognition in profit or loss depends on the nature of the designated hedge relationship.

The Group may designate derivatives as:

- Fair value hedges (where the derivative is used to manage the variability in the fair value of recognised assets and liabilities);
- Cash flow hedges (where the derivative is used to manage the variability in cash flows relating to recognised liabilities or forecast transactions); or
- Net investment hedges (where borrowings or derivatives are used to manage the risk of fluctuation in the translated value of its foreign operations).

Hedge accounting is discontinued when the hedging instrument expires, is terminated, is exercised, or no longer qualifies for hedge accounting.

Fair value hedges

For fair value hedges the following are recognised in profit or loss:

- The change in fair value of the hedging instruments; and
- The change in the fair value of the underlying hedged item attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued. The fair value adjustment to the carrying amount of the hedged item upon discontinuance is amortised and recognised in profit or loss over the remaining term of the original hedge. If the hedged item is sold or extinguished any unamortised fair value adjustment is immediately recognised in profit or loss.

Cash flow hedges

The effective portion of changes in the fair value of the hedging instruments are recognised in other comprehensive income in the Statement of Profit or Loss and Other Comprehensive Income and accumulated in a separate reserve in equity. Subsequently the cumulative amount is transferred to profit or loss when the underlying transactions are recognised in profit or loss.

The ineffective portion of changes in the fair value of the hedging instruments are recognised immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued. The cumulative gain or loss recognised in other comprehensive income remains in the hedge reserve until the forecast transaction occurs, or it is immediately recognised in profit or loss if the transaction is no longer expected to occur.

Net investment hedges

The effective portion of changes in the fair value of the hedging instruments are recognised in other comprehensive income and transferred to profit or loss when the foreign operation is disposed of or sold.

The ineffective portion of changes in the fair value of the hedging instruments are recognised immediately in profit or loss.

Costs of hedging

The change in fair value of a hedging instrument relating to the time-value of foreign currency options, and the foreign currency basis component of cross-currency interest rate swaps are recognised in other comprehensive income and accumulated within hedge reserves in the Statement of Financial Position. Subsequently, the cumulative amount is transferred to profit or loss at the same time as hedged item impacts profit or loss.

The Group's risk management activities described in Note 19 *Financial risk management* result in volatility to profit or loss caused by timing and measurement differences between hedging instruments and the associated item being hedged. Where a hedge relationship between a hedged item and the hedging instrument (e.g. a derivative) qualifies for hedge accounting, and the Group applies hedge accounting, the volatility in profit or loss caused by the timing and measurement differences between hedging instruments and the associated hedged item is reduced. The Group applies the following hedge accounting activities.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

20 Hedge accounting CONTINUED

Foreign exchange risk

Forecast foreign currency transactions

The Group applies cash flow hedge accounting where derivatives are used to manage foreign exchange risk on forecast foreign currency transactions which predominantly includes the Group's forecast sales transactions. The amount and maturity of the derivative and the forecast transaction is aligned to ensure that the hedge relationship remains effective, with any undesignated costs of hedging accounted for separately.

Hedge ineffectiveness arises if the amount of the forecast transactions falls below the amount of the designated hedging instruments.

The impact of hedge accounting effectiveness and ineffectiveness is recognised within revenue from sale of goods in the Statement of Profit or Loss and Other Comprehensive Income.

Foreign operations

The Group's net investments are designated in hedge relationships to the extent borrowings denominated in the same foreign currency and foreign currency swaps are directly attributed to the net investment.

Hedge ineffectiveness arises if the carrying amount of the net investment falls below the amount of the designated hedging instruments.

The impact of hedge accounting effectiveness and ineffectiveness is recognised within foreign exchange gains/(losses) in the Statement of Profit or Loss and Other Comprehensive Income.

Foreign currency denominated borrowings

The Group applies hedge accounting to foreign currency denominated borrowings that are managed by CCIRS. The amount and maturity of the CCIRS and the hedged debt is aligned to ensure that the hedge relationship remains effective, with any undesignated costs of hedging accounted for separately.

The hedge relationship may be designated into separate cash flow hedges and fair value hedges to manage the different components of foreign currency and interest rate risk:

- Fair value hedge relationship where CCIRS are used to manage the interest rate and foreign currency risk in relation to foreign currency denominated borrowings with fixed interest rates.
- Cash flow hedge relationship where CCIRS are used to manage the variability in cash flows arising from interest rate movements on floating interest rate payments and foreign exchange movements on payments of principal and interest.

Hedge ineffectiveness arises in relation to CCIRS that have been designated in hedge relationships after their initial recognition, or from changes in counterparty credit risk and cross currency basis spreads.

The impact of hedge accounting effectiveness and ineffectiveness is recognised within net finance costs and foreign exchange gains/(losses) in the Statement of Profit or Loss and Other Comprehensive Income.

Interest rate risk

The Group applies hedge accounting to the borrowings and the associated IRS, for movements in benchmark market interest rates (i.e. excluding any margin component).

Hedge ineffectiveness arises in relation to IRS that have been designated to hedge relationships after their initial recognition or from changes in counterparty credit risk.

In specific situations, where changes in the fair value of fixed to floating IRS provide an offset to the changes in the fair value of other associated floating-to-fixed IRS, hedge accounting is not applied. The changes in fair values of these IRS offset each other and are recognised within net finance costs in the Statement of Profit or Loss and Other Comprehensive Income.

The impact of hedge accounting effectiveness and ineffectiveness is recognised in net finance costs in the Statement of Profit or Loss and Other Comprehensive Income.

Commodity price risk

The Group applies cash flow hedge accounting where derivatives are used to manage commodity price risk on certain forecast transactions. The amount and maturity of the derivative and the forecast transaction is aligned to ensure that the hedge relationship remains effective.

Hedge ineffectiveness arises if the amount of the forecast transactions falls below the amount of the designated hedging instruments.

The impact of hedge accounting effectiveness and ineffectiveness is recognised within cost of goods sold in the Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

20 Hedge accounting CONTINUED

a) Impact to reserves in equity

Foreign currency translation reserve	2025	2024
Opening balance	**127**	7
Movements attributable to net investments in foreign operations and net investment hedges		
Net translation profit/(loss) on:		
– Borrowings and derivative hedging instruments	**7**	(5)
– Net investments in foreign operations	**31**	55
Reclassifications to profit or loss:		
– Disposals of foreign operations	**(7)**	68
– Tax credit	**–**	2
Total movement	**31**	120
Closing balance	**158**	127

Hedge reserves	2025	2024
Opening balance	**(72)**	43
Movements attributable to cash flow hedges		
Change in value of effective derivative hedging instruments	**(115)**	(90)
Reclassifications to profit or loss:		
– As hedged transactions occurred	**207**	(64)
Net change in the cost of hedging reserve	**23**	(6)
Tax (expense)/credit	**(32)**	45
Total movement	**83**	(115)
Closing balance	**11**	(72)

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025
($ MILLION)

20 Hedge accounting CONTINUED

b) Hedging instruments designated in a hedge accounting relationship

Information about hedging instruments that the Group has designated in a hedge accounting relationship is presented in the following tables.

	2025					
				CARRYING AMOUNT IN THE STATEMENT OF FINANCIAL POSITION		
RISK AND HEDGING INSTRUMENTS	MATURITY (MONTHS)	WEIGHTED AVERAGE RATE/PRICE	NOMINAL AMOUNT[1]	DERIVATIVE ASSETS	DERIVATIVE LIABILITIES	BORROWINGS
Foreign exchange risk – Forecast foreign currency transactions						
Cash flow hedges						
NZD:USD forwards and options (sales)	1 - 18	0.599	16,033	173	(128)	–
USD:CNY forwards and options (sales)	1 - 12	7.095	1,166	7	(4)	–
Total			17,199	180	(132)	–
Foreign exchange risk – Foreign operations						
Net investment hedges						
AUD borrowings	28	–	87	–	–	(87)
Total			87	–	–	(87)
Foreign exchange risk and interest rate risk – Foreign currency denominated borrowings						
Cash flow and fair value hedges						
NZD:USD CCIRS	14 - 61	0.760 /Floating	1,184	295	–	–
NZD:AUD CCIRS	82	0.919 /Floating	326	2	–	–
Total			1,510	297	–	–

1 Nominal amount is the face value converted into NZD using the exchange rate at year-end, except for CCIRS which are converted using the weighted average contracted foreign exchange rate.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

20 Hedge accounting CONTINUED

b) Hedging instruments designated in a hedge accounting relationship CONTINUED

RISK AND HEDGING INSTRUMENTS	2025					
				CARRYING AMOUNT IN THE STATEMENT OF FINANCIAL POSITION		
	MATURITY (MONTHS)	WEIGHTED AVERAGE RATE/PRICE	NOMINAL AMOUNT[1]	DERIVATIVE ASSETS	DERIVATIVE LIABILITIES	BORROWINGS
Interest rate risk – Borrowings						
Cash flow hedges						
NZD IRS	1 - 60	3.14%	2,837	9	(41)	–
Total			2,837	9	(41)	–
Fair value hedges						
NZD IRS	4 - 52	Floating	400	3	–	–
AUD IRS	11 - 28	Floating	524	–	(7)	–
Total			924	3	(7)	–
Commodity price risk – Forecast transactions						
Cash flow hedges[2]						
Fuel futures	1 - 16	$85.97	15	–	–	–
Milk Price futures and options	3 - 27	$9.26	1,445	136	–	–
Electricity futures	1 - 42	$146.89	158	15	–	–
Total			1,618	151	–	–

1 Nominal amount is the face value converted into NZD using the exchange rate at year-end, except for CCIRS which are converted using the weighted average contracted foreign exchange rate.
2 The weighted average prices for commodity hedges are presented as the price per barrel for fuel futures (shown in USD), kilogram of milk solid for milk price futures and options, and per megawatt hour for electricity futures.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025
($ MILLION)

20 Hedge accounting CONTINUED

b) Hedging instruments designated in a hedge accounting relationship CONTINUED

	2024					
				CARRYING AMOUNT IN THE STATEMENT OF FINANCIAL POSITION		
RISK AND HEDGING INSTRUMENTS	MATURITY (MONTHS)	WEIGHTED AVERAGE RATE/ PRICE	NOMINAL AMOUNT[1]	DERIVATIVE ASSETS	DERIVATIVE LIABILITIES	BORROWINGS
Foreign exchange risk – Forecast foreign currency transactions						
Cash flow hedges						
NZD:USD forwards and options (sales)	1 - 18	0.610	13,019	19	(259)	–
USD:CNY forwards and options (sales)	1 - 12	7.163	934	3	(7)	–
AUD:USD forwards (sales)	1 - 12	0.663	109	1	(2)	–
USD:AUD forwards (purchases)	1 - 13	0.671	84	3	(1)	–
AUD:AED forwards (sales)	1 - 4	2.436	4	–	–	–
Total			14,150	26	(269)	–
Foreign exchange risk – Foreign operations						
Net investment hedges						
AUD borrowings	40	–	89	–	–	(89)
EUR borrowings	4	–	177	–	–	(177)
Total			266	–	–	(266)
Foreign exchange risk and interest rate risk – Foreign currency denominated borrowings						
Cash flow and fair value hedges						
NZD:USD CCIRS	26 - 73	0.760 /Floating	1,184	268	–	–
NZD:EUR CCIRS	4	0.656 /Floating	386	73	–	–
NZD:CNY CCIRS	12	4.669 /Floating	171	16	–	–
Total			1,741	357	–	–

1 Nominal amount is the face value converted into NZD using the exchange rate at year-end, except for CCIRS which are converted using the weighted average contracted foreign exchange rate.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025
($ MILLION)

20 Hedge accounting CONTINUED

b) Hedging instruments designated in a hedge accounting relationship CONTINUED

	2024					
				CARRYING AMOUNT IN THE STATEMENT OF FINANCIAL POSITION		
RISK AND HEDGING INSTRUMENTS	MATURITY (MONTHS)	WEIGHTED AVERAGE RATE/ PRICE	NOMINAL AMOUNT[1]	DERIVATIVE ASSETS	DERIVATIVE LIABILITIES	BORROWINGS
Interest rate risk – Borrowings						
Cash flow hedges						
NZD IRS	1 - 60	2.75%	2,989	54	(23)	–
AUD IRS	1	3.76%	39	–	–	–
Total			3,028	54	(23)	–
Fair value hedges						
NZD IRS	16	Floating	100	–	(2)	–
AUD IRS	23 - 40	Floating	532	–	(21)	–
Total			632	–	(23)	–
Commodity price risk – Forecast transactions						
Cash flow hedges[2]						
Fuel futures	1 - 18	$99.11	21	–	(1)	–
Milk Price futures and options	3 - 27	$8.79	713	1	(52)	–
Electricity futures	1 - 36	$136.60	174	161	(2)	–
Total			908	162	(55)	–

1 Nominal amount is the face value converted into NZD using the exchange rate at year-end, except for CCIRS which are converted using the weighted average contracted foreign exchange rate.
2 The weighted average prices for commodity hedges are presented as the price per barrel for fuel futures (shown in USD), kilogram of milk solid for milk price futures and options, and per megawatt hour for electricity futures.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

20 Hedge accounting CONTINUED

c) Impact of hedge accounting

Information about the impact of hedge accounting on the Group's Financial Statements is presented in the following tables.

	2025				
		CHANGE IN VALUE OF HEDGING INSTRUMENT			
RISK AND HEDGING INSTRUMENTS USED	COSTS OF HEDGING RECOGNISED IN OTHER COMPREHENSIVE INCOME	USED TO CALCULATE HEDGE EFFECTIVENESS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	RECLASSIFIED FROM HEDGING RESERVE TO PROFIT OR LOSS	FAIR VALUE HEDGE ADJUSTMENTS RECOGNISED IN PROFIT OR LOSS
Foreign exchange risk – Forecast foreign currency transactions					
Cash flow hedges	(12)	18	(25)	285	–
Foreign exchange risk – Foreign operations					
Net investment hedges	–	2	2	–	–
Foreign exchange risk and interest rate risk – Foreign currency denominated borrowings					
Cash flow and fair value hedges	(2)	306	(98)	96	30
Interest rate risk – Borrowings					
Cash flow hedges	–	(32)	(15)	(48)	–
Fair value hedges	–	(1)	–	–	20
Commodity price risk – Forecast transactions					
Cash flow hedges	–	150	23	(126)	–
Total	(14)	N/A	(113)	207	50

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

20 Hedge accounting CONTINUED

c) Impact of hedge accounting CONTINUED

	2024				
		CHANGE IN VALUE OF HEDGING INSTRUMENT			
RISK AND HEDGING INSTRUMENTS USED	COSTS OF HEDGING RECOGNISED IN OTHER COMPREHENSIVE INCOME	USED TO CALCULATE HEDGE EFFECTIVENESS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	RECLASSIFIED FROM HEDGING RESERVE TO PROFIT OR LOSS	FAIR VALUE HEDGE ADJUSTMENTS RECOGNISED IN PROFIT OR LOSS
Foreign exchange risk – Forecast foreign currency transactions					
Cash flow hedges	(30)	(243)	(320)	68	–
Foreign exchange risk – Foreign operations					
Net investment hedges	–	(6)	(6)	–	–
Foreign exchange risk and interest rate risk – Foreign currency denominated borrowings					
Cash flow and fair value hedges	(6)	370	47	(42)	245
Interest rate risk – Borrowings					
Cash flow hedges	–	41	(28)	(96)	–
Fair value hedges	–	(21)	–	–	13
Commodity price risk – Forecast transactions					
Cash flow hedges	(1)	96	211	6	–
Total	(37)	N/A	(96)	(64)	258

d) Profit or loss impact from derivatives not designated in a hedge relationship

In addition to derivatives that are designated and qualify for hedge accounting, the Group also holds certain derivatives as economic hedges of foreign currency, commodity and interest rate exposure.

The impact of derivatives not designated in a hedge relationship on profit or loss was a loss of $52 million (31 July 2024: a loss of $56 million). This was predominantly related to unfavourable movements of $68 million on commodity contracts hedging forecast transactions, which were offset within cost of goods sold as those transactions occurred. During the year ended 31 July 2024, the loss was predominantly related to unfavourable movements of $52 million on foreign currency contracts hedging net receivables, which were offset within foreign exchange gains/(losses) by the revaluation of net receivables balances.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

21 Offsetting of financial assets and liabilities

AT A GLANCE

This note provides a summary of financial assets and financial liabilities which have been presented net in Statement of Financial Position (and additional financial assets and financial liabilities with offset rights that are conditional, and have not been presented net). This note excludes held for sale balances.

Financial assets and liabilities are offset, and the net amount reported in the Statement of Financial Position where there currently is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Balances offset within the Statement of Financial Position include derivative transactions with certain counterparties and amounts owed by farmer shareholders which are offset against amounts owed to them by the Group.

The Group enters into various master netting arrangements or similar agreements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be offset in certain circumstances. These principally relate to derivative transactions under ISDA (International Swaps and Derivatives Association) agreements where each party has the option to settle amounts on a net basis in the event of default of the other party.

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and other agreements are presented in the following table.

	AMOUNTS OFFSET IN THE STATEMENT OF FINANCIAL POSITION				
	GROSS FINANCIAL ASSETS/ (LIABILITIES)	GROSS FINANCIAL ASSETS/ (LIABILITIES) SET OFF	NET FINANCIAL ASSETS/ (LIABILITIES) PRESENTED	AMOUNTS NOT OFFSET	NET
As at 31 July 2025					
Cash and cash equivalents	**309**	**–**	**309**	**–**	**309**
Derivative financial assets	**815**	**(157)**	**658**	**(209)**	**449**
Trade and other receivables (excluding prepayments)	**1,500**	**(128)**	**1,372**	**(1)**	**1,371**
	2,624	**(285)**	**2,339**	**(210)**	**2,129**
Derivative financial liabilities	**(379)**	**157**	**(222)**	**128**	**(94)**
Total trade and other payables (excluding employee entitlements)	**(4,031)**	**128**	**(3,903)**	**82**	**(3,821)**
	(4,410)	**285**	**(4,125)**	**210**	**(3,915)**
As at 31 July 2024					
Cash and cash equivalents	540	–	540	(5)	535
Derivative financial assets	925	(299)	626	(240)	386
Trade and other receivables (excluding prepayments)	2,096	(103)	1,993	(55)	1,938
	3,561	(402)	3,159	(300)	2,859
Derivative financial liabilities	(751)	299	(452)	300	(152)
Total trade and other payables (excluding employee entitlements)	(3,930)	103	(3,827)	–	(3,827)
	(4,681)	402	(4,279)	300	(3,979)

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025
($ MILLION)

22 Subsidiaries

Subsidiaries are entities controlled by the Group. Subsidiaries are consolidated from the date the Group gains control until the date on which control ceases.

Non-controlling interests are allocated their share of profit after tax in the Statement of Profit or Loss and Other Comprehensive Income and are presented within equity in the Statement of Financial Position separately from equity attributable to equity holders of the Co-operative. The effect of all transactions with non-controlling interests that change the Group's ownership interest but do not result in a change in control are recorded in equity. Where control is lost, the remaining interest in the investment is remeasured to fair value and any surplus or deficit arising from that remeasurement is recognised in profit or loss.

The Group's subsidiaries are involved in the marketing, distribution, processing and financing of dairy products. All Group subsidiaries have a balance date of 31 July unless otherwise indicated. Subsidiaries with different balance dates from that of the Group are due to legislative requirements in the country the entities are domiciled.

The significant subsidiaries of the Group are presented in the following table. A number are held for sale (wholly or partly) at 31 July 2025 in relation to the Consumer and associated businesses sale described in Note 2 *Divestments*.

SUBSIDIARY NAME	COUNTRY OF INCORPORATION AND PRINCIPAL PLACE OF BUSINESS	OWNERSHIP INTERESTS (%) 2025	2024
Subsidiaries with all operations held for sale at 31 July 2025:			
– New Zealand Milk (Australasia) Pty Limited	Australia	**100**	100
– Fonterra Australia Pty Limited	Australia	**100**	100
– Fonterra Brands (Australia) Pty Limited	Australia	**100**	100
– Fonterra Brands (New Zealand) Limited	New Zealand	**100**	100
– Mainland Group Holdings Limited[1]	New Zealand	**100**	100
– Fonterra Brands Lanka (Private) Limited	Sri Lanka	**100**	100
Subsidiaries with Consumer operations held for sale at 31 July 2025:			
– Fonterra Brands Indonesia, PT	Indonesia	**100**	100
– Fonterra Brands (Malaysia) Sdn Bhd	Malaysia	**100**	100
– New Zealand Milk Brands Limited	New Zealand	**100**	100
– Fonterra Brands (Singapore) Pte Limited	Singapore	**100**	100
– Fonterra Brands (Middle East) L.L.C.[2,4]	UAE	**49**	49
Subsidiaries not held for sale at 31 July 2025:			
– Fonterra Investments Pty Limited	Australia	**100**	100
– Fonterra Commercial Trading (Shanghai) Company Limited[3]	China	**100**	100
– Fonterra (Japan) Limited[4]	Japan	**50**	50
– Fonterra (Europe) Coöperatie U.A.	Netherlands	**100**	100
– Fonterra Europe Manufacturing B.V.	Netherlands	**100**	100
– Fonterra (New Zealand) Limited	New Zealand	**100**	100
– Fonterra Dairy Solutions Limited[5]	New Zealand	**–**	100
– Fonterra Ingredients Limited	New Zealand	**100**	100
– Fonterra Limited	New Zealand	**100**	100
– RD1 Limited	New Zealand	**100**	100
– Kotahi Logistics LP	New Zealand	**91**	90
– Saudi NZ Milk Products Company Ltd[6]	Saudi Arabia	**100**	100
– Fonterra (USA) Inc.	United States	**100**	100

1 Previously known as New Zealand Milk (International) Limited.
2 The Foodservice operations of this subsidiary were also added to the divestment perimeter as part of post balance date agreements.
3 Balance date 31 December.
4 Consolidated on the basis that the Group controls through its exposure or rights to variable returns and the power to affect those returns.
5 Amalgamated into Fonterra Limited in August 2024.
6 This subsidiary was not held for sale at 31 July 2025, but was added to the divestment perimeter as part of post balance date agreements.

Notes to the Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2025

($ MILLION)

22 Subsidiaries CONTINUED

The Group also has consumer operations which are held for sale in subsidiaries in Vietnam, the Philippines, and Thailand.

In addition to the entities presented above, the Group controls and consolidates:

- Mainland Group Holdings Limited (previously known as New Zealand Milk (International) Limited), a wholly owned New Zealand subsidiary and will be the parent entity of the Consumer and associated businesses at the divestment date; and
- The Fonterra Shareholders' Fund and Fonterra Farmer Custodian Limited. The trustees of the Fonterra Farmer Custodian Trust own the legal title to all of the shares of the Custodian. The Fund is a managed investment scheme with an independent trustee.

23 Re-presentations

AT A GLANCE

This note provides a summary of the effect of excluding the Consumer and associated businesses from continuing operations and presenting it as a discontinued operation in the comparative period Statement of Profit or Loss and Other Comprehensive Income, for consistency with the current year treatment.

The following table shows the financial effect on the Group's Statement of Profit or Loss and Other Comprehensive Income from the re-presentation of the Consumer and associated businesses from continuing operations into discontinued operations.

	2024 CONTINUING OPERATIONS	TRANSFERRED TO DISCONTINUED OPERATIONS	2024 CONTINUING OPERATIONS RE-PRESENTED
Revenue	22,822	2,399	20,423
Cost of goods sold	(19,000)	(1,572)	(17,428)
Gross profit	3,822	827	2,995
Other operating income	91	9	82
Foreign exchange gains	16	5	11
Operating expenses	(2,369)	(623)	(1,746)
Net finance costs	(157)	(1)	(156)
Profit before tax	1,403	217	1,186
Tax expense	(235)	(96)	(139)
Profit after tax	1,168	121	1,047

In this section

Group Climate Statements

Bridgeman Farm, Taranaki

Introduction

Fonterra Co-operative Group Limited (Fonterra, “we”, “our”) is a climate reporting entity (CRE) under the New Zealand Financial Markets Conduct Act 2013 (FMCA). These Group Climate Statements have been prepared in compliance with the Aotearoa New Zealand Climate Standards (NZ CS 1, NZ CS 2 and NZ CS 3) published by Te Kāwai Ārahi Pūrongo Mōwaho External Reporting Board (XRB). They cover the period 1 August 2024 – 31 July 2025.

We have elected to use NZ CS 2 Adoption Provision 2: Anticipated financial impacts.

A table mapping our Group Climate Statements (GCS) to the NZ CS is provided on page 254.

The report was approved on behalf of Fonterra on 24 September 2025.

Peter McBride
Chairman

24 September 2025

Bruce Hassall
Director

24 September 2025

Materiality

Our Group Climate Statements follow the definition of material in NZ CS 3, which states that climate-related information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users make on the basis of our Group Climate Statements. Primary users are defined as Fonterra’s existing and potential investors (including unit holders and farmer shareholders), lenders and other creditors.

Given the nature of climate-related information, we recognise that a single uniform quantitative threshold for determining materiality is not appropriate and therefore have applied judgement using qualitative and quantitative factors to identify, assess, organise and review whether climate-related information is material to our primary users.

Please see the Risk Management section to learn more about the scope of our reporting.

Important notice

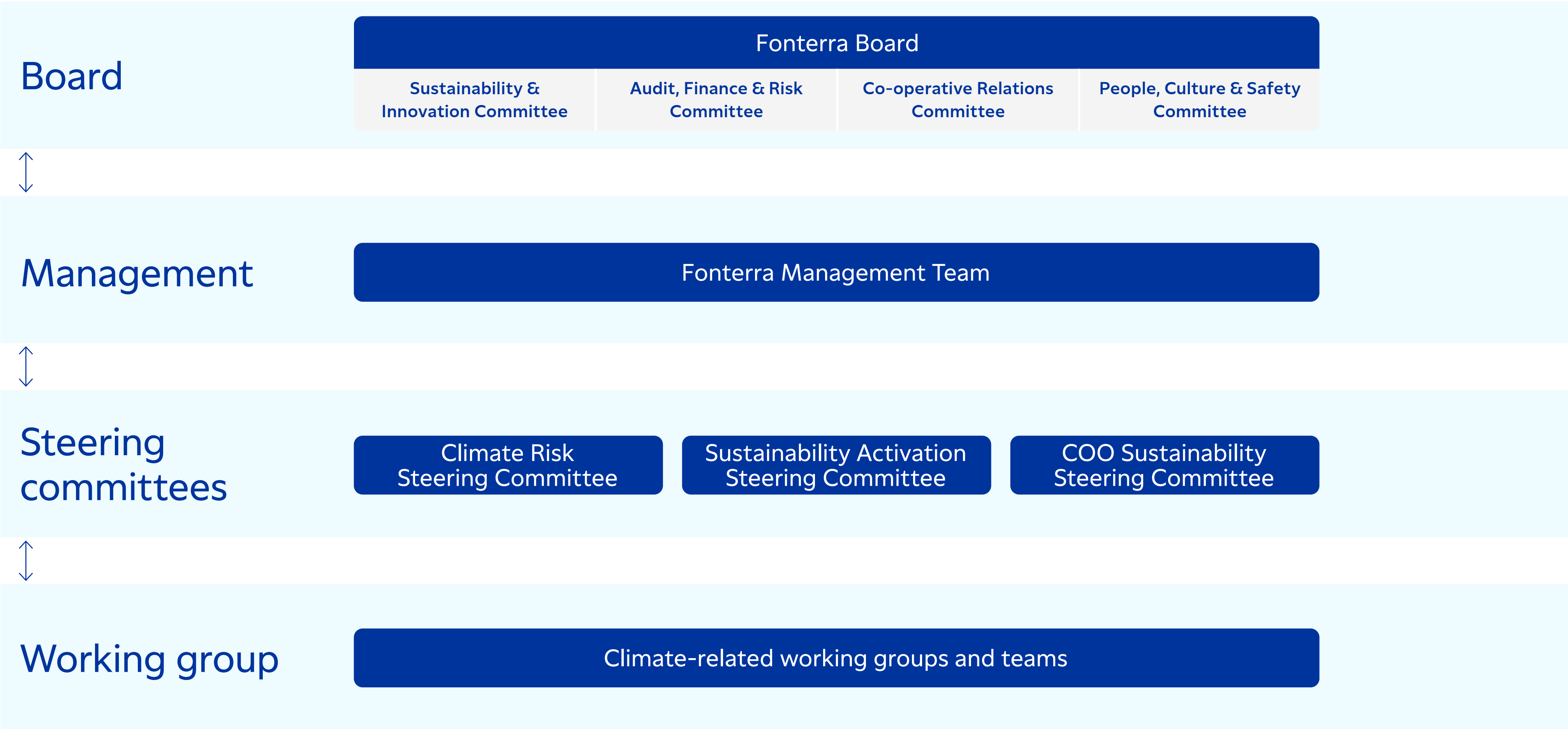
These Group Climate Statements set out our understanding of our climate-related risks and opportunities, our approach to scenario analysis, our understanding of the current and anticipated impacts of climate change on our business, and our strategy to respond to these risks and opportunities (including transition plan elements of strategy). This report reflects our current understanding as at 24 September 2025, in respect of our financial year ending 31 July 2025.

These Group Climate Statements contain forward-looking statements, including climate-related metrics, climate scenarios, estimated climate projections, targets, assumptions, judgements, forecasts, and statements of our future intentions. These forward-looking statements, as well as the judgements, assessments, methodologies and models we have used in relation to our current understanding of climate-related matters, will continue to evolve as our access to, and understanding of, climate-related information and data improves. We have sought to provide accurate disclosures as at publication, but we caution reliance being placed on representations that are necessarily subject to significant risks, uncertainties, and/or assumptions, including those described more fully in the Fonterra Group Financial Statements and in Appendices 3 and 4 at the end of these Group Climate Statements.

In particular, forward-looking statements are not facts, but rather estimates and judgements regarding future results that are based on current estimates and are necessarily subject to risks, uncertainties, and/or assumptions. These estimates may prove to be incorrect due to unforeseen risks and general uncertainties of the business and environment we operate in, as well as due to the inherent uncertainty in the future impacts of climate change on our business and markets. We have sought to provide a reasonable basis for forward-looking statements but are constrained by the novel and developing nature of this subject matter. We are committed to progressing our response to climate-related risks and opportunities over time, and to reporting our progress annually, but we caution reliance on aspects of this report that are considered to be less certain than other aspects of our annual reporting. Readers are advised not to place undue reliance on forward-looking information contained in this document. Descriptions of the qualitative and quantitative current and anticipated impacts and financial impacts of climate change, including vulnerability metrics, draw on and/or represent estimated figures only. In particular, the risks and opportunities described in these Group Climate Statements, and the forecast emissions reductions, may not eventuate or may be more or less significant than anticipated. There are many factors that could cause our actual results, performance, or achievement of climate-related metrics (including targets) to differ materially from that described, including economic and technological viability, as well as climatic, government, consumer, and market factors outside of our control. Our measurement and reporting of our greenhouse gas (GHG) emissions is subject to a range of inherent uncertainties and limitations, including in the calculation methodologies used in the preparation of such data, and our reporting of these figures may include estimates. Nothing in these Group Climate Statements should be interpreted as capital growth, earnings or any other legal, financial tax or other advice or guidance. To the fullest extent possible, we disclaim liability for any loss suffered as a result of reliance on this report. Readers should make their own assessments, taking into account these limitations and the limitations noted throughout these Group Climate Statements, and take appropriate professional advice when considering these Group Climate Statements.

Governance

Climate Governance at Fonterra[1]



1 The Fonterra Sustainability Advisory Panel, disclosed in FY24, was in place throughout FY25. However, we have recently made the decision to explore more flexible options to bring external sustainability perspectives to Board and Management. As such, the Panel is not shown as a formal forum in the above climate governance diagram.

Fonterra Board of Directors

As part of its governance duties, our Board of Directors has visibility and oversight of sustainability and climate-related risks and opportunities. The Board approves, and is ultimately responsible for, our overall sustainability strategy (including climate), initiatives, investments, frameworks, targets, metrics and policies.

The Board monitors progress against and oversees delivery of broader sustainability metrics and targets, including climate-related achievements. In FY25, the Board considered climate-related matters at six meetings. The Board considers climate-related risks and opportunities where they are relevant in its strategic decision-making processes. For example, in FY25 the Board discussed further work on our operational decarbonisation programme (such as approving the investments for the boiler conversions to wood pellets at Clandeboye and two new electrode boilers at Edendale, and considering implications of gas supply constraints as part of decarbonisation capital approval), and the new emissions-related payments for farmers.

The Board receives a monthly report from the Chief Executive Officer (CEO) that includes reporting on climate change as part of our Group Risk Appetite and Tolerance Position and a report on performance towards our climate targets and sustainability-related Group Short Term Incentives (STI) as well as performance updates on key decarbonisation projects. The Board Sustainability and Innovation Committee also receives a quarterly sustainability performance report that includes detail on our key climate-related milestones and our progress in achieving each milestone. Various Board Committees take on governance responsibility for elements of climate-related risks and opportunities that align to particular areas of oversight, as set out in Table 1.

The Board Committees are accountable to the Board. To support oversight of Board Committee activities, all Board members have access to Board Committee meeting papers and are provided with the minutes of meetings for their review, which are then an agenda item at each full Board meeting. More information on our Board and Board Committees can be found in our Governance Disclosures on page 80 of this Annual Report and on our website.

Table 1 – Relevant Board Committees

Sustainability and Innovation Committee (SIC)	The SIC oversees the sustainability and innovation aspects of our strategy. This includes reviewing our sustainability and climate-related initiatives and investments, frameworks, targets, metrics and policies before recommending them to the Board for approval, and once approved, monitoring their strategic integration into the business and performance. For example, the SIC considered climate transition planning aspects of strategy in FY25. The SIC, along with AFRC, is responsible for reviewing our Group Climate Statements and recommending them to the Board for approval. The SIC met five times in FY25. In addition, the SIC joined three AFRC meetings in FY25 to discuss our Group Climate Statements.
Audit, Finance and Risk Committee (AFRC)	The AFRC has responsibility for overseeing and monitoring climate risk and other sustainability-related risks, as well as the preparation of our Group Climate Statements (together with the SIC). Group risk reporting is an agenda item at each meeting of the AFRC and includes climate change as a group risk. The AFRC met seven times in FY25. In addition, the AFRC joined one SIC meeting in FY25 to discuss our Group Climate Statements.
Co-operative Relations Committee (CRC)	The CRC provides oversight and monitoring of climate-related risk and sustainability initiatives in relation to on-farm practices, associated change management and regional community initiatives, working in conjunction with the SIC. The CRC regularly considers on-farm GHG emissions innovations and investments, as well as overseeing engagement plans related to on-farm emissions reduction. The CRC met six times in FY25.
People, Culture and Safety Committee (PCSC)	The PCSC is responsible for the review and approval of our global remuneration strategy, including the base pay structure and design of incentive plan components such as the measures and weightings in respect of climate and sustainability. The PCSC considered climate in incentive discussions at six meetings in FY25. More information on climate-related remuneration is provided on page 212.

Directors' climate capability and understanding

As part of our annual Fonterra Director election process, the Board prepares a skills matrix that shows:

- the aggregate skills of the current Board
- the required and desired level of skills across the Board
- targeted skills based on the present composition of the Board and the future strategic needs of the business.

We evaluate our Board members against 12 skills as part of the annual Director election process. At our most recent evaluation, Directors who were not retiring in 2025 had "effective leadership" and "financial acumen" as their top aggregate skills, closely followed by "global experience", "risk management", "customer experience" and "sustainability". We consider three of these top skills, namely "effective leadership", "sustainability", and "risk management" to be particularly relevant for the effective governance of climate-related risks and opportunities.

The Board continues to expand climate capability, including through engagement with internal subject matter experts on specific climate topics (e.g., adaptation planning) during Board and Committee meetings, and via relevant readings provided by the Sustainability team as part of the monthly Board reading pack. Some Board members also attended climate-related external governance courses and events in FY25, such as Chapter Zero NZ breakfast events and the Institute of Directors Climate Governance Forum.

Fonterra Management Team

Day-to-day management of risks and opportunities within our Co-op is delegated to members of the Fonterra Management Team (FMT) via the CEO and to relevant steering committees comprising other senior leaders, as shown in Tables 2 and 3.

The wider FMT monitors and discusses sustainability and climate-related risks, opportunities and performance through budget, business planning, strategy, capital planning, and other management decision-making processes. The FMT also endorses content and makes recommendations to go to the Board at monthly meetings (12 FMT meetings were held in FY25). The members identified in Table 2 have specific responsibilities related to climate-related risks and opportunities.

The FMT reviews performance against climate-related targets as part of integrated monthly reporting. The report considers progress on our sustainability objectives including GHG emissions reductions and water use. 12 such reports were provided to the FMT in FY25.

Table 2 – FMT members with specific climate responsibilities

CEO	– Responsible for managing and delivering our Co-op's strategy and performance, including sustainability elements. – Responsible for management of climate-related risks and opportunities, including delivery of the Climate Roadmap. – Attends Board meetings and some Committee items.
Managing Director Co-operative Affairs	– Responsible for our farmer-facing strategy and management of climate-related governance and risk, including oversight of risk reporting to the AFRC and the delivery of our Group Climate Statements. – Responsible for assessing and monitoring progress against our on-farm emissions intensity target including on-farm efficiency practices and farmer engagement. – Attends CRC and SIC meetings.
Chief Financial Officer	– Responsible for considering the financial implications of climate-related risks and opportunities in financial planning, capital allocation and financial reporting as well as aligning reporting on climate-related risks and opportunities with Climate Standards. – Responsible for assessing and monitoring climate-related performance as part of integrated monthly reporting, external quarterly reporting and for external publications such as our Climate Roadmap. – Responsible for oversight of strategy, which includes climate considerations. – Responsible for ensuring Fonterra meets its New Zealand Emissions Trading Scheme (ETS) requirements. – Responsible for seeking third party assurance of GHG emissions measurement and reporting. – Attends AFRC meetings.
Chief Operating Officer (COO)	– Responsible for delivery of our New Zealand manufacturing operations decarbonisation programme and for considering climate-related risks and opportunities in relation to Operations business decision making. – Responsible for assessing and monitoring progress on Operations emissions reductions. – Relationship with and reporting on progress to the Energy Efficiency and Conservation Authority (EECA). – Member of the COO Sustainability Steering Committee. – Attends relevant Board and Committee meetings.
Managing Director People and Culture	– Responsible for including climate-related remuneration metrics and targets in the annual Group STI Scorecard and presenting these to FMT for endorsement and to PCSC for approval. – Attends PCSC meetings.

Group climate leaders

Our management-level climate-related steering committees are comprised of key senior leaders. These senior leaders' roles include day-to-day responsibility for the oversight of key programmes, analysing and managing climate-related risks and opportunities, and implementing climate-related elements of our strategy.

Table 3 – Steering Committees

Climate Risk Steering Committee	The Climate Risk Steering Committee manages the strategic implementation of our climate-related risk programme and the preparation of our Group Climate Statements. This Steering Committee reports regularly to the AFRC and the SIC, as well as to FMT and the Board. This Steering Committee also provides oversight on our annual climate-related materiality assessment. This Steering Committee typically meets every two months, with additional meetings as needed (10 meetings in FY25).
Sustainability Activation Steering Committee	The Sustainability Activation Steering Committee provides oversight of key workstreams responsible for executing sustainability initiatives across our Co-op, focusing on climate change, animal wellbeing, water quality and sustainable value. This Steering Committee provides updates to the SIC every quarter, including progress against our GHG emissions targets. This Steering Committee typically meets every two months (eight meetings in FY25).
COO Sustainability Steering Committee	The COO Sustainability Steering Committee focuses on sustainability and environmental licence to operate requirements at our direct operations. It provides support, challenge, and direction for strategic portfolios and projects, and gating for projects to move to the Enterprise Investment Committee. Its scope includes wastewater, water use, waste, energy, and scope 1 and 2 emissions reductions. This Steering Committee typically meets every four weeks (nine meetings in FY25).

Climate-related working groups and teams regularly report progress of key deliverables to the relevant steering committees.

For details of management remuneration linked to climate, see page 212.

Strategy

Current business model and strategy

Our Co-op is predominantly owned by New Zealand dairy farmers with the majority of milk supply coming from these farmer shareholders. We create value by collecting milk, processing it into a wide range of dairy products (with our primary operations spread all over New Zealand), and selling those consumer products, foodservice products, and ingredients to local and global customers. Our vision is to be the source of the world's most valued dairy.

We released our revised strategy in September 2024, following a strategic review. We're focused on six strategic choices to achieve our desired key outcomes of strong shareholder returns, a stable balance sheet, and an enduring Co-op:

- Deliver strongest farmer offering: Work alongside farmers to enable on-farm profitability and productivity and support the highest sustainable payout.
- Unleash our Ingredients engine: Deepen our position as a world-leading provider of sophisticated dairy ingredients and build trading capability to grow both the Farmgate Milk Price and earnings.
- Keep momentum in Foodservice: Expand our successful Foodservice business in China and other key markets to grow earnings.
- Invest in operations for the future: An efficient manufacturing and supply chain network that allows flexibility to allocate milk to the highest returning product and sales channel.
- Build on our sustainability position: Further improve our sustainability credentials and strengthen partnerships with customers who value this position.
- Innovate to drive our advantage: Use science and technology to solve our challenges and build on our competitive advantages.

In August 2025, we announced that we have agreed to sell our Consumer and associated businesses to Lactalis, subject to certain conditions including approval by farmer shareholders. Subject to satisfaction of all conditions, the transaction is expected to complete in the first half of the 2026 calendar year. If completed, the scale of the divestment would require us to reassess our near-term emissions reduction targets.

Sustainability has been a focus of our Co-op's strategy since 2021, and our 2024 strategic choice to build on our sustainability position acknowledges the importance of further improving our sustainability credentials. Climate is identified as a focus area within this strategic choice, and our 2030 emissions reduction targets are included in our scorecard of key strategic outcomes that is reported to the Board. Our suite of near-term emissions reduction targets was developed in line with the Paris Agreement goal of limiting global temperature increase to 1.5˚C above pre-industrial levels, and these targets have been validated by the Science Based Targets initiative (SBTi).

Our climate targets

- We commit to reduce our absolute scope 1 and 2 GHG emissions by 50.4% by FY2030 from a FY2018 base year.[1]

  1 The target boundary includes land-related emissions and removals from bioenergy feedstocks.

- We commit to reduce scope 1 and 3 FLAG GHG emissions from dairy by 30.0% per tonne of fat-and-protein corrected milk by FY2030 from a FY2018 base year.[2]

  2 Target includes FLAG emissions and removals.

- We also commit that 78.2% of our suppliers and customers by emissions, covering purchased goods and services, capital goods, upstream and downstream transportation and distribution, business travel and processing of sold products, will have science-based targets by FY2028.
- We also commit to no deforestation across our primary deforestation-linked commodities, with a target date of no later than 31 December 2025.

Scenario analysis

Our climate-related scenarios provide us with a set of challenging and plausible hypotheticals against which to test our strategy and explore climate-related risks and opportunities. They have been shaped by the interaction of political, economic, social, technological, legal and environmental driving forces that may influence our operating environment. Our climate scenarios do not reflect our view of the most likely future – rather, they are theoretical descriptions of how the future may unfold.

In FY24, our climate-related scenarios drew heavily on The Aotearoa Circle's Agriculture Sector Climate Change Scenarios, albeit with some tailoring to make those scenarios more relevant to our business and to address changes in the external environment (e.g., removal of references to He Waka Eke Noa).

In FY25, we developed new climate-related scenarios to bring additional challenge to our scenario analysis process. In particular, we moved away from an 'orderly' transition in our 1.5°C scenario (noting that an orderly transition to limiting warming to 1.5°C above pre-industrial levels seems increasingly unlikely) and increased the focus on international trade factors that are significant for our global export business. We collaborated with Livestock Improvement Corporation Limited (LIC) and Silver Fern Farms Limited (SFF) to develop core scenario elements that were common across these animal agriculture co-operatives, such as driving forces, temperature outcomes, emissions pathways, and high-level narratives. Our Sustainability team then made minor refinements to this joint output to tailor our scenarios to the dairy industry.

Our climate-related scenarios draw on existing global, national and sector scenarios wherever possible, including The Aotearoa Circle's Agriculture Sector and Energy Sector Scenarios. The use of credible information from external scenarios and the inclusion of external scenarios in our scenario architecture is intended to increase the plausibility and challenge level of our scenarios. International sources such as the Intergovernmental Panel on Climate Change (IPCC) and Network for Greening the Financial System (NGFS) provided global and socio-economic context for our scenarios including the temperature outcomes and emissions pathways. Shared Policy Assumptions for New Zealand (SPANZ) and the Climate Change Commission (CCC) scenarios provided context at the national level. Our scenario architecture is detailed in Appendix 1.

When bringing together inputs from various existing scenarios, we considered factors that would help us explore the focal question "How might climate change impact our business model and strategy, and how might we respond?". Each of our scenarios presents a different balance of risks and opportunities, testing business fundamentals including the viability of current farming methods and herd sizes, strategic choices around sustainability, global market access and demand for dairy. The temperature end points selected also meet the NZ CS requirement to consider a 1.5°C scenario, a 3°C or greater scenario, and one other scenario. We believe that our scenarios are appropriate to use when assessing the resilience of our business model and strategy to climate-related risks and opportunities because they are plausible, challenging, coherent, distinctive, and relevant to our defined scope and value chain.

Our scenarios were reviewed and endorsed by the Climate Risk Steering Committee and approved by the SIC and AFRC. In FY25, we did not undertake any modelling relating to our climate scenarios. Our scenarios are presented in Table 4, and both our scenarios and climate-related risks and opportunities consider the following time horizons:

- Short term (2026 – 2028): Aligned to our three-year budget and business planning cycle.
- Medium term (2029 – 2035): End point aligned to our ten-year strategic asset roadmap and milk supply forecast.
- Long term (2036 – 2050): End point aligned to our net zero 2050 ambition.
- Very long term (2051 – 2100): Beyond the timeframe considered by our climate targets and regular business processes, but included so that scenario analysis can contemplate the more severe impacts of climate change that may eventuate in the second half of the 21st century.

Our scenario analysis was a standalone analysis in FY25, but involved a wide range of business stakeholders including the strategy function. To explore our strategic resilience to climate change, members of our Sustainability and Risk teams facilitated four workshops with colleagues from across the value chain. Each workshop explored how our business model and strategy might be affected in each of the three scenarios, potential risks and opportunities emerging, and adaptation activities (existing, planned, or potential) that could build resilience to climate change. Our Group Strategy team then facilitated a similar workshop with senior leaders from across our business. A summary of the outputs of that workshop was shared with the AFRC and SIC. External stakeholders had no material involvement in the scenario analysis process, aside from the sustainability and risk professionals at SFF and LIC who worked with us to draft initial scenario content.

Climate-related scenarios

Table 4 – Climate-related scenarios

Note: These scenarios are theoretical and intended to challenge; they do not reflect our anticipated view of the future.

		SHARP CORRECTIONS (1.5°C)	SLOW FOLLOWERS (2.7°C)	HOTHOUSE (3.6°C)
Summary		The Sharp Corrections scenario depicts a world where policy action on climate is delayed until a severe weather disaster near 2030 shifts public opinion, leading to a swift and robust response to limit global warming to 1.5°C by 2100. Coordinated global efforts drive technological advances, however abrupt policy changes to act on methane drive significant dairy herd size reductions. This is a costly, disruptive transition.	The Slow Followers scenario is a future where the world is divided on climate policy, with varying levels of ambition among countries. Global efforts are insufficient to limit warming to 1.5°C, with temperatures set to rise over 2.5°C by century's end. The European Union (EU) and China adopt aggressive policies, the United States (US) takes little action and New Zealand (NZ) lags, making slower progress, leading to reputational damage.	The Hothouse scenario depicts a world where unchecked emissions and lack of climate policies lead to a rise in global temperatures of 3.6°C above pre-industrial levels by 2100. The physical impacts of climate change are severe and irreversible. Paris Agreement targets are abandoned by 2035, leading to protectionism and geopolitical tension. Adaptation to climate change is the priority, not mitigation.
Physical risk factors	Indicative severity[1]	Low to moderate	Moderate to high	Extreme
	Short term (2026 – 28)	– Severe acute weather events become more common.	– Severe acute weather events become more common.	– Severe acute weather events become more common.
	Medium term (2029 – 35)	– A major climate-related natural disaster seriously impacts a large Western city at the end of the 2020s, sparking climate action.	– Severe acute weather events become increasingly common. – Critical climate tipping points have been crossed.	– Severe acute weather events become increasingly common and widespread and chronic temperature changes become apparent.
	Long and very long term (2036 – 2100)	– The frequency and severity of weather events and chronic physical impacts of climate change increase over time, moderately affecting the dairy sector, and changes the suitability of some regions for dairying. – NZ retains its pasture-based dairy system but at a smaller scale.	– Heatwaves increase in severity and frequency, negatively impacting farm productivity, and working on dairy farms becomes less desirable. – Erratic rainfall and drought conditions lead to strict water allocation policies that make dairy farming very difficult in water-constrained regions. – The compounding physical impacts of climate change drive a decline in the national dairy herd. – Dairy farms consolidate and adopt more diversified farming systems to improve resilience as climate impacts become more disruptive. – Local and global supply chain disruptions increase due to severe weather events. – Food prices become increasingly volatile.	– Chronic physical impacts cause food shortages and increases in human excess mortality. – Severe weather events cause localised deaths. – Heat stress and previously uncommon diseases affect cow productivity, wellbeing, and lifespan. – Saltwater intrusion affects low-lying coastal areas and storms regularly wash out key transport routes. – Heat and drought records are regularly broken, and wildfires become a threat in previously unaffected regions. Drought and intense rainfall increase freshwater access challenges. – Overall, the land area in NZ that is suitable for pasture-based dairy farming decreases and the national dairy herd size declines. – The use of feedlots grows from 2050.

1 Indicative incremental impact of climate-related risk factors relative to today.

Table 4 – Climate-related scenarios (continued)

Note: These scenarios are theoretical and intended to challenge; they do not reflect our anticipated view of the future.

		SHARP CORRECTIONS (1.5°C)	SLOW FOLLOWERS (2.7°C)	HOTHOUSE (3.6°C)
Transition risk factors	Indicative severity[1]	Low then high	Moderate	Low
	Short term (2026 – 28)	– International action on climate change is relatively limited. – The NZ Government unlocks gene editing policy and invests in the development of climate-resilient crops and livestock, but this research does not bear fruit until the 2030s. – Dairy demand is relatively stable.	– Climate policies and levels of ambition differ between countries, with the EU leading the way. – Global sustainable investors shift toward more consistently sustainable markets. – Low carbon technologies are expensive, and uptake is slow. – Dairy demand is relatively stable, and there is little new investment in alternative proteins. – Demand for products with sustainability credentials and the acceptability of carbon offsets varies globally.	– Existing climate policies remain in place, and proposed additional action is weakened or deferred. – The world continues business as usual.

1 Indicative incremental impact of climate-related risk factors relative to today.

Table 4 – Climate-related scenarios (continued)

Note: These scenarios are theoretical and intended to challenge; they do not reflect our anticipated view of the future.

	SHARP CORRECTIONS (1.5°C)	SLOW FOLLOWERS (2.7°C)	HOTHOUSE (3.6°C)
Medium term (2029 – 35)	– The disaster triggers a sudden shift in public opinion on climate change. Governments collaborate to implement aggressive policies to curb emissions. – Fossil fuels are disincentivised, and in some cases prohibited, and the NZ Government accelerates the phase-out of coal and natural gas. – Strict methane emissions caps are introduced resulting in reduced dairy herd sizes. – Strengthening environmental policies and priced agricultural emissions further limit the viability of dairying, while afforestation is incentivised. Many dairy farmers diversify. – The sudden drop in dairy supply due to strict climate policies contributes to dairy shortages, while the market share of plant-based and novel dairy alternatives increases. – There is strong demand for dairy with strong climate credentials. NZ pasture-based dairy supported by on-farm data commands a premium. – The use of carbon offsets increases rapidly but then ceases as offsets are perceived as greenwashing. – Strict sustainability reporting regulations are enforced, and sustainability claims are scrutinised as a focus of litigation. – Activist behaviour toward traditionally high emissions industries increases. – More capital becomes available for climate-focused projects.	– China suddenly implements strict policies to curb emissions and limit high-emissions imports. The EU remains a leader in climate policy, while the US and developing nations take little action. Leaders perceive NZ as a slow follower. – Trade agreements are established between countries that are committed to climate action. NZ access to markets like the EU and China comes at a higher cost. – Customer demand is divided as EU and China based customers demand dairy products with sustainability credentials while other markets prioritise functionality and cost. – Dairy remains part of most global diets, though some novel alternatives emerge. – Food companies invest in on-farm productivity research and development in the face of increasingly challenging climatic conditions. There is limited investment in methane inhibitor technology in NZ, but the EU increases investment in this space. – Some sustainable finance options are available in NZ, with limited uptake. – There is increased climate activism and litigation in countries seen as lagging on climate action, including NZ.	– There is a lack of coordinated international climate policy, and fossil fuels continue to be used. – Agri-emissions remain unpriced in NZ, and regulatory settings reduce barriers to farming. – Climate reporting requirements disappear, but biosecurity controls increase. – Carbon prices stagnate, undermining the business case for converting operations from fossil fuels to renewables. – Afforestation is not incentivised. – Capital and resources are redirected from climate mitigation to adaptation and the mass production of food, including some use of nature-based solutions. – Increased investment is seen in innovations that improve dairy productivity and resilience. – Demand for dairy protein grows in the face of food volatility, with quantity valued over quality, sustainability, and traceability. – Access to finance and insurance constrains dairying in the worst affected areas facing physical climate impacts.

Table 4 – Climate-related scenarios (continued)

Note: These scenarios are theoretical and intended to challenge; they do not reflect our anticipated view of the future.

	SHARP CORRECTIONS (1.5°C)	SLOW FOLLOWERS (2.7°C)	HOTHOUSE (3.6°C)
Long and very long term (2036 – 2100)	– The NZ dairy herd increases slightly as investment in new methane inhibitors enables greater stocking rates while meeting regulations, but remains below 2025 levels. – The dairy workforce is reduced. – Investment in alternative proteins increases, and novel and cost-effective dairy alternatives emerge by 2040. Cost reductions continue over time as this industry scales up. – Resilient organisations with strong climate credentials are more easily able to access financial services. – Renewable energy availability remains stable in NZ, supported by investment in energy technologies from the 2030s. Alternatives to most fossil fuel use cases are available by the 2040s, but comes too late for some sectors. – Carbon pricing skyrockets, while oil prices drop by 2050 as demand for fossil fuels diminishes. – Global migration follows historical trends.	– From 2050, international pressure gradually pushes NZ to prioritise emissions reductions. Agricultural emissions are not priced in NZ until the late 21st century. Overall, NZ policies are favourable to dairy farming. – Methane inhibitors are rolled out at scale in the EU from the late 2030s, but funding is not available to adapt these solutions for pasture-based systems until the 2050s. – The use of imported coal is phased out in NZ by the late 2030s. Over time, demand for biomass increases, resulting in supply shortages and high costs. – Low-emissions technologies are preferred overseas, but not always available in NZ. Funding for new technologies is limited. – Capital and insurance are increasingly expensive and sometimes impossible to access for those struggling with climate mitigation and/or adaptation. – Carbon prices increase globally. – NZ sees a small uptick in migration from countries affected by rising sea levels. – As severe acute weather events become common, consumers stockpile long-life dairy products. – NZ research and development focuses on climate-resilient dairy farming, while the EU drives carbon sequestration through afforestation.	– Geopolitical tensions rise in response to resource scarcity. Conflict seriously disrupts global supply chains and multinational business operations. – Food shortages become common. Wealthier nations invest in food production businesses in more climate-resilient countries. – Consumers become more open to cheaper, newer proteins (e.g., lab-grown dairy, insects, plant) as climate disruption in the dairy sector drives high prices. Investment into alternative dairy proteins increases scale and decreases cost, while "naturally grown" dairy protein becomes a luxury. – There is growing animosity in NZ toward the export dairy industry due to local food price inflation. – Capital flows toward more resilient large and diversified food producers. – Insurance is increasingly costly and, in some areas, unavailable. The NZ Government faces pressure to step in as an insurer of last resort. – Energy costs increase due to a combination of physical disruption and continued demand for fossil fuels. Demand for off-grid energy solutions grows as grid reliability declines. – Agricultural research and development focus on climate resilience. Greater on-farm interventions are accepted to maintain productivity. – Social cohesion declines. – NZ's population increases due to climate migrants. Labour becomes easier to source, but worker welfare concerns due to climate conditions add cost to dairy operations. – Climate activism and litigation drops.

For more detail on our climate scenarios, see Appendix 1.

Climate-related risks and opportunities with anticipated impacts[1]

The Aotearoa New Zealand Climate Standards require the identification of material climate-related risks and opportunities, and reasonable anticipated impacts of those risks and opportunities (i.e., prior to any mitigation by our Co-op). We set out our material climate-related risks and opportunities and anticipated impacts on our business in Tables 5 and 6. They are described qualitatively and linked to a series of specific actions we are currently taking to respond to these risks and opportunities.

Table 5 – Climate-related risks

TYPE	RISK	RISK DESCRIPTION	LOCATION	TIME HORIZONS	ANTICIPATED IMPACTS	SPECIFIC MITIGATIONS
Physical and transition	Reduced milk supply	**Physical risk:** Temperature increases, coastal inundation, water availability, soil quality, disease prevalence, and acute weather events leading to a decrease in critical farming inputs (e.g., feed, fertiliser) and productivity of land to maintain viable farming. **Transition risk:** Reduction in the availability of financial and insurance products, increased compliance requirements and an increase in emissions-linked operating costs for our supplying farms due to increasing climate-related requirements to aid transition to a low carbon economy.	New Zealand	Short, medium, long	**Physical risk:** Anticipated impacts have been assessed across animal stress, changing pasture growth, severe events (e.g., flooding), increased pests and disease, limited availability of water, and farmer wellbeing. Any one or a combination of these factors could reduce milk supply; for example, heat stress may result in reduced productivity per cow. A reduction in milk volumes could in turn impact utilisation of manufacturing plants and could ultimately result in plant closures. **Transition risk:** Supplying farmers may be impacted by the introduction of evolving compliance requirements which could add cost and limit viability of some operations. Additionally, we acknowledge that if methane emissions are taxed or priced, this could present significant costs to farmers. As debt and insurance markets continue to consider sustainability and climate change, this may also impact farmer shareholders if they are unable to meet market expectations. These combined pressures could reduce on-farm profitability and resilience, potentially leading some farmers to scale back production or exit the industry altogether – which, in turn, could reduce milk supply for Fonterra.	– Continue to make strategic plans to maintain stable milk supply. – Continue to support research and development that supports on-farm emissions reduction while maintaining productivity and profitability. – Continue to support on-farm preparedness through 1:1 advice, industry partnerships and tools and services such as Farm Environment Plans. – Continue to partner with local government and industry groups for disaster response. – Continue to provide financial support mechanisms for disrupted milk collection. – Continue to monitor climate events, emerging pests and diseases, and changing climate variables to respond appropriately when internal trigger points are reached. – Continue to participate in policy consultations. – Continue to engage in policy development through sector collaboration. – Continue to work towards our emissions reduction targets.

1 We have elected to use Adoption Provision 2: Anticipated financial impacts as set out in NZ CS 2 in relation to NZ CS 1 disclosures 15(b), 15(c) and 15(d).

Table 5 – Climate-related risks (continued)

TYPE	RISK	RISK DESCRIPTION	LOCATION	TIME HORIZONS	ANTICIPATED IMPACTS	SPECIFIC MITIGATIONS
Physical	Manufacturing and supply chain disruption	Increasing frequency and severity of extreme weather events (e.g., flooding, cyclones, droughts) disrupting our supply chain and/or causing damage to manufacturing sites.[1]	New Zealand Global	Short, medium, long	For our supply chain, impacts could include uncollected milk, decreased production, delays getting product to market, increased operating costs, and potential difficulty meeting customer requirements. The severity of disruption, its location, timing, and specific supply chain aspects affected determine the scale of impact. We anticipate that disruption may increase over time as extreme weather events become more frequent. For our manufacturing sites, impacts could include unplanned downtime for repairs or climate related constraints, interrupted key transport corridors, capacity issues at other sites due to redirected milk, and, in the most significant cases over the long term, unmet contracts or customer loss. The severity of impact may vary depending on the site's purpose and the event's timing within the season. The cost of insuring these risks may increase and/or the ability to secure insurance may decrease.	– Continue to partner with freight and logistics providers (e.g., Kotahi) and local councils/ other stakeholders. – Continue to use insurance products aligned to Board appetite for such climate-related risks. – Maintain Operational Business Continuity Plans. – Retain additional capacity to process milk to help maintain business continuity through disruption.
Transition	Restricted access to financial and insurance products	Reduction in the availability of financial and insurance products for our Co-op, and key suppliers due to potential non-compliance with institutions' increasing climate-related requirements (e.g., targets, performance, standards), or withdrawal of offerings, or increased cost of capital or premiums.	New Zealand Global	Short, medium, long	We anticipate financial institutions and insurance providers will continue to consider sustainability and climate in decision-making and expect continued demand for transparent reporting and science-based targets to be influential in unlocking access to, and reducing cost of, capital. Over time, potential changes in debt and insurance markets may impact the ability for our Co-op and/or key suppliers to access financial and insurance products, if market expectations are unable to be met. This could result in disruption to business continuity, and/or increased operating costs and financial exposure.	– Maintain engagement with financial institutions. – Continue to work towards our emissions reduction targets. – Continue to report on sustainability performance.

1 These acute climate events are expected to occur with low frequency but high impact. This implies that in most years there can be expected to be no or little impact, but there may be a large impact in some years.

Table 5 – Climate-related risks (continued)

TYPE	RISK	RISK DESCRIPTION	LOCATION	TIME HORIZONS	ANTICIPATED IMPACTS	SPECIFIC MITIGATIONS
Transition	Changing customer and consumer preferences	Shift in customer and/or consumer preferences away from our products due to our environmental credentials falling behind those of competitors and/or due to consumers moving away from dairy.	New Zealand Global	Short, medium, long	We anticipate there may be increased consumer interest in dairy alternatives such as plant-based or lab-derived options over time, but that global demand for bovine dairy will remain strong. Some strategic ingredients customers and key accounts who prioritise sustainability may perceive dairy to be a higher emissions source of nutrition than alternatives. Impacts could include decreased demand, decreased margins, and, at the extreme end, a decrease in milk supply if milk price is impacted. Given that many Ingredients customers' sustainability priority is GHG footprint reductions, we also anticipate that we may experience reduced sales volumes and/or margins if dairy competitors are able to lower their GHG footprints faster than us.	– Continue to work towards our emissions reduction targets. – Continue to develop sustainability initiatives with customers. – Continue to deliver on-farm support. – Continue to educate the market on the nutritional benefits of dairy vis-a-vis alternatives and on the credentials of New Zealand dairy. – Continue to provide the market with data and information to support our sustainability credentials. – Pursue research and development around novel uses for dairy.
Transition	Changing regulations	Changes in local and global regulations may lead to our Co-op facing increased compliance requirements, customer requirements and possibly an inability to access markets.	New Zealand Global	Short, medium, long	Impacts of this risk could include the introduction of trade barriers and changing compliance obligations (which could in turn affect our Co-op's licence to operate). This exposure is expected to increase as regulations increasingly consider climate change and more markets transition to a low carbon economy. Increased monitoring and compliance costs are likely even if market access is retained.	– Monitor domestic and global regulatory landscape. – Continue to participate in policy consultations. – Advocate for our sustainability credentials to maintain market access. – Continue to deliver on-farm support. – Continue to work towards our emissions reduction targets.
Transition	Cost of carbon	Implementation and expansion of regulatory requirements relating to emissions pricing results in an increase in emissions-linked operating costs for our Co-op, and/or volatility in the cost of carbon.	New Zealand Global	Short, medium, long	We anticipate there will continue to be ongoing developments with carbon pricing mechanisms. As we deliver emissions reductions, we anticipate a significant decrease in exposure.	– Monitor carbon pricing developments. – Continue to participate in policy consultations. – Continue to engage in policy development through sector collaboration. – Implement hedging strategies to manage volatility. – Ongoing forecasting and budgeting to manage carbon costs associated with manufacturing and operation emissions. – Continue to work towards our emissions reduction targets.

Table 5 – Climate-related risks (continued)

TYPE	RISK	RISK DESCRIPTION	LOCATION	TIME HORIZONS	ANTICIPATED IMPACTS	SPECIFIC MITIGATIONS
Transition	Climate litigation	Potential for increased frequency and scope of legal claims by third parties and novel approaches developed by courts, where large-emitting organisations are perceived or held to be at fault for GHG emissions and/or climate-related damage. Scrutiny of climate-related messaging (product/brand specific claims, corporate sustainability positions, targets and plans).	New Zealand Global	Short, medium, long	We anticipate ongoing potential for legal challenge or regulator enquiry in relation to our GHG emissions profile. We also anticipate increased scrutiny of our products and customer facing tools and initiatives, and any climate-related claims or statements in communications and marketing. The spectrum of impacts relating to this risk include unfavourable customer feedback, complaints to regulators, regulatory investigations, and/or legal claims by third parties. Regulatory action or litigation may result in fines, legal costs and declarations of non-compliance or fault. We may experience associated business operations disruption, resource diversion and reputational impacts. General developments in climate and environmental litigation may also result in regulatory change in response.	– Continue to work towards our emissions reductions targets. – Continue to robustly review products, customer-facing tools and initiatives, marketing and communications for accuracy and substantiation.
	Constraints to non-milk manufacturing inputs	Increased limitations on access to manufacturing inputs, marked by low availability and high cost of lower carbon fuel, non-milk ingredients, packaging, stringent water usage regulations and regulatory barriers.	New Zealand Global	Short, medium, long	We anticipate impacts could include potential changes in prices and availability of lower carbon fuel sources as the world decarbonises and demand for these fuel sources increases, potentially undermining energy security, heightening operational costs, and/or disrupting site throughput and asset management. In addition, we could be exposed to regulatory imposed water usage limitations due to within-season drought-related reduced water availability. Impacts could include increased manufacturing and/or transport costs, potentially resulting in lower margins, and/or reduced availability of inputs.	– Continue internal work necessary to deliver on our emissions targets, including developing strategic relationships or partnering with lower carbon fuel suppliers. – Review and implement water improvement plans. – Continue to source biomass from sustainable sources.

Table 6 – Climate-related opportunities

TYPE	OPPORTUNITY	OPPORTUNITY DESCRIPTION	LOCATION	TIME HORIZONS	ANTICIPATED IMPACTS	ACTIONS
Transition	Value creation from sustainability-linked products and services	As consumer and customer preferences shift toward lower emissions products, and as regulation makes lower emissions options more attractive by increasing the cost or compliance burden of higher-emissions alternatives, demand for sustainability-linked products and services is expected to increase.	Global	Short, medium, long	We anticipate impacts could include increasing proportion of total category spend with customers as they prioritise suppliers with aligned climate goals, increasing availability of premiums for products with sustainability credentials and climate-related propositions, and climate-related data and tools, and/or customer co-investment in climate-related initiatives. Some sustainable value propositions may eventually become baseline requirements rather than tools for incremental value creation.	– Continue to work towards our emissions reduction targets, to maintain credibility as a dairy supplier with sustainability ambitions. – Continue to collect sustainability data on farm to support farmers, inform efficiency improvements and support customer claims. – Continue to partner with customers on sustainability initiatives. – Continue to monitor and respond to consumer and customer needs.
	Access to broader diversified funding markets	Increased focus on driving emissions reductions through financial mechanisms may result in the creation of new financial products, new sources of finance, and/or favourable terms for lending related to sustainability projects or to sustainable businesses.	Mainly New Zealand	Medium, long	Despite much commentary about green finance, we anticipate that the impact of sustainability-linked finance options will be limited. Over time the range of products and the incentive level may increase. In particular, sustainability-linked loans may help farmers access emissions reduction tools and help our Co-op manage borrowing costs associated with the operational decarbonisation programme.	– Continue to work towards our emissions reduction targets. – Continue to communicate emissions reductions and other sustainability commitments publicly and engage with banks and lenders as appropriate.

In FY24, we disclosed an additional climate-related opportunity: innovation to reduce emissions. We do not currently forecast material incremental financial value from our research into or funding toward the development of innovative emissions reductions technologies. We have therefore decided to consider this as a risk mitigation, rather than a climate-related opportunity. More information about this programme is available on page 198.

Current impacts

We are required to disclose any material current climate-related impacts (physical or transition). In FY25, we did not experience any financially or non-financially material physical climate-related impacts. We did experience material climate-related transition impacts, which are detailed in the table below, although none of these were determined to have a current material financial impact in FY25.

Table 7 – Current impacts

RISK / OPPORTUNITY		DESCRIPTION OF CURRENT IMPACT
Transition	Value creation from sustainability-linked products and services	We are seeing continuing customer interest in dairy products supported by lower emissions data as customers seek to achieve their own emissions reductions targets. In FY25 we received a premium for our lowest carbon dairy, supplied via a virtual milk pool based on mass balance chain of custody principles. In February 2025, we announced new agreements with two major customers which aim to incentivise farmers to reduce their emissions. These agreements are EBIT-neutral for Fonterra (i.e., they have no material financial impact). The additional revenue is being passed on to farmers directly (for those farmers who have the lowest on-farm emissions footprints in our Co-op and/or who achieve The Co-operative Difference) and via access to subsidised on-farm tools and services designed to improve emissions efficiency.
	Climate litigation	Proceedings are ongoing in Smith v Fonterra and Others, but this has not had a material financial impact on our business in FY25.
	Constraints to non-milk manufacturing inputs	The New Zealand natural gas market continues to signal a significant decline in upstream reserves due to multiple factors, including regulatory constraints on exploration placed in 2018 (which were lifted by the Crown Minerals Amendment Act 2025). A risk to future security and cost of gas supply in New Zealand remains, and we continue to review our decarbonisation plans and how we manage our gas security of supply. This situation is not expected to compromise our ability to achieve our near-term emissions targets or transition out of coal by 2037 (although could impact over the longer term). It has not resulted in any material incremental operating costs in FY25 (i.e., it has had no material financial impact).

Transition planning

Building long-term resilience continues to be a principle underpinning our strategic focus on sustainability. Our approach to long-term resilience involves prioritising activities that we believe will help us respond to physical and transition climate-related risks, but also explore resilience-related opportunities, support emissions reductions, and recognise the role of nature.

In FY23, we launched our Climate Roadmap. It outlines activities underway across our value chain to support achievement against our near-term emissions reduction targets and our broader ambition to be net zero by 2050, in line with what science confirms is required to keep warming within 1.5°C. Table 8 outlines our capital deployment towards activities that support our transition to a low emissions, climate resilient future.

Our decarbonisation programme supports delivery of our scope 1 and 2 energy and industrial (E&I) emissions reduction target and is focused on improving energy security and efficiency at our New Zealand manufacturing sites. We are working on moving away from fossil fuel sources and switching to renewables, with a goal to remove coal from our operations by 2037. In 2024, we achieved coal-free operations in our North Island sites, and we are now focused on transitioning five sites in the South Island that still use coal to help us toward our goal.

Work also continues on our transition to low emissions vehicles. We trialled our first electric milk tanker in 2022 and in 2025 we announced a pilot of six additional EV tankers and associated infrastructure expected to roll out in 2026. Additionally, across some of our New Zealand based group functions and operations, we have recently achieved a 40% conversion of the light passenger fleet to electric. As part of our decarbonisation journey, we continue to focus on reducing fuel consumption, rationalising our fleet to avoid new purchases, and prioritising low emissions vehicles for new purchases where feasible.

We are also focussed on reducing emissions intensity on-farm to support progress on our scope 1 and 3 FLAG target. We have put considerable resource into communicating with farmers the significance of our climate activities underpinning our strategic choices which help the Co-op protect and create value long-term. Our approach to on-farm emissions intensity reductions considers four key areas: encouraging uptake of best practice farming,[1] novel technology, mapping and increasing vegetation for carbon sequestration, and land use change. To progress activities in these areas, an internal implementation framework is in place to monitor progress as well as support and incentivise on-farm change. This includes offering farmers one-on-one efficiency visits as well as providing data and insights at a farm level to encourage on-farm efficiency.

We continue to be a major partner in AgriZero[NZ], a joint venture established between Government and major agri-business companies to enable equitable access to affordable tools and technology to reduce emissions in pasture-based farming systems. AgriZero[NZ] is exploring technologies like slow-release methane inhibitors, low emissions rye grass pasture that enhances productivity while reducing methane emissions, methane vaccine development, and methane-reducing probiotics for ruminant animals. This is in addition to our in-house research and development into novel methane reduction technologies.

Climate adaptation: Building long-term resilience

We are now in our third year of undertaking climate scenario analysis, and we continue to build maturity in our processes and understanding of future climate-related risks and opportunities. This includes the activities available to build resilience and deliver on our Co-op's strategic priorities, which has brought an increased focus on climate adaptation. We have been exploring climate adaptation initiatives, including reduced water usage in our manufacturing processes and opportunities to enhance pasture performance.

Developing the adaptation components of our transition plan is expected to be iterative. In FY25, we started to identify and evaluate options, drawing on existing programmes and activities that can help build long-term resilience across our value chain. This includes reviewing current strategic mitigations and their relationship to our climate-related risks and opportunities.

For example, across our global manufacturing operations we have set a target of 15% absolute reduction in water use by FY30 from a FY18 base year. To help us deliver on our water target, we continue to progress implementation of Water Improvement Plans at our manufacturing sites. Our focus on optimising water use and discharge quality helps to support our regulatory compliance obligations and operational flexibility in adverse weather events such as droughts and floods.

We have also recently joined the Resilient Pastures programme, a seven-year initiative led by DairyNZ and the Ministry for Primary Industries. The programme is focused on enhancing pasture performance and persistence on dairy, sheep, and beef farms across the upper North Island. The programme aims to equip farmers with better understanding of future climate conditions so that they can consider how they may adapt for improved pasture resilience in the future.

1 By 'best practice farming', we mean farmers making use of existing science and technologies to help improve the efficiency of their farming system and reduce their emissions intensity over time.

Our initial work on climate adaptation in FY25 has identified four key areas for continued focus and further exploration to help us build long-term resilience alongside reducing emissions:

SUPPORT ON-FARM EFFICIENCY AND RESILIENCE	OPTIMISE OPERATIONS AND SUPPLY-CHAIN	MAINTAIN CUSTOMER AND STAKEHOLDER VALUE	RECOGNISE THE ROLE OF NATURE
Support farmers in understanding climate-related risks and opportunities that help future proof their business and protect milk supply	**Integrate climate-related considerations to inform resilient asset and portfolio management**	**Enhance long-term resilience to protect shared value and differentiate as a partner of choice**	**Increase awareness on the role of nature in supporting emissions reduction and enhancing resilience**
– Integrate climate adaptation and resilience considerations into existing tools and services as well as farmer engagement forums to support farmers in managing climate-related risks. – Collaborate on initiatives and projects that improve knowledge of climate-related risks specific to our Co-op's farmers. – Review emergency response procedures to enhance network resilience and preparedness for climate-related events. – Continue to support on-farm efficiency practices that can deliver emissions reductions and support resilience outcomes, such as Net Zero Farm pilot, novel technology, farm efficiency visits, EcoPond™, and focus on home-grown feed.	– Implement priority water efficiency measures identified in site Water Improvement Plans to help reduce reliance on water abstraction. – Explore opportunities to undertake detailed flood and drought risk assessments for manufacturing assets. – Continue to monitor energy security risk to inform prioritisation of decarbonisation efforts. – Monitor technology and innovation opportunities to reduce reliance on natural resources where feasible. – Continue use of business continuity plans and partnerships with logistics companies to maintain supply chain resilience.	– Explore partnership opportunities with customers to deliver low emission and climate resilient outcomes. – Collaborate with industry and government where feasible to identify and explore climate adaptation opportunities.	– Encourage plantings on farm to support carbon removals, shade and shelter, erosion control, and biodiversity. – Continue to identify and implement nature-based solutions to support operational resilience where feasible.

There are three critical enablers underpinning these focus areas:

ACCESS AND APPLICATION OF DATA	CAPABILITY AND ENGAGEMENT	POLICY AND ADVOCACY EFFORTS
– Continue to enable and refine internal data systems that support climate scenario analysis and transition planning efforts. – Continue to work on modelling methodologies and access to external data that supports quantification of climate-related risks and opportunities.	– Continue to build climate literacy across our Co-op on emissions reduction and climate adaptation. – Continue to engage with farmers, customers, and other key stakeholders on our climate targets, activities, and performance.	– Continue to seek to influence and respond to the domestic and global policy environment to shape an optimal operating environment for our Co-op. – Continue to monitor the geopolitical environment and trade signals to proactively manage potential impacts for market access. – Continue to participate in technical working groups that support transparency and credibility in climate transition efforts, both domestically and globally. – Continue to participate in domestic partnership networks, such as the Sustainable Business Council and The Aotearoa Circle, that support the preservation of New Zealand's natural capital and an equitable transition for Aotearoa New Zealand.

How we are positioning ourselves for the climate transition

We acknowledge that our ability to transition to a low-emissions, climate-resilient future is complex and inherently uncertain. Given our pasture-based farming system, reducing methane from cows is essential to achieving a meaningful reduction in our overall emissions footprint. To address on-farm emissions, our transition will rely on innovation and the development and adoption of novel technology in addition to farmer uptake of best practices to improve efficiency. Whilst we are actively partnering and investing on possible options, there is risk around the timely development and availability of these solutions. Therefore, our transition will require significant action and coordination from across our Co-op, as well as Government, industry bodies, partners and our farmer shareholders.

Our ability to meet our near-term targets, as well as our broader 2050 ambition, is subject to a number of assumptions, dependencies and risks. This includes (but is not limited to) affordable access to low emission energy sources at the scale required, appropriate regulatory settings and approvals, availability of commercially viable solutions, development and application of novel technology, widespread adoption of on farm practice change, supportive domestic and international policy settings, and access to appropriate funding support such as co-funding from the EECA. A full description of the key assumptions, dependencies and risks behind our climate targets, which will impact our ability to achieve these targets, is outlined in Appendix 4.

Since recognising sustainability as a strategic priority in the Co-op's strategy released in 2021, we have monitored signals and data that help inform decisions related to our climate goals and activities. This includes the choices we might have and what might need to change in order to deliver on our strategy and targets.

This information helps to inform monthly tracking of key workstreams that support delivery of our sustainability goals and targets through our climate governance structure (set out in detail in the Governance section).

We have updated our Climate Roadmap annually to reflect progress on mitigation activities and links to the latest emissions performance data published in our Group Climate Statements and Sustainability Reporting. These reviews provide the opportunity for our Co-op to assess the Climate Roadmap's strategic positioning in response to any signals related to our climate-related risks. This may include changes in regulations, standards and methodologies, stakeholder needs, or operating conditions that might need to be considered.

In FY26, we are undertaking a project to refine our strategic choice to build on our sustainability position. Regular monitoring of our sustainability ambition, activities, and performance provides the opportunity for us to consider changes in our strategic context and operating environment that may influence our ability to meet our objectives. Whilst we continue to monitor key signals, risks, and opportunities as outlined from page 189, we currently do not anticipate any material changes to our overall strategic intent or business model.

We expect that our FY26 strategic project approach will include analysis of global and domestic sustainability trends and requirements, policy and regulations, farmer and customer sentiment, and competitor benchmarking alongside the Co-op's sustainability materiality assessment (i.e., where we have significant impact and what has significant impact on our Co-op). The last strategic review took place in FY24 and validated our climate positioning and further emphasised the importance of nature as an emerging material topic both globally and for our Co-op.

Capital deployment

In support of our emissions reduction targets, we take a forward-looking view of our capital deployment for decarbonisation through an annual integrated budget and business planning process. We have aligned our short-term planning horizon for our Group Climate Statements to our budget and business planning cycle. Climate considerations are also embedded in some of our key business processes. For example, our decarbonisation capital requirements, including the initiatives described in the transition plan section, are included in our three-year capital planning and allocation process, with a pool of capital funds available for sustainability and decarbonisation projects identified within this funding pool. For all investment projects, our Co-op's Group Business Case document prompts project managers to include potential climate-related risks, resilience benefits and the project's implication on our Co-op's emissions footprint.

The following table describes the deployment of capital towards key initiatives relating to climate-related risks and opportunities. This list is not exhaustive; only activities that meet our financial materiality threshold have been disclosed here. Additional activities aligned to managing climate-related risks and opportunities but falling well beneath our financial materiality threshold are described qualitatively as specific mitigations in Tables 5 and 6 and in the transition plan section of this report.

Table 8 – Capital Deployment

ACTIVITY OR INVESTMENT	ALIGNMENT TO TARGET (WHERE APPLICABLE), OPPORTUNITY OR RISK	CAPITAL DEPLOYMENT
Decarbonisation of our operations	Delivering our emissions reduction targets is relevant to all but one of our identified transition risks and opportunities, and this activity relates to our scope 1 and 2 E&I emissions reduction target.	In FY25, we deployed capital of approximately $104 million (after receiving contributions from EECA[1]) on energy efficiency and fuel switching costs, taking our total spend-to-date to $354 million. In FY24, we deployed capital of approximately $40 million (FY23: $85 million), including contributions from EECA, on energy efficiency and fuel switching costs. Our year-on-year capital deployment toward decarbonisation of our operations does not follow a linear trend; in-year spend varies significantly depending on what programme elements are to be delivered that year. We are forecasting a further spend of approximately $700 million to FY30.[2]
Research into the development of novel technology solutions for agricultural emissions	Delivering our emissions reduction targets is relevant to all but one of our identified transition risks and opportunities, and this activity relates to our scope 1 and 3 FLAG emissions intensity target.	We continue to fund research into novel technology solutions for agriculture emissions through the AgriZero^NZ joint venture and Fonterra's wholly owned corporate venture capital unit the Ki Tua Fund, where investing for novel technology solutions for agricultural emissions forms a core component of the Fund's focus. In FY23, we contributed $12 million to AgriZero^NZ, which was recognised as an expense. In FY24, we contributed $19 million to AgriZero^NZ, which was recognised as an equity accounted investment. We did not make any contributions in FY25 and are committed to providing a $19 million contribution in FY26. Our commitment to fund AgriZero^NZ is included in the related party Note 17 of the group financial statements. We have also invested into BioLumic Limited, which is developing technology delivering ultraviolet light to seeds and seedlings to increase plant growth, vigour and yields, thereby reducing unit emissions. In FY25, we invested $3 million through Ki Tua Fund directly into BioLumic Limited for a share of its equity. We have also formed a strategic collaboration partnership with BioLumic Limited, through which our Co-op is committed to providing funding of up to $5 million across three years, through milestone payments paid upon delivery of each scientific and commercial partnership milestone. Our capital deployment in this area does not follow a linear trend; in-year spend varies depending on AgriZero^NZ's requirements of its joint venture partners and emerging investment opportunities, and contractual agreements with AgriZero^NZ and BioLumic Limited.

1 In July 2023, our Co-operative entered into an agreement with EECA to receive up to $90 million through the Government Investment in Decarbonising Industry (GIDI) fund to support delivery of this target. This funding will be allocated to transitioning off coal – via energy efficiency and fuel switching to renewable energy such as wood biomass and electricity. The funding will be allocated across qualifying projects in the short- and medium-terms to support achievement of our scope 1 and 2 E&I emissions reduction target. In FY25 we accessed $17 million of EECA funding. Given we currently expect to meet the conditions of the EECA funding, any funding received has been, and is expected to be, applied as a reduction in the cost of the plant and equipment purchases in Note 11 *Property, Plant and Equipment* of the group Financial Statements.

2 The group Financial Statements include consideration of our decarbonisation plan on the useful lives of existing assets. Further information is contained in the Basis of Preparation 'Climate-related uncertainties' section and Note 11 *Property, Plant and Equipment* of the group Financial Statements.

Risk management

Our approach to climate-related risk is informed by the long-term investments we are making in our manufacturing footprint, our connection to the communities in which we operate, and the intergenerational focus of our farmer shareholders.

As a pasture-based dairy co-operative, we have long recognised the importance of identifying and managing variabilities in weather patterns and changes in climate that have the potential to drive financial and strategic impacts on our business. Regular assessment of climate-related risk across our value chain is integral to informing strategic forecasting, resiliency planning on and off farm and the ongoing sustainability of our operations.

Identification, assessment and management of climate-related risks and opportunities

We use a wide range of integrated risk management tools and methodologies to address and monitor risk across our Co-op's strategic environment, including climate-related risks. Root cause analysis and impact assessments are used at a group level and within individual business units to regularly assess and prioritise risk management activities, with specialist functions supporting a consistent cross-functional approach.

Our Global Risk Management Framework sets out our approach to support risk-adjusted decision-making, allowing all risks across our Co-op, including climate-related risks and opportunities, to be managed effectively in line with our risk appetite and strategic objectives. Once identified, risks are managed by appropriate business functions, with oversight and monitoring at a group level as highlighted in the governance section of this document.

Our climate-related risks form part of our strategic group-level risks within our Global Risk Management Framework and are prioritised consistently with other group-level risks.

Specific consideration of climate-related risk aligns with the time horizons of our strategic planning cycles. The extended timeframes and interconnected nature of climate-related risks across our value chain means Co-op wide scenario analysis is required alongside individual business units' management activities informing both short-term operational planning and long-term strategy development. Refer to the Strategy section for specific detail on the time horizons and their duration.

We periodically review our Co-op's risk appetite settings. The FY25 review resulted in a broadening of the risk appetite statement for climate change to include the importance of adaptation. We also carried out a climate-related risk assessment across our Co-op's value chain with an outlook through to 2050. The scope of the assessment included climate-related risks and opportunities, with a focus on physical risks within New Zealand, as opposed to globally given the materiality of our physical exposure in New Zealand. For physical risks, the scope consisted of our New Zealand milk pool and manufacturing facilities, as these represent over 90% of our milk supply and revenue and are most relevant to the primary users of this report. For transitional risks and opportunities, a global scope was taken across our channels and markets reflecting our multi-national business model.

When assessing climate-related risks through to 2050, a range of tools and methodologies were used as part of the end-to-end assessment process, including a scenario-based approach that explored plausible future scenarios and potential impacts on our Co-op over short, medium and long-term time horizons. Refer to the Strategy section for details of this assessment.

Annual climate-related risk identification, assessment and management process

Climate-related risk identification

This year, we held climate-related risk identification workshops with subject matter experts to understand the breadth of risks across our value chain. The process considered risks identified through our FY24 disclosure, and emerging risks and observed changes within FY25 for review. Breaking down the risks further allowed an initial screening by the risk owners to prioritise the risks for further impact assessment.

Impact pathways

We used impact pathways to understand causality to help assess each risk. These pathways articulate how climate risks and drivers translate into business impacts across operational, financial and non-financial categories and were workshopped with subject matter experts.

Risk impact assessment

We undertook a structured approach to assessing potential impacts across our three climate-related scenarios and to determining the anticipated impact. The impact was analysed based on an understanding of our exposure, sensitivity, and adaptive capacity for each risk. The methods used involved subject matter expert input (predominantly for the transition risks), and modelling (which includes the consideration of uncertainty) and statistical analysis completed in FY24. The analysis was informed by relevant climate variables/hazards and literature review, and was conducted in consultation with industry experts.

Risk reporting and outputs

The output is a consolidated evaluation of the risk impact for our Co-op across the scenarios selected, and our anticipated impact.

Metrics and targets

This section provides information on how we measure and manage climate-related risks and opportunities and our science-based targets. It includes the metrics outlined in NZ CS 1 as required by all CREs and metrics relevant to the Forest Land Agriculture (FLAG) sector as outlined by SBTi.

We began voluntarily measuring and managing our GHG emissions in 2014 and adopted the operational control consolidation approach to account for the organisational boundary of our emissions. This approach enables us to consider and actively manage those emissions sources we have authority over and in areas where we have the ability to influence across our value chain to reduce emissions. We continue to use this approach to assess, manage and report on emissions by scope and by value chain segment.

We measure our GHG emissions in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) (GHG Protocol) which includes guidance on scope 1 and 2 emissions measurement, and the Corporate Value Chain (Scope 3) Accounting and Reporting Standards.

In 2024, SBTi validated our four short- and medium-term targets as meeting its criteria and being consistent with the science to limit global temperature increase to 1.5˚C. As a result, for our public reporting we have adopted the SBTi's guidance on the FLAG sector to also classify the emissions across our value chain as either E&I or FLAG emissions. We report our operational boundary in relation to the three emission scopes set out in the GHG Protocol and by E&I and FLAG sources of emissions.

Energy and Industrial (E&I) emissions – these are emissions associated with energy use and industrial processes or activities.

FLAG emissions – these are emissions that are within the SBTi definition of Forest, Land and Agriculture project, sectors, methodologies, and targets. FLAG emissions dominate our inventory with the majority of these emissions being within scope 3 and associated with the supply of raw milk for our products. The division between FLAG and E&I emissions has remained relatively constant over time.

The calculation of GHG emissions continues to be an evolving science and is subject to a number of methodology choices, assumptions and uncertainties which results in the calculation of our GHG emissions inventory, including our performance against targets, representing an estimate. This year, we have further developed our quantitative and qualitative assessment to determine the elements of our GHG emissions inventory that we consider contain significant assumptions and uncertainties that are likely to be material for our primary users. These assumptions and uncertainties are presented in Appendix 3.

Boundary

As part of our continuous improvement of our emissions accounting and reporting, in 2023 and 2024 we expanded our coverage of scope 3 measurement and reporting to include additional categories of emissions under the GHG Protocol. Achieving this necessitated a hybrid approach to data compilation, including both primary and secondary data sources. Over time, to reduce the extent of estimation associated with relying on expenditure-based estimates, we will replace these data sources with activity data as they become more available.

This year we also extended our boundary to include the emissions associated with Kotahi Logistics LP (Kotahi), a subsidiary of Fonterra, fully into our consolidation of GHG emissions. Previously our approach has been to include Kotahi's direct emissions and its indirect emissions associated with its facilitation of Fonterra freight movements within our scope 3 emissions measurement. As a result of this extension, Kotahi's direct emissions are now consolidated as scope 1 and 2 emissions, and its indirect emissions, including those associated with facilitation of freight movements for other customers are consolidated in scope 3. Following the GHG Protocol, these additional emissions sources have been estimated for each year back to our FY18 base year, which has resulted in a minor restatement to all years.

Progress on our science-based targets in FY25

Performance on emissions reduction targets is measured against our FY18 base year, being 1 August 2017 - 31 July 2018. The emissions of our global consumer and associated businesses in scope for divestment will remain within the boundary of our reporting and the performance against our targets until the sale agreement, which is subject to conditions,[1] is completed.

1 Conditions include Fonterra farmer shareholder approval, separation of the business and receipt of regulatory approvals.

Absolute reduction in scope 1 and 2 E&I GHG emissions

This year we have achieved a 20.7% absolute reduction relative to our FY18 base year. This is a further 2.2% reduction (a saving of 46,000 tCO_2e) on the prior year.

In November 2024 we achieved an important milestone on our journey to eliminate coal by no longer using coal as an energy source in our North Island of New Zealand manufacturing sites. We now have four sites that have renewable energy to meet their process heat needs, following on from our first site at Stirling in the South Island of New Zealand to achieve this milestone. Our focus remains on how we transition the remaining coal use at our South Island sites. There are several key projects in progress this year to further our transition off fossil fuel energy sources and assist us to reduce absolute emissions, including:

- Commissioning our first electrode boiler to supply steam for our Edendale site, which is expected to reduce GHG emissions from the site. The boiler was officially opened in May 2025, where we also announced further investment of $70 million in two new electrode boilers at Edendale. The new boilers will enable the replacement of two coal fired boilers and meet increased energy needs from the new UHT plant being commissioned at this site. Once complete, the site is expected to reduce annual emissions by more than 100,000 tCO_2e.
- Preparing to convert two coal fired boilers to renewable wood pellets at our Clandeboye site. The changes we are making are a part of our largest decarbonisation investment to date. Reducing coal use is expected to reduce scope 1 emissions from the site by more than 150,000 tCO_2e per year.
- Installing two resistive element boilers to secure process heat needs and support increased production of UHT at our Waitoa site.
- Installing two electrode boilers at Whareroa and one at Edgecumbe, as well as a resistive element boiler. These investments enable these sites to transition away from co-generation steam and electricity supply from natural gas.
- Piloting the electrification our tanker fleet in the Waikato region, following an earlier trial in FY23 of our first fully electric tanker, Milk-E. This involves charging infrastructure and the introduction of six electric tankers across our Te Rapa, Waitoa and Hautapu sites.

At our international plants we have made changes to save energy and reduce GHG emissions, including:

- Commissioning a heat recovery whey protein concentrate dryer at our Heerenveen site in the Netherlands, which has reduced the use of natural gas.
- Turning on the rooftop solar at our Dairymas site in Malaysia in August 2024 and expanding solar energy at our Heerenveen site in the Netherlands.

We continue to refine our fossil fuel transition plans and remain fuel and technology agnostic. Refer to Table 8 for details of the capital we have deployed towards the decarbonisation of our operations.

Table 9 – Performance towards our absolute scope 1 and 2 E&I emissions reduction target

	PERFORMANCE TO DATE[1]		
SBTi VALIDATED TARGET	FY25	FY24	FY23
Fonterra Co-operative Group Limited commits to reduce its absolute scope 1 and 2 GHG emissions by 50.4% by FY2030 from a FY2018 base year[2]	20.7%	18.5%	14.1%

1 The percentage indicates the reduction achieved between the base year and the named financial year.
2 The target boundary includes land-related emissions and removals from bioenergy feedstocks.

We have continued to reduce scope 1 and 2 E&I emissions consistent with the trend from prior years, through our focus on switching fuel sources from coal to more renewable sources combined with continuous improvements with energy efficiency.

Each year as part of our annual results announcements, we include an Integrated Scorecard with metrics aligned to the Integrated Budget and Business Plan and the Group STI Scorecard for the year. This Integrated Scorecard provides an early signal of performance across the year, with updates released as part of our Interim, Quarter 3 and Annual Results announcements.

The Integrated Scorecard we released as part of our FY24 results announcement included Nature measures for FY25, one of which was absolute scope 1 and 2 GHG emissions reductions relative to our FY18 base year. The FY25 Integrated Scorecard metric was a 21.1% reduction on the FY18 base year. The boundary of this metric is the same as our SBTi-validated scope 1 and 2 E&I emissions reduction target above.

Intensity reduction in scope 1 and 3 FLAG GHG emissions from dairy

To deliver on-farm emission reductions we are working with our supplying farmers and are targeting a 30.0% intensity reduction per tonne of fat-and-protein-corrected milk (FPCM) in scope 1 and 3 FLAG GHG emissions from dairy by FY30 from a base year of FY18. We have continued to implement our plan, which considers encouraging uptake of best practice farming,[1] novel technology, mapping and increasing vegetation for carbon sequestration, and accounting for historic land use change. Refer to Table 8 for details of our capital deployed towards research into the development of novel technology solutions for agricultural emissions.

Examples of actions we have taken to help reduce on-farm emissions intensity include:

- Providing farm-specific GHG reports to New Zealand milk supplying farmers so they can understand their current performance and prioritise improvements.
- Providing efficiency services to support farmers with on-farm change. These services and on-farm visits were rolled out one-on-one and in group settings and deliver a farm-specific summary of efficiency opportunities and actions.
- Announced our investment in a new effluent pond mobile dosing service to support farmers to reduce methane emissions on-farm. The two-year pilot began in August 2025 and involves up to 200 Fonterra farmers in the Waikato and Southland to trial EcoPond™ for scalability and effectiveness.

In addition, for the 2025/26 milk season beginning 1 June 2025, we introduced a payment parameter for farms that achieve certain emissions-related criteria as part of updates to our Co-operative Difference framework. Farmers who achieve the Co-operative Difference criteria will also be eligible to access on-farm tools and services designed to further improve emissions efficiency supported by Mars and Nestlé. An additional customer-funded payment is available to farmers who have the lowest emissions footprint in the Co-op, around 30% lower than the average farm.

Table 10 – Performance towards our target to reduce scope 1 and 3 FLAG GHG intensity emissions from dairy

	PERFORMANCE TO DATE[2]		
SBTi VALIDATED TARGET	FY25	FY24	FY23
Fonterra Co-operative Group Limited commits to reduce scope 1 and 3 FLAG GHG emissions from dairy by 30.0% per tonne of fat-and-protein-corrected milk by FY2030 from a FY2018 base year[3]	3.8%[4]	3.8%[5]	3.0%

1 By 'best practice farming', we mean farmers making use of existing science and technologies to help improve the efficiency of their farming system and reduce their emissions intensity over time.
2 The percentage indicates the reduction achieved between the base year and the named financial year.
3 The target includes FLAG emissions and removals.
4 The performance calculation is based on FY25 milk collection volumes and the most recent milk carbon footprint intensity factors (which are from the prior dairy season). A full description of the methods, assumptions and uncertainties in the calculation of on-farm GHG emissions from raw milk supplied is outlined in Appendix 3.
5 Performance has been restated to align with the most recent carbon footprint assessment for each of the countries where we source raw milk.

Seasonal variability in on-farm emissions, driven by factors such as milk production volumes, feed availability, farm costs, and environmental conditions, contributes to fluctuations in emissions intensity. As set out in Appendix 3, we report our on-farm emissions data using milk collection data from the relevant financial year and the most recently available emission intensity factors (being the milk carbon footprints from the prior dairy season).

The flat trend in FLAG emissions intensity performance between FY24 and FY25 partially reflects the use of the same emission intensity factors for the emissions calculation (being the milk carbon footprints for the 2023/24 dairy season). No significant changes in on-farm activity for the countries in which we collect raw milk were observed for the 2023/24 dairy season. The SBTi scope 1 and 3 FLAG intensity target was introduced in late 2023, partway through the season, and efforts during this period were primarily directed towards increasing farmer awareness. The majority of the reduction in emissions intensity between FY23 and FY24 can be attributed to land use change and a decrease in the number of farms with peat soil that supply us with raw milk in New Zealand. Based on averaged data across milk pools, emissions intensity from on-farm practices remained relatively stable between FY23 and the estimated results for FY25, experiencing a slight decrease, despite adverse weather events such as tropical cyclones impacting much of New Zealand's North Island in early 2024. Early indications are that on-farm seasonal factors experienced in the New Zealand 2024/25 dairy season, which will inform the on-farm emissions intensity factor used for FY26 emission reporting, may not support a reduction in scope 1 and 3 FLAG emissions intensity in FY26. Reported on-farm emissions for FY26 will depend on FY26 milk collection volumes and the results of the third-party verified milk carbon footprints for the 2024/25 dairy season.

Supplier and customer engagement on scope 3 emissions reduction

Established in accordance with the SBTi Corporate Manual, our engagement target relates to activities that generate emissions outside our direct control, but are within our indirect value chain and are classified as E&I emissions. The target has been set in relation to our FY23 emissions inventory and includes two-thirds of the scope 3 E&I emissions. The boundary of this target is further defined by the GHG Protocol scope 3 categorisation of emissions into 15 sources. Emissions from purchased goods and services, capital goods, upstream and downstream transportation and distribution, business travel and processing of sold products are within the target boundary.

Our performance towards this target is based on estimated emissions associated with activities undertaken by suppliers and customers within the target coverage. We measure performance by gaining an understanding, through desktop research and engagement, on whether the supplier or customer associated with the emissions in our value chain has their own science-based target.

We adopted this target in 2024 and FY24 represented our first year of reporting on it. At the time, we applied a conservative estimation that <5.0% of our customers and suppliers within the boundary by emissions had science-based targets approved by SBTi. Our assessment in FY24 was based on customers and vendors with validated science-based targets. This conservative approach limited the number of customers and vendors that contributed towards our performance in that period.

This year, we have implemented a project to deliver progress towards the FY28 target. This project, endorsed by the Sustainability Activation Steering Committee, included various engagement activities and focused on mapping emission categories to suppliers and customers through a desktop assessment. Through this assessment we have identified suppliers and customers within the target boundary that have publicly released science-based targets that are valid in 2025. We have assessed that 21.2% of the scope 3 emissions reported in FY25 within our target boundary are from suppliers and customers with science-based targets currently in place. Our desktop assessment also forms the basis of our direct engagement activities with suppliers and customers going forward. More broadly, this year we began engaging with suppliers by incorporating science-based target questions into our Third-Party Risk Management (TPRM) questionnaire to vendors. In addition, the Supplier Sustainability Forum we hosted in December included an information session on this target.

The nature of scope 3 emissions involves reporting GHG emissions across value chains, therefore the progress we make on our targets helps to support many of our key customers in achieving progress on their own climate targets. In FY25, we have continued to see interest from key customers in this regard and we have continued to regularly engage with them.

Table 11 – Performance towards our supplier and customer engagement target on scope 3 E&I emissions

	PERFORMANCE TO DATE[1]		
SBTi VALIDATED TARGET	FY25	FY24	FY23
Fonterra Co-operative Group Limited also commits that 78.2% of its suppliers and customers by emissions, covering purchased goods and services, capital goods, upstream and downstream transportation and distribution, business travel and processing of sold products will have science-based targets by FY2028.	21.2%	<5.0%	N/A[2]

1 The percentage indicates the performance in the named financial year.
2 Target adopted in FY24.

Our project this year to better understand the suppliers and customers in scope of this target and their GHG emissions targets has resulted in an uplift in performance on FY24. This maturing of our approach has contributed to the improvement in performance reported between last year and this year.

No deforestation

We have committed to no deforestation across our primary deforestation-linked commodities by a target date of no later than 31 December 2025. The boundary of our commitment is the direct procurement of primary deforestation-linked commodities comprising soy, palm oil and its derivatives (which are palm stearin, palm kernel oil and palm olein), wood fibre such as fibre packaging and biomass, cocoa and coffee where considered material to our Co-op. Indirect procurement, such as parties supplying products to farms from where we source milk, is not within the boundary of our commitment.

Our Forest and Agriculture Products Sourcing and Procurement Standard (the Standard) outlines our approach for the sourcing and procurement of all forest and agriculture products to support our target. In this Standard we define deforestation as any loss of indigenous forest, including primary forest, regenerated forest and forest managed for timber harvest that retains its main natural characteristics, as a result of conversion to agriculture or other non-forest land use, conversion to a tree plantation, or severe and sustained degradation.

Our target acknowledges and draws on the SBTi-recommended Accountability Framework initiative (AFi) guidance on deforestation and conversion of other natural ecosystems. In line with EU Deforestation Regulation and SBTi guidance, we have set a cutoff date of 2020, which means that any deforestation which occurred after 2020 is counted as a non-conformance against our 2025 target.

Our performance reporting is based on a 2025 risk assessment of direct suppliers within the target boundary in the 2024 calendar year. Suppliers were assessed against the requirements of the Standard. We use a spend based allocation methodology to report on our performance.

This year we have prioritised the following areas:

- Expansion of the 2024 assessment completed on the primary deforestation-linked suppliers that we purchase from. We have engaged with the assessed suppliers to further understand our exposure to our most relevant commodities and locations of harvest. We overlaid a supplier risk and impact assessment across all primary deforestation-linked commodities within the target boundary. This assessment was based on the likelihood of deforestation and was used to prioritise which suppliers we will further engage with before the end of the 2025 calendar year to understand their compliance with the Standard.
- Optimisation and standardisation of our supplier deforestation risk management process. In addition to the changes made to the TPRM system for our scope 3 E&I target, we have made similar changes to our sustainability questionnaire to engage vendors on deforestation risk. This focus on embedding our targets into our vendor risk management system has enabled us to assess and manage our suppliers in a more efficient and consistent way.

As a result of our assessment this year, we have determined that there is no deforestation occurring in at least 91% of the primary deforestation-linked commodities we directly procure. Our focus this year was to fully assess all suppliers in scope of this target and their no deforestation commitments, as we worked to further embed the Standard. This has resulted in an uplift in performance on FY24. This maturing of our approach alongside supplier engagement has contributed to the improvement in performance reported between last year and this year.

Our work in the coming months will be focused on implementing time bound action plans with suppliers to mitigate deforestation risk associated with procuring high-risk primary-linked commodities, as identified in our FY25 assessment. In some cases, we expect the implementation of these action plans to take time and that it will be impacted by factors such as the multi-year nature of contractual arrangements with certain suppliers and the quantity of the product already held for use in manufacturing. Achieving full compliance with our target by 31 December 2025 is therefore unlikely.

Our no deforestation target has assisted us to establish robust processes which identify and manage risk in relation to the primary deforestation-linked commodities that we directly procure. We intend to continue these processes. If full compliance with our target has not been achieved by 31 December 2025, we will continue to work towards achieving our target as soon as practicable.

Table 12 – Performance towards our no deforestation target

	PERFORMANCE TO DATE[1]		
SBTi VALIDATED TARGET	FY25	FY24	FY23
Fonterra Co-operative Group Limited commits to no deforestation across its primary deforestation-linked commodities, with a target date of no later than 31 December 2025.	91%	>80%	N/A[2]

Assumptions and uncertainties

Our assessment is based on engagement with external vendors to provide us with reliable procurement information, which includes transparency and traceability of commodities to the point of harvest. This approach creates uncertainty as we rely on third parties to provide us with information not available within our own systems. Where possible, we have verified the information provided, including certification status. There is uncertainty when comparing reported performance between the current and comparative period due to data sets applied. A calendar year was used for the FY25 target measurement to enable a calendar year 2025 assessment to be completed due to the timeframe of the target.

Offsets

Our priority is gross emissions reductions. We are also pursuing carbon removals within our value chain (sometimes referred to as insetting), such as supporting the increase in on-farm tree planting. In alignment with SBTi requirements, we plan to avoid the use of third-party offsets to measure achievement of our near-term emissions reduction targets. Consistent with this, we did not use any offsets to support progress toward our targets. In addition, for our absolute scope 1 and 2 E&I emissions reduction target reduction target we have adopted a location-based approach to measurement of our performance. This means that we do not include renewable energy certificates or other similar instruments within our performance reporting on targets.[3] Looking ahead to 2050, we plan to work toward understanding the role of offsetting any remaining emissions that are unable to be reduced through best practice approaches.

1 For FY25 reporting the assessment is based on vendors supplying the Co-op in the 2024 calendar year; whereas, for FY24 reporting the assessment was based on vendors supplying the Co-op during the period 1 August 2022 – 31 December 2023. The percentage indicates the performance being reported in the named financial year.

2 Commitment adopted in FY23, as an extension to our earlier commitment on working towards 100% certified segregated supply of palm oil.

3 Following the GHG Protocol scope 2 guidance we report these emissions on location- and market-based approaches. See Appendix 3 for further information.

Our climate-related metrics

GHG emissions

The following tables provide a summary of our GHG emissions inventory, GHG emission intensities and other key metrics[1]. The emissions are presented on a performance-basis, which are those associated with business units under our operational control in FY25. Total emissions have reduced over time, with some variability from year to year.

Table 13 – GHG emissions performance

TOTAL GHG EMISSIONS BY SCOPE			METRIC	FY25[2]	FY24	FY23	BASE YEAR (FY18)
	Scope 1 and 2[3]						
	Scope 1	Direct emissions from operations	'000 tCO_2e	1,225	1,304	1,311	1,472
	Scope 2	Indirect emissions from the use of purchased electricity, steam, heating and cooling - location based approach	'000 tCO_2e	421	384	468	597
	Total Scope 1 and 2[3]		**'000 tCO_2e**	**1,646**	**1,688**	**1,779**	**2,069**
	Scope 1 by sector	FLAG allocation	%	2%	1%	1%	1%
		E&I allocation	%	98%	99%	99%	99%
	Scope 2 by sector	E&I allocation	%	100%	100%	100%	100%
Upstream	**Scope 3**						
Upstream	Scope 3, Category 1	Purchased goods and services		23,038	22,393	22,936	24,912
Upstream		*Category 1: On-Farm related emissions*		*21,336*	*20,782*	*21,102*	*22,968*
Upstream		*Category 1: Manufacturing related emissions*		*1,702*	*1,612*	*1,834*	*1,944*
Upstream	Scope 3, Category 2	Capital purchases		129	143	129	211
Upstream	Scope 3, Category 3	Fuel-and-energy-related activities (not included in S1 or S2)		164	161	146	151
Upstream	Scope 3, Category 4	Upstream transportation and distribution		644	657	673	735
Upstream	Scope 3, Category 5	Waste and wastewater		7	8	9	9
Upstream	Scope 3, Category 6	Business travel		10	11	7	12
Upstream	Scope 3, Category 7	Employee commuting		52	52	59	73
Upstream	Scope 3, Category 8	Upstream leased assets		2	2	2	2

1 Performance results are for the total GHG emissions footprint of our Co-op for FY25, including those associated with Mainland Group. Some totals shown in the tables may not sum due to rounding.

2 Total GHG emissions for scope 1 and 2 includes both FLAG and E&I allocations. This is a different boundary to near-term Fonterra's SBTi scope 1 and 2 E&I emissions reduction target, and as such the data in this table should not be used to infer progress on targets. Refer to Table 9 for progress reporting on the SBTi target.

3 Location-based approach. Information on market-based reporting is available in Appendix 3.

Table 13 – GHG emissions performance (continued)

TOTAL GHG EMISSIONS BY SCOPE			METRIC	FY25	FY24	FY23	BASE YEAR (FY18)
Downstream	Scope 3, Category 9	Downstream transportation and distribution		765	773	871	855
	Scope 3, Category 10	Processing of sold products		203	197	178	184
	Scope 3, Category 11	Use of sold products					
	Scope 3, Category 12	End-of-life treatment of sold products		65	72	70	73
	Scope 3, Category 13	Downstream leased assets					
	Scope 3, Category 14	Franchisees		<1	<1	<1	<1
	Scope 3, Category 15	Investments					
	Total Scope 3		**'000 tCO_2e**	**25,079**	**24,471**	**25,081**	**27,218**
	Scope 3 by sector	FLAG allocation	%	87%	87%	87%	87%
		E&I allocation	%	13%	13%	13%	13%
	Total Scope 1, 2 and 3		**'000 tCO_2e**	**26,725**	**26,159**	**26,860**	**29,287**
	Excluded from Scope 1-3 in accordance with the GHG Protocol						
	Biofuel emissions	CO_2 emissions from the combustion from biogenic materials.	**'000 tCO_2**	**184**	**162**	**79**	**<1**

1 Performance results are for the total GHG emissions footprint of our Co-op for FY25, including those associated with Mainland Group.

Absolute on-farm emissions account for around 80% of Fonterra's emissions across all scopes. In FY25, New Zealand and Australia processed increased volumes of milk, with a corresponding increase in scope 3 absolute emissions compared to FY24 albeit lower than FY23. Scope 1 and 2 have continued to trend downward over time. The energy sources underpinning national grid electricity can influence our performance. This has had a negative impact over FY25. Continuing to make greater use of biofuels as a source of energy through our decarbonisation programme strengthens our emissions reduction progress. Refer to our SBTi scope 1 and 2 E&I target section for more information.

Reporting notes including the changes to our base year emissions, calculation methodology, GWP rates, emission factors, excluded emissions, and more detailed assumptions and uncertainties are provided in Appendix 3.

Emissions intensities

In addition to our inventory, we report on a variety of intensity metrics that provide context across our value chain. We report global consolidated emissions intensity, categorised by emissions intensity per tonne of finished goods and as an on-farm footprint. Scope 1 and 2 emissions intensity when considered by finished goods has improved on the prior two reporting periods. This improvement reflects the decarbonisation of our operations and also the increase in production of goods for sale.

On-farm emissions intensity reflecting the average raw milk carbon footprint assessments for FY25 and FY24 are based on the 2023/24 milk season. Of the total milk pool, approximately 94% of on-farm emissions are from activities in New Zealand, 6% from Australia and less than 1% are from Sri Lanka, which is similar to prior years. More information on the calculation methodology is available in Appendix 3.

Table 14 – GHG emissions intensities

GHG EMISSIONS INTENSITIES		METRIC	FY25	FY24	FY23	BASE YEAR (FY18)
Global consolidated emissions intensities[1]						
Scope 1 and 2	Emissions by finished goods	tCO_2e/t FG	0.49	0.51	0.54	0.61
On-farm raw milk carbon footprints						
New Zealand	Average emissions by milk solids	$kgCO_2e/kg$ FPCM	1.02	1.02	1.03	1.07
Australia	Average emissions by milk solids	$kgCO_2e/kg$ FPCM	0.89	0.89	0.87	0.88
Sri Lanka	Average emissions by litre of milk	$kgCO_2e/L$ milk	3.48	3.48	3.48	3.48

1 In our FY24 Climate Statements we also reported on an "emissions by all scopes" metric. This has been removed because it is not always reflective of the Co-op's emissions reduction progress, due to the impact of non-direct emissions.

To meet the needs of our customers that want to understand emissions associated with the different categories of key New Zealand sourced products they purchase, we have tailored product-specific footprints that are independently certified via Toitū Envirocare and we use these in our NZMP Carbon Footprinter tool that was introduced online last year and is available at NZMP.com.

Renewable Energy

The energy we use in our operations underpins our calculations of GHG emissions, and energy use at our manufacturing sites dominates our scope 1 and scope 2 emissions. The major energy sources used by our manufacturing sites are purchased electricity and steam, and purchases of coal, natural gas and liquid fossil fuels and biofuels. Achieving our scope 1 and 2 E&I emissions reduction target relies on energy efficiency improvements and switching fuel to renewable energy sources across our manufacturing sites, milk collection fleet and core activities. See page 202 for more on the actions taken in the current year.

Based on the proportion of renewable energy sources used to generate the electricity and steam we purchase, and including the biofuels we directly use, we estimate that 21% of our total energy used comes from renewable sources. The increase from 15% in FY23 reflects our decarbonisation programme, which includes transitioning from solid and liquid fossil fuel to electricity. In addition, our generation of electricity through solar is increasing year-on-year across our sites around the world. Solar photovoltaic installations have been commissioned across some manufacturing sites, retail stores, storage and distribution centres.

Efficient use of energy delivers emissions reductions and contributes to cost savings. In FY25, we achieved a further 3% improvement in energy efficiency (GJ per tonne of finished goods), reducing total energy used by 7% since FY18.

Table 15 – Energy

ENERGY		METRIC	FY25	FY24	FY23	BASE YEAR (FY18)
Energy used in manufacturing						
Total energy used		PJ	25.9	26.3	26.5	27.9
Energy intensity by finished goods		GJ/t FG	7.67	7.94	8.00	8.18
Renewable energy	As a percentage of total energy used	%	21%	19%	15%	9%

Internal carbon pricing

We use different scenarios to create a range of price paths for potential carbon prices for our New Zealand Unit requirements under the domestic ETS. For FY25 our price forecasts ranged from NZ$61.00 to NZ$103.00 per New Zealand Unit. These price paths are forecast higher than the prior seasons to reflect the market and regulatory settings.

These price paths show increased price forecasts for 2030 and are informed by our carbon trading activity as well as the Climate Change Commission's advice on future carbon projections. We use our base case price path as inputs into our energy budgets across the business and use the low-base-high price path scenarios within our business case analysis.

Table 16 – Internal carbon pricing

INTERNAL CARBON PRICING	METRIC	FY25	FY24	FY23
Forecast price path range	NZ$ per NZ Unit	61-103	36-83	32-62

Metrics on vulnerability to climate-related risks

We have assessed the vulnerability of our business activities against three of the climate-related risks that we identified (see Table 5). Our definition of vulnerability reflects whether business activities are sensitive to adverse impacts caused by climate-related risks. It includes the concept of adaptive capacity over time. We have not quantified adaptive capacity due to the wide range of variables involved in assessing climate-related risks over the short, medium and long terms. Exposure is excluded from this definition of vulnerability.

Given the complexity and scale of our organisation, it is difficult to accurately determine vulnerability percentages or amounts. To the extent that further information becomes available, we may choose to change our approach to these metrics in the future. We continually monitor our climate-related risks and have not identified any material changes this reporting period which impact our approach to reporting vulnerability against the chosen metrics. Our reported vulnerability remains consistent with the comparative reporting periods.

Table 17 reflects our view on the vulnerability of our business activities to key physical and transition risks. We have reported our vulnerability on those risks which we consider to be most fundamental to our business currently. These relate to the physical risks which have potential to impact our milk supply and manufacturing operations along with the transitional risk of changing customer and consumer preferences.

Table 17 – Metrics on vulnerability to climate-related risks

RISK TYPE	RISK	RISK DESCRIPTION	BUSINESS ACTIVITY IMPACTED	VULNERABILITY ASSESSMENT FOR FY25[1]
Transition	Changing customer and consumer preferences	Shift in customer and/or consumer preferences away from our products due to our environmental credentials falling behind those of competitors and/or due to consumers moving away from dairy.	The potential for reduced demand from our business to business (B2B) customers over time.	Some of our customers increasingly require support from us to deliver on their sustainability goals and we anticipate there may be increased consumer interest in dairy alternatives such as plant-based or lab-derived options over time. We have assessed the vulnerability of our business to this risk as being up to 70% (FY23 and FY24: 70%) of our global ingredients and foodservice channels, if we are unable to implement the mitigations associated with this risk. This vulnerability reflects the potential for changing customer preferences away from our products due to our climate credentials falling behind those of our competitors.
Physical and transition	Reduced milk supply	Temperature increases, coastal inundation, water availability, soil quality, disease prevalence, and acute weather events leading to a decrease in critical farming inputs (e.g., feed, fertiliser) and productivity of land to maintain viable farming.	The potential for dairy farming to be temporarily disrupted and/or become less viable over time resulting in reduced milk supply.	We consider that 100% (FY23 and FY24: 100%) of our New Zealand milk supply could be vulnerable to adverse weather events caused by climate change. The vulnerability of our milk supply is due to the risk of adverse weather events causing on-farm disruption and reduced milk production. Adverse weather events may include both short-term acute severe weather events (these may take the form of a one-off regional event) and chronic climatic changes that are expected to occur more gradually over a longer time horizon. Acute and chronic weather events could include temperature increases, coastal inundation, water availability, soil quality issues and disease prevalence. These weather events could lead to a decrease in critical farming inputs and productivity of land to maintain viable farming. Despite this vulnerability, we do not anticipate that any one occurrence of an acute severe weather event would expose all of our milk supply. The diversified portfolio of our manufacturing operations and the regional spread of our milk supply should enable us to minimise disruption and adapt to the event. Likewise, we do not anticipate that all of our milk supply would be exposed to chronic climatic changes over time as regions may experience varied impacts over a different time period. We recognise that there is uncertainty around the extent of disruption caused by adverse weather events, with the impact on-farm and to our business expected to range from minor to severe based on factors such as: – The frequency, severity, length and type of adverse weather event(s). – Timing in the milk season, particularly of relevance for acute weather events. – The sensitivity of different regions and individual farms to events or chronic climate changes. – On-farm adaptive capacity.

1 We have not observed any material difference in our assessment of the vulnerability metrics for physical and transition risks since our FY24 Group Climate Statements. We have not previously disclosed vulnerability metrics for FY23, but the same assumptions apply for FY23, FY24 and FY25.

Table 17 – Metrics on vulnerability to climate-related risks (continued)

RISK TYPE	RISK	RISK DESCRIPTION	BUSINESS ACTIVITY IMPACTED	VULNERABILITY ASSESSMENT FOR FY25[1]
Physical	Manufacturing disruption	Damage or disruption to manufacturing sites caused by extreme weather (e.g., flooding, bushfire event).	Potential disruption to our collection, manufacturing and distribution of milk and milk products.	We consider that 100% (FY23 and FY24: 100%) of our New Zealand manufacturing plants are vulnerable to disruption from adverse weather events in New Zealand caused by climate change. The impact to our manufacturing operations as a whole is uncertain but could include: – Adverse weather events directly occurring at manufacturing plant(s) causing damage or disruption. This could result in major business continuity issues, product quality failure, increased operating costs and an inability to fulfil customer orders or meet wider customer requirements. – Disruption to our supply chain due to adverse weather events, such as global or regional impacts to the transportation network. This could result in major business disruption, reduced milk supply, restrictions in non-milk inputs, increased operating costs and/or an inability to meet customer requirements. – Reduced milk supply due to adverse weather events caused by disruption on-farm. This could result in manufacturing plant(s) being underutilised, particularly if the disruption occurred during the peak of the season. Our adaptive capacity will differ according to the weather event. We operate a geographically and technologically diverse network of manufacturing plants in New Zealand, with a significant majority of our operations situated outside 100-year flood zones, and so we would expect to minimise the disruption caused by adverse weather event(s) by redirecting milk within our network.

Metrics on climate-related opportunities

Table 6 sets out the business activities that we have identified as climate-related opportunities. Given the complexity and scale of our organisation, it is difficult to accurately determine a percentage. However, on the basis that we have an integrated approach to delivering our strategic choices, our working assessment is that up to 100% of our business activities are in some way aligned to climate-related opportunities, an assessment that has remained consistent across FY23, FY24 and FY25.[2] We anticipate that our approach to calculating these metrics may evolve over time.

1 We have not observed any material difference in our assessment of the vulnerability metrics for physical and transition risks since our FY24 CRD. We have not previously disclosed vulnerability metrics for FY23, but the same assumptions apply for FY23, FY24 and FY25.

2 A FY23 percentage was not reported in FY24, but the assumptions applied for FY24 and FY25 apply for FY23.

Management remuneration linked to climate risks and opportunities

Remuneration is used to incentivise management accountability for the implementation of climate strategies, policies and targets. Our FMT and wider senior level employees have a Group STI Scorecard, of which 10% was allocated in FY25 to the reduction of scope 1 and 2 GHG emissions intensity relative to our FY18 base year.[1] This is an intensity measure of GHG emitted relative to production, and as an incentive is strategically aligned to our performance objectives to decarbonise our core operations and to improve the efficiency of processing our supplying farmers' milk. Included within the calculation of this metric are the E&I GHG emissions of the small number of farms we directly operate and, consistent with our SBTi-validated absolute scope 1 and 2 E&I emissions reduction target, the FLAG emissions from these farms are excluded.

Table 18 – Remuneration linked to climate risks and opportunities

STI GROUP SCORECARD PERFORMANCE WEIGHTING	FY25	FY24	FY23
Reduction in scope 1 and 2 emissions intensity relative to FY18 base year	10% of Scorecard	10% of Scorecard	10% of Scorecard
Water Improvement Plans for all manufacturing sites	Achieved in FY24 Measure retired	5% of Scorecard	5% of Scorecard

Consistent with the previous two financial years, 10% of the Group STI Scorecard was allocated to the reduction of scope 1 and 2 GHG emission intensity in FY25. In FY23 and FY24 the Group STI Scorecard also included a 5% allocation to the delivery of Water Improvement Plans for all our manufacturing sites. With a Water Improvement Plan in place at each manufacturing site before the end of FY24, this measure has been retired.

We have decided to introduce a new measure connected to on-farm emissions performance to the Group STI Scorecard in FY26, Farms Achieving Emissions Excellence, weighted at 5% of the Group STI Scorecard. The introduction of the Farms Achieving Emissions Excellence measure is intended to sharpen focus on Scope 3 FLAG emissions, which currently represent approximately 80% of our Co-op's total GHG emissions footprint. The scope 1 and 2 GHG emission intensity metric has been removed from the FY26 Group STI Scorecard. Performance against the scope 1 and 2 GHG emission intensity metric is tracking within our expected range and continued positive momentum is expected given the decarbonisation plans in place, reducing the need to retain this measure in the Group STI Scorecard.

While other STI measures may have elements that could be linked to climate risks and opportunities, the relationship and intention of those measures are not as directly linked as our GHG emissions intensity measure. Refer to the Remuneration report for further information on our approach to remuneration, including the full Group STI Scorecard and Long-Term Incentive (LTI) available to Enterprise Leaders[2].

Refer to Appendix 3 for information on GHG emissions data reporting methods and uncertainties associated with the GHG emissions elements of these STI measures.

Other metrics

Our four SBTi targets concern GHG emissions directly and the removal of deforestation from our direct supply chain. We also track renewable energy as a percentage of total energy used, as this is a key driver for our scope 1 and 2 E&I emissions reduction. These metrics and targets are central to our decarbonisation programme and are detailed in this report. We also monitor a range of metrics and targets as we manage all aspects of our business. These include indicators that inform our understanding of our climate-related risks and opportunities, but which are primarily tracked for other purposes, and are not disclosed in these Climate Statements. For example, we track water use by our manufacturing sites, progress against our Group STI Scorecard , and on-farm metrics such as how many farms have engaged with emissions tools and services, how many have a Farm Environment Plan and how many of our supplying farmers have achieved the levels of the Co-operative Difference framework.

Independent assurance

This is our ninth year of seeking independent limited assurance over our Co-op's GHG emissions (our first was 2017). Prior to this year, limited assurance of GHG emissions was provided as part of our reporting to the Global Reporting Initiative (GRI) standards, including the climate change and energy topic standards.

This year, we have sought limited assurance over the measurement of our GHG emissions in accordance with the GHG Protocol, and reporting of these emissions under the NZ CS. This limited assurance includes testing of source documentation and a review of our process for identification, aggregation and analysis of relevant information, and presentation of performance for scope 1, 2 and 3 GHG emissions.

See page 250 for the Limited Assurance Report provided by KPMG.

1 This measure is calculated as the total scope 1 & 2 absolute emissions (tCO_2e) divided by finished goods produced (tonnes) at our manufacturing sites.
2 The LTI is available to Enterprise Leaders, our senior employees who are deemed to have the greatest ability to have a long-term impact on our Co-op's performance.

Appendices

Appendix 1: Further detail on climate-related scenarios

Table 19 – Further detail on climate-related scenarios

		SHARP CORRECTIONS	SLOW FOLLOWERS	HOTHOUSE
Pathways *Scenario Architecture*	Intergovernmental Panel on Climate Change, Shared Socioeconomic Pathways (SSP)	SSP1 'Taking the Green Road'	SSP2 'Middle of the Road'	SSP3 'Regional Rivalry'
	Representative Concentration Pathways	1.9	4.5	7.0
	Network for Greening the Financial System	'Sudden Wake Up Call' and 'Net Zero Emissions'	'Low Policy Ambition' and 'Fragmented World'	'Diverging Realities' and 'Current Policies'
	Shared Policy Assumptions for New Zealand	'100% Smart'	'Kicking and Screaming'	'Unspecific Pacific'
	Climate Change Commission	Further Behaviour Change	Headwinds	Current Policy Reference
Global temperature increase[1] Best estimate relative to pre-industrial levels by 2100		1.5°C	2.7°C	3.6°C
NZ population increase[2] For 2073 relative to 2022		30%	38%	52%
NZ carbon price[3] For 2070, per tonne		\$557	\$251	\$35[5]
NZ net emissions[5] For 2050 relative to 2005		20 $MtCO_2$-e	24 $MtCO_2$-e	40 $MtCO_2$-e
NZ electricity from renewable sources[5] By 2050		96%	96%	92%
NZ sea level rise[6] For 2050 relative to 2005		0.20m	0.22m	0.32m
NZ extreme rainfall[4] For 2100 relative to 1986-2005 baseline		+13%	+25%	+30%
NZ extreme heat (>30°C)[4] For 2100 relative to 1986-2005 baseline		+7 days	+16 days	+28 days
NZ native forestry[5] For 2050 relative to 2005		+0.8Mha	+0.5Mha	+0.2Mha
NZ potential evapotranspiration deficit[4] For 2100 relative to 1986-2005 baseline		103mm	165mm	223mm

Data sources:

1 IIASA SSP (Shared Socioeconomic Pathways) Database. SSP1-1.9, SSP2-4.5, SSP3-7.0.

2 Stats NZ. (2022). *National population projections: 2022(base)–2073.* 95th percentile, 75th percentile, 50th percentile.

3 New Zealand Treasury. (2023). *CBAx Tool User Guidance - Assessing climate change and environmental impacts.* Central projection, Low projection.

4 Ministry for the Environment, NIWA. (2024). *Aotearoa New Zealand Climate Projections.*

5 He Pou a Rangi. (2021). *Scenarios dataset for the Commission's 2021 Final Advice (output from ENZ model).* Climate Change Commission. Further Behaviour Change, Headwinds and Current Policy Reference.

6 Ministry for the Environment. (2022). *Coastal hazards and climate change guidance.*

Appendix 2: GHG emissions results by activity including restatements

GHG emissions results by activity

Information on the characteristics of emissions across our value chain are provided in Tables 20 and 21[1]. Trend analysis associated with scope 1 and 3 on-farm emissions is provided in the Metrics and Targets section of this report. Trend analysis associated with scope 1 and 2 E&I emissions is also provided in the Metrics and Targets section, along with supplementary information in Table 15 'Energy' and Table 21 'Manufacturing energy from major sources'.

Transportation and distribution (T&D) emissions reflect the emissions associated with the movement and storage of the goods and services provided to our customers and then further down the value chain to their end users. In FY25, T&D emissions were consistent with FY24 and 9% lower than FY23. The level of T&D emissions each year is influenced by the variability of sales volumes year-on-year. Scope 3 'other' emissions reflect a similar trend since FY23, with no significant additional factors influencing reported emissions.

Table 20 – GHG emissions by activity

GHG EMISSIONS BY ACTIVITY		METRIC	FY25	FY24	FY23	BASE YEAR (FY18)
Scope 1	On-farm		21	17	18	19
	Manufacturing		1,204	1,287	1,294	1,453
Total scope 1		**'000 tCO_2e**	**1,225**	**1,304**	**1,311**	**1,472**
Scope 2	On-farm		<1	<1	<1	<1
	Manufacturing		421	383	468	597
Total scope 2 location-based		**'000 tCO_2e**	**421**	**384**	**468**	**597**
Total scope 2 market-based		***'000 tCO_2e***	***448***	***383***	***467***	***597***
Scope 3	On-farm		21,336	20,782	21,102	22,968
	Manufacturing		414	404	372	385
	Transportation and distribution		1,409	1,431	1,544	1,590
	Other		1,921	1,855	2,063	2,276
Total scope 3		**'000 tCO_2e**	**25,079**	**24,471**	**25,081**	**27,218**
Scope 1, 2 and 3	On-farm		21,357	20,799	21,120	22,987
	Manufacturing		2,039	2,075	2,134	2,435
	Transportation and distribution		1,409	1,431	1,544	1,590
	Other		1,921	1,855	2,063	2,276
Total scope 1, 2 and 3		**'000 tCO_2e**	**26,725**	**26,159**	**26,860**	**29,287**

1 Some totals shown in the tables may not sum due to rounding.

Table 21 – Manufacturing energy from major sources

MANUFACTURING ENERGY FROM MAJOR SOURCES	METRIC	FY25	FY24	FY23	BASE YEAR (FY18)
Coal		6.6	7.4	8.2	9.6
Natural gas		8.0	8.1	7.0	7.4
Electricity (purchased and solar generated)		5.0	4.7	4.7	4.7
Biofuels		2.0	1.8	<1	<1
Steam (purchased)		2.2	2.2	3.6	4.0
Liquid fossil fuels		2.1	2.1	2.1	2.3
Total energy used	**PJ**	**25.9**	**26.3**	**26.5**	**27.9**

Restatements

Our methodologies and data sources are reviewed annually to determine whether adjustments are necessary, either because of new data availability or to improve our measurement of GHG emissions.

Our policy is to recalculate base year and reported data from subsequent years, when any of the following situations arise:

- There are significant changes to our reporting boundaries, including as a result of acquisitions or divestments or when new or more reliable sources of information are identified.
- There are significant changes to a calculation methodology, including life cycle assessments or emission factors.
- We identify a significant error, or a number of errors that are collectively significant.
- When a restatement is applicable, we may also take the opportunity to update other less significant data for completeness and accuracy.

While none of these situations arose in FY25 and no material errors have been identified for previous reporting periods, we have included restatements for transparency and comparability. These restatements primarily affect scope 3 reported emissions.

Change of boundary

This year, we have fully consolidated GHG emissions associated with Kotahi's operations into our inventory. An estimate for the emissions generated when others make use of Kotahi for supply chain logistics is included for all years to FY18. See the Boundary section.

On-farm

As we do each year, we restated prior year (FY24) emissions from on-farm activities to align with the milk carbon footprint assessments for the dairying season (2023/24) once they were available. For New Zealand, all years were updated to reflect improved peat and land use change data. For Australia, FY24 and prior years have been restated to reflect the most recent on-farm emissions intensity estimates for the regions where we collect raw milk to account for methodology refinements in relation to state-based factors. We identified an allocation of emissions in the Australian on-farm data that, by revising, improved estimation accuracy of reported absolute emissions.

Off-farm

Following a review of emissions factors, several of the emission factors applied to scope 3 categories have been updated this year. The Thinkstep-anz emissions factors were refreshed for categories 1 and 2, and other emissions factors have been updated for categories 3, 4, 9, and 10 to provide greater specificity and accuracy.

Other minor adjustments were made to categorisation of new emissions activity data introduced. For example, we added upstream emissions from municipal water treatment to category 5 and reassessed leased assets in categories 8 and 13.

Appendix 3: GHG emissions methods, assumptions and uncertainties

This appendix provides information on the primary methods adopted in the measurement of GHG emissions this year across the Co-op's reporting boundary, the significant assumptions, rationale, limitations and inherent estimation uncertainties. It also provides the sources of emission factors and Global Warming Potential (GWP) applied in the calculation of emissions.

We measure our greenhouse gas emissions in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition 2015), the GHG Protocol Scope 2 Guidance: An amendment to the GHG Protocol Corporate Standard, and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard. We use the operational control approach to consolidate our emissions.

Measuring GHG emissions is inherently subject to uncertainty, particularly within scope 3 value chain emissions. Following international guidance and accepted practices, where primary, activity-specific data is available it has been used as the basis of the calculation. Where primary data is not available, secondary data relevant to our Co-op's emissions profile has been applied. Spend-based emission factors have been used for some activities. In these instances, a conservative estimation method has been applied so emissions are not understated. Unless otherwise stated, no specific facilities, activities, operations or greenhouse gases have been excluded from scope 1, 2 or 3 reported emissions.

On-farm GHG emissions

Methods

On-farm emissions are associated with the supply of raw milk for our products and represent 80% of our GHG emissions inventory with the majority of these emissions being included within scope 3, category 1.

To enable us to calculate our on-farm GHG emissions from dairy we regularly commission milk carbon footprint assessments for those markets where we purchase raw milk. These methods result in the calculation of an estimated regional average GHG emissions intensity in kgCO_2e/kgFPCM and kgCO_2e/kgMS for the farms in New Zealand and Australia supplying us with raw milk.

The total quantity of milk collected during the financial year is multiplied by the most recently available factor. For FY25, our countries of milk collection were New Zealand, Australia and Sri Lanka.

The milk carbon footprint considers methane (CH_4), nitrous oxide (N_2O) and carbon dioxide (CO_2) arising from feed sources, animals, fertilisers, energy and land use. For supplying farms, emissions are allocated between the milk and meat co-products, with only the milk component being counted within our footprint.

For the 31 farms where we have operational control, full emissions are allocated to our footprint, including additional GHG emissions associated with non-dairy animals (using Ministry for the Environment default emission factors).

In New Zealand, for more than 10 years we have commissioned AgResearch Group, part of the New Zealand Institute for Bioeconomy Science, to provide an annual update of the carbon footprint of on-farm milk production. This research report provides the average raw milk carbon footprint assessment results detailed in Table 22. This footprint is the unique emissions intensity factor we use to estimate GHG emissions of New Zealand supplying farms for the season. The on-farm carbon footprint assessment uses two independent data sources to represent the New Zealand dairy industry: the DairyNZ/LIC annual statistics and the national farm survey sourced from DairyNZ's DairyBase farm data. AgResearch Group completed this analysis using the International Dairy Federation (IDF) 2022, GHG Protocol Agricultural Sector, and IPCC AR6 guidance documents, with GWP factors of CO_2 = 1; N_2O = 273; fossil CH_4 = 29.8 and biogenic CH_4 = 27.

For Australia, Dairy Australia's Dairy Farm Monitor Project estimates the farm GHG emissions intensities. The Tasmanian Institute of Agriculture use this data to estimate regional average emission intensities for the dairying regions that supply us with raw milk in Australia. This research and methodology aligns with the approach of the Australian national inventory report, including use of the IDF 2022 guidelines and data from the national farm survey sourced from Australian DairyBase farm data. For the small volumes of milk we source in Sri Lanka, we apply the most recent average emissions intensity per litre of milk available for the South Asian region.

The overall footprints of non-New Zealand results have been recalculated using the component gases so that all farm-related milk carbon footprints make use of IPCC AR6.

Assumptions and uncertainties

This section provides the significant assumptions and uncertainties associated with the calculation of on-farm emissions in New Zealand and Australia.

The reported average GHG emissions intensity (Table 14) provides a modelled estimation which is subject to inherent limitations, given it is based on averaged input data, scientific research, estimates and assumptions by industry and academic subject matter experts. This creates some uncertainty in the emissions intensity factor, with the effect that the reported performance towards the target to reduce scope 1 and 3 FLAG emissions intensity from dairy (Table 10), the GHG emissions intensities (Table 14), and the absolute GHG emissions (Table 13), should be considered estimates to show directional trends over time. The method we apply to calculate on-farm GHG emissions uses the total quantity of milk collected during the financial year multiplied by the milk carbon footprint emissions factor. The systems, controls and processes align the milk collection data we source to the farms that supply milk, helping to reduce overall uncertainty of the on-farm GHG emissions calculated.

Significant assumptions and uncertainties associated with the emissions intensity factor include:

- The method relies on the use of third-party data to represent statistical information for the dairy industry. The degree to which this information represents a typical Fonterra supplying farm is subject to uncertainty. The information is obtained from reliable, consistent and independent sources and given the scale of our Co-op's share of milk collections, is assumed to be representative.
- In New Zealand, the milk carbon footprint includes estimated emissions associated with the conversion of land from forest to dairy. This estimate is based on statistical satellite data sourced from the New Zealand government department, the Ministry for the Environment, and the change in total area of land conversion from forest over a 20-year responsibility window. Uncertainty relates to the extent that the statistical data aligns to exact land use change on Fonterra supplying farms. There is no inclusion of emissions associated with conversion from forest to dairy land in Australia given the long-term establishment of farms examined means the likelihood of land conversion is minimal.
- In New Zealand, peatland emissions are calculated based on regional data relating to the Fonterra supplying farms on peatland. Soil mapping is variable which leads to uncertainty for regions that have not been fully analysed. The science for estimating peatland GHG emissions is not mature and should be considered to have a higher degree of uncertainty than other areas within the modelled estimate. Dairying on peated soils does not occur in Australia.
- For Australia, emissions are not included for upstream bought-in feed, which adds some uncertainty to the milk carbon footprint emission intensity factor.

Calculating a milk carbon footprint takes longer than the time available between the end of the dairy season and our Co-op's financial year and requires the application of dairy emissions factors which are not available for the current financial year. For the raw milk supplied in FY25, we use FY25 milk collection volumes together with the most recently available emissions factors (the milk carbon footprint for the prior dairy season) to estimate emissions. This approach is necessary due to emissions intensity factor availability, the need for on-farm verification and the extent of analysis required to complete a milk carbon footprint. We then consistently restate the reported on-farm emissions for the prior financial year to align the raw milk supplied in that financial year with the updated emissions factors for that dairying season.

Alternative estimation methods such as adopting generic agriculture or dairy spend-based emission factors and milk input data are available. However, we believe these would result in a higher degree of uncertainty than our chosen method as they would be less aligned to the activity and carbon emissions of the farmers supplying milk to Fonterra. A spend-based approach is a method least aligned to a supplier, creating more uncertainty due to the approach of using financial expenditure and a chosen emissions factor to represent emissions associated with the activity. In contrast, the milk carbon footprint measurement method results in a calculation with greater specificity and consistency across reporting years by using the total quantity of milk collected during the financial year multiplied by the milk carbon footprint emissions factor. While there is uncertainty with the reported average GHG emissions intensity, the total quantity of milk collected is sourced from robust systems with controls and processes in place to ensure that the milk collection data is aligned to the farms that supply us milk, and payments we make to farmers. We believe this results in a lower level of uncertainty than the alternative measurement methods.

In addition, the milk carbon footprint measurement method is broadly aligned to the approach used by the New Zealand and Australian government dairy industry in their GHG inventory reporting. As the underlying methodology used has remained similar between FY18 and the current reporting period and the input data has been drawn from consistent, independent and reliable sources, the level of uncertainty inherent in the assessment has remained similar across the current period, comparative periods and the FY18 base year.

Based on current methodology, the reported on-farm GHG emissions intensity from dairy provides primary users an estimate of emissions averages associated with the milk supplied to us across large regionally diverse areas of dairy farming in New Zealand and Australia.

Off-farm GHG emissions

Methods

Scope 1 and 2 E&I GHG emissions

Our primary activity is milk collection and processing it into finished goods. Use of energy dominates our scope 1 and scope 2 GHG emissions and represents energy used by our manufacturing sites, research centre, offices, warehouses, stores, and milk collection vehicle fleets. Emissions from the use of fossil fuel energy and purchased electricity for the small number of farms (31) where we have operational control are also included within our scope 1 and 2 emissions reporting.

Scope 1 energy emissions are calculated using a fuel-based methodology and comprise coal, natural gas, liquid fossil fuels and bioenergy (non-CO_2 components). Coal and natural gas are primarily used for process heating while liquid fossil fuels are primarily used for vehicles. Non-energy emissions for the activities such as bulk CO_2 (including as a packing gas) and refrigerant losses are also included but these are small in comparison.

Scope 2 energy emissions result from purchased electricity and steam. Emission factors for grid electricity are subject to change dependant on the mix of fuel used to generate grid electricity. This results in variability in our GHG emissions calculation over time which is outside of our direct control. We also generate electricity through solar photovoltaic installations. We are unable to report energy used for heating separate to that used for cooling but heating dominates our energy use.

Scope 3 E&I GHG emissions

As part of our continuous improvement, the reporting of scope 3 energy and industrial emissions has expanded in recent years to all categories of emissions under the GHG Protocol. To achieve this, we have applied a hybrid approach to estimating emissions, which means that we select the best measurement method based on the availability of data and appropriate emission factors.

The complexity of our value chain means that our scope 3 energy and industrial emissions are estimated and include assumptions and uncertainties, many of which differ based on the chosen calculation methodology for each scope 3 category. The calculation includes emissions based on a spend-based methodology. The use of a spend-based methodology inherently involves uncertainty, as the approach assumes that the financial expenditure and the chosen spend-based emissions factor represent actual emissions associated with the activity.

In some cases, we use volume-based information to estimate activity and apply emission factors which may be blended, based on studies completed in earlier years, or may be industry-wide average factors not specific to the entity or the activity.

Assumptions and uncertainties

Table 22 provides the emissions sources, measurement methods, rationale, significant assumptions and uncertainties in respect of our off-farm emissions. We have classified emissions uncertainty in the categories of low, low-medium, medium or high to provide an understanding of assumptions, rationale and limitations. Providing this classification indicates where we have identified opportunities to improve data availability and approach to emissions estimation. We do not consider this approach materially affects the quantification or comparability of emissions over time. Our strategic intent to lower emissions through decarbonisation and engagement with our suppliers and customers is not affected by the uncertainties inherent in emissions estimation.

Supplier and customer engagement on scope 3 E&I emissions reduction target - assumptions and uncertainties

The methodology for calculating our performance against the supplier and customer engagement on the scope 3 emissions reduction target has been to allocate E&I emissions to suppliers and customers on a proportionate basis using the total calculated GHG emissions within the applicable scope 3 category. As a result of this approach, the assumptions and uncertainties associated with the calculation of GHG emissions also apply to the calculation of our performance against this target (Table 11). In some cases, we have used spend or volume data to estimate GHG emissions allocated to suppliers and customers. This approach creates uncertainty as the estimated GHG emissions may not reflect the actual GHG emissions profile of the goods or services being provided.

Table 22 – GHG emissions sources, methods and uncertainties

SCOPE / CATEGORY	EMISSIONS SOURCE	MEASUREMENT METHOD	MEASUREMENT METHOD RATIONALE, SIGNIFICANT ASSUMPTIONS, LIMITATIONS AND EXCLUSIONS	ESTIMATION UNCERTAINTIES
Scope 1	Coal, natural gas, biofuels, and liquid fossil fuels	Invoiced volume consumption	Primary data from supplier-invoiced information, calculated using government-sourced emission factors. The coal emissions factors are adjusted based on the tested gross calorific value to account for the quality of coal consumed. This methodology was chosen due to its reliability and consistency, as it uses actual activity data provided by suppliers.	Low: No significant uncertainties due to the high-quality data available for these emissions sources.
	Fugitive emissions: refrigerants	Invoiced top-up records		
	Milk production (Fonterra-owned farms)	Supplier specific	See *On-farm GHG emissions* on page 216	
Scope 2	Purchased electricity	Invoiced volume consumption	Primary data from supplier-invoiced volumes. Location-based emissions factors were obtained from government agencies or other similarly authoritative sources. This approach includes ICP tracking for completeness.	Low: No significant uncertainties due to the high-quality data available for these emissions sources.
	Purchased steam	Invoiced volume consumption		
Scope 3 / Category 1	Raw milk purchases	Supplier specific	See *On-farm GHG emissions* on page 216	
	Dairy ingredients (non-raw milk)	Activity-based (tonnage)	Activity data was mainly volume-based and related to our European site.	Medium: The activity data in some cases includes estimated information. Packaging emissions have a greater level of uncertainty than in FY24.
	Finished products	Activity-based (tonnage)	Activity data was mainly volume-based.	
	Packaging	Activity-based (tonnage)	Packaging volume data utilising the industry life cycle analysis emissions factors. Estimation of packaging volumes for FY25, being the same as July 2023 – June 2024 recorded levels, with updated emissions factors applied.	
	Non-dairy ingredients	Spend-based	Data collected from Fonterra's financial systems was mapped to the appropriate commodity-specific spend-based emissions factors.	Medium: Due to the lack of information about the activity specific GHG emissions associated with each good or service purchased.
	Other purchased goods and services, including Farm Source retail stock	Spend-based		
	Subcontracting	Spend-based		
Scope 3 / Category 2	Capital purchases	Spend-based		

SCOPE / CATEGORY	EMISSIONS SOURCE	MEASUREMENT METHOD	MEASUREMENT METHOD RATIONALE, SIGNIFICANT ASSUMPTIONS, LIMITATIONS AND EXCLUSIONS	ESTIMATION UNCERTAINTIES
Scope 3 / Category 3	Upstream emissions of purchased fuels Upstream purchased electricity Transmission and distribution losses Upstream processing of bioenergy	Average-data method Average-data method Average-data method Average-data method	Emissions associated with upstream production and processing of fuel have been calculated from Scope 1 and applying well-to-tank emissions factors using UK default factors. Emissions from the transportation of solid fuels to site were calculated based on tonnes purchased, distance moved and emissions factor for the mode of transport. For coal, which is only used in New Zealand, an emission factor from the New Zealand Emissions Trading Scheme was applied and an allowance included for energy use in the actual mining operation. Bioenergy is almost entirely associated with wood biofuel, which is only used in New Zealand, almost all purchased in the form of pellets created from forestry by-product. An insignificant volume of other biofuels was consumed in Australia. Immaterial exclusions: Due to a lack of reliable data, emissions associated with the upstream extraction, production and transportation of fuels consumed in the generation of grid electricity are excluded. For countries other than New Zealand and Australia, emissions from grid electricity transmission and distribution losses are also excluded.	Low-medium: Based on invoices for purchased fuels. The well-to-tank emissions factors applied are not region specific and some transportation distances are estimated.
Scope 3 / Category 4	Ocean freight Other freight (road, air, and rail)	Distance-based Distance-based	Ocean freight is calculated on a TEU and port-to-port distance basis utilising emission factors provided by shipping partners, as accredited by Smart Freight Centre in accordance with the Global Logistics Emissions Council (GLEC) v3.0 Framework. It is assumed that the activity data and calculation of port-to-port emissions based on the ship and type of container is materially correct. For road, rail and air freight, emissions were calculated using average tonne-kms and regional freight emissions factors. Where regional freight emissions factors were unavailable, the corresponding factor from New Zealand was used. Immaterial exclusions: Emissions associated with in-country product transfers and distribution for non-primary locations from port to customer, and some inter-island ferrying of products within New Zealand are not captured due to data availability.	Low-Medium: Due to system limitations around data granularity, some logistical information associated with purchased goods is accounted for under scope 3, category 1.
Scope 3 / Category 5	Waste and wastewater	Average-data	Includes a mix of data sources, manufacturing site inputs, vendor supplied data and estimation of distance and weight of certain activities.	Medium: Activity data includes estimated information and default emissions factors specific to New Zealand are applied to other geographies.
Scope 3 / Category 6	Business travel	Distance-based	Sourced from vendor supplied data by nominated travel agencies, includes flights, accommodation and rental vehicle hire. It is assumed this data is materially correct.	Low: No significant uncertainties due to the nature of the vendor supplied data for these emission sources.

SCOPE / CATEGORY	EMISSIONS SOURCE	MEASUREMENT METHOD	MEASUREMENT METHOD RATIONALE, SIGNIFICANT ASSUMPTIONS, LIMITATIONS AND EXCLUSIONS	ESTIMATION UNCERTAINTIES
Scope 3 / Category 7	Employee commuting	Average-data	Secondary data was used to estimate the emissions from commuting. The calculation was based on a conservative estimate that all employees commute a typical distance daily by an individual private petrol vehicle.	High: Primary data from employees is not available and the calculation therefore relies on an estimate.
Scope 3 / Category 8	Upstream leased assets	Average-data	Data is collected from Fonterra's property systems covering emissions not already captured in scope 1 or 2.	Low-Medium: Uses a default emissions factor which may not accurately reflect the building load.
Scope 3 / Category 9	Downstream transportation and distribution	Average-data	Secondary volume data was used to estimate emissions using a simple, linear value chain: Customer warehouse, to retailer, to consumer. It is assumed that there is no further on-sale within the value chain. An averaged retailing and refrigerant emissions factor was applied based on examples from product carbon footprints and research. Freight emissions were estimated based on typical journeys and New Zealand default truck and car emissions factors.	High: Secondary volume data and a range of emissions factors applied. The majority of products sold by Fonterra are intermediate products with many downstream applications. Fonterra is therefore unable to estimate, without a high degree of uncertainty, the downstream transportation and distribution emissions associated with the various end uses of intermediate product.
Scope 3 / Category 10	Processing of sold products	Average-data	Secondary data estimations were calculated based on the assumed proportion of Fonterra production volumes that were intermediate products and the energy consumption of similar Fonterra representative sites as a proxy for emissions.	High: Secondary volume data and a representative emission factor applied. The majority of products sold by Fonterra are intermediate products with many downstream applications. Fonterra is therefore unable to estimate, without a high degree of uncertainty, the downstream transportation and distribution emissions associated with the various end uses of intermediate product.
Scope 3 / Category 11	Use of sold products	N/A	Assumption that the dairy component of the final product is fully consumed, and there are no direct emissions.	N/A
Scope 3 / Category 12	End-of-life treatment of sold products	Waste-type-specific method	Assumption that the dairy component of the final product is fully consumed, and there are no direct emissions. Packaging of products is assumed to be landfilled at end-of-life (although most of our packaging is recyclable). Emissions are estimated based on purchased volumes in FY24 of individual packaging elements, with updated emission factors applied.	Medium: Limited information regarding geographic retailer behaviour and available data sources. Our end-of-life packaging emissions have a greater level of uncertainty than in FY24.
Scope 3 / Category 13	Downstream leased assets	N/A	No downstream leased assets are within the property portfolio.	N/A

SCOPE / CATEGORY	EMISSIONS SOURCE	MEASUREMENT METHOD	MEASUREMENT METHOD RATIONALE, SIGNIFICANT ASSUMPTIONS, LIMITATIONS AND EXCLUSIONS	ESTIMATION UNCERTAINTIES
Scope 3 / Category 14	Franchises	Franchise-specific	Fonterra has a small number of franchisees in New Zealand to distribute products locally. Emissions have been estimated based on fuel consumption of a representative sample and New Zealand specific emission factors applied. Fonterra purchases the electricity for product storage by the franchisees and the associated emissions are accounted for under scope 2 reporting.	Medium: The activity data includes estimated information.
Scope 3 / Category 15	Investments	N/A	Exclusion: Emissions associated with equity investments are immaterial.	N/A

Sources of Global Warming Potential (GWP) rates and emissions factors applied to the FY25 measurement of GHG emissions.

Fonterra's GHG measurement uses emission factors based on a combination of Intergovernmental Panel on Climate Change Assessment Reports (AR) and GWP rates:

- On-farm emissions were calculated using AR6 with GWP factors of CO_2 = 1; N_2O = 273; fossil CH_4 = 29.8 and biogenic CH_4 = 27.
- The majority of manufacturing and other off-farm emissions were calculated using AR5 with GWP factors of CO_2 = 1; N_2O = 265; CH_4 = 28 although a few utilise AR4 GWP factors of CO_2 = 1; N_2O = 298; and CH_4 = 25 depending on the approach taken by reporting authorities in the respective countries over time. Hydrofluorocarbons (HFCs) have been considered with GWPs. Perfluorinated compounds (PFCs) and sulphur hexafluoride are not used or generated by Fonterra.

Table 23 – GHG emissions and GWP factor sources

EMISSIONS AND GWP FACTOR SOURCE	SCOPE 1	SCOPE 2	SCOPE 3	COMMENT
Ministry for the Environment (MfE): 'Measuring emissions: A guide for organisations 2025'.	✓	✓	Cat 3 Cat 4 Cat 5 Cat 6 Cat 7 Cat 9 Cat 10 Cat 14	
Ministry of Business, Innovation & Employment (MBIE): 'Quarterly electricity generation and consumption' reports.		✓		Quarterly publication of New Zealand grid factors. Used for New Zealand purchased electricity.

EMISSIONS AND GWP FACTOR SOURCE	SCOPE 1	SCOPE 2	SCOPE 3	COMMENT
AgResearch (2025) The carbon footprint of Fonterra's weighted average milk production for 2023/24.			Cat 1	The bespoke factor developed annually is used to calculate on-farm emissions for raw milk production. Further information on these factors is provided in Appendix 3 and in the description of the on-farm emissions calculation methods and estimation uncertainty.
Australian dairy industry emissions intensity research paper and methodology by the Tasmanian Institute of Agriculture. Australia (2025), The National Greenhouse Accounts Factors 2024.			Cat 1	The bespoke factor is used to calculate on-farm emissions for raw milk production. Further information on these factors is provided in Appendix 3 and in the description of the on-farm emissions calculation methods and estimation uncertainty.
Department of Climate Change, Energy, and Environment and Water (DCCEEW): 'Australian national greenhouse accounts factors'.	✓	✓	Cat 1 Cat 3	Australian Government's 'NGA factors'. Utilised for Australia scope 1 and 2, and scope 3: categories 1 and 3 calculations.
Department of Climate Change, Energy, the Environment and Water, Australian Energy Statistics (2025)		✓		To support calculating the renewable energy component of grid electricity in Australia.
ThinkStep ANZ: 'Emission factors for New Zealand industries and commodities'			Cat 1 Cat 2	For expenditure-based data, including scope 3: categories 1 and 2 calculations.
CaDI (2024) GHG emissions factors for international grid electricity		✓		Country location-based factor and used as default market-based residual factor in scope 2 for Indonesia, Malaysia, Saudi Arabia, and Sri Lanka calculations.
International Renewable Energy Agency (IRENA): 'Renewable energy statistics' reports		✓		To support calculating the renewable energy component of grid electricity in other countries: 2023 and 2024 editions.
CO_2 emissiefactoren (2025)	✓	✓	Cat 3 Cat 4	The Netherlands national energy and emissions factors website managed by Rijkswaterstaat on behalf of the Ministry of Economic Affairs and Climate. Utilised for scope 1 natural gas, scope 2 and scope 3: categories 3 and 4 calculations.
Smart freight centre: Clean cargo ocean containership GHG emission intensity calculation methods (2025)			Cat 4	Emissions factors for ocean freight are provided aligned to the guidelines described in the Global Logistics Emissions Council (GLEC) Framework and GHG protocol on emissions factors selection.
Fonterra Ingredients Carbon Footprint assessments			Cat 1 Cat 9 Cat 10	For some subsets of data we have leveraged our product footprints as proxy emissions factors. For example, we have sought an independent assessment of the carbon footprint of our US ingredients. Emissions factors were sourced from Toitū's Product Carbon Footprint.

EMISSIONS AND GWP FACTOR SOURCE	SCOPE 1	SCOPE 2	SCOPE 3	COMMENT
New Zealand Emission Trading Scheme (NZ ETS) data			Cat 3	The 'NZ ETS' is utilised for scope 3, category 3 calculations.
Packaging Impact Quick Evaluation Tool			Cat 1 Cat 12	The tool uses a methodology consistent with ISO14067 and relevant emissions factors.
Climate change and the global dairy cattle sector – The role of the dairy sector in a low-carbon future (2018)			Cat 1	The Sri Lanka milk volume emission factor has been taken as the average for South Asia in the scope 3, category 1 calculation.
Greenview Hotel Footprinting Tool (2024)			Cat 6	A country emissions factor is identified using this website when no MfE factor is available in relation to scope 3, category 6 accommodation.
United Nations Environment Programme: 'Global status report for buildings and construction'			Cat 8	
Greenhouse Gas Emissions in milk and dairy product chains. Aarhus University (2012)			Cat 9	Used as a global default emission factor in scope 3, category 9 calculation.
GHG Protocol emission factors from cross-sector tools: 2006 IPCC guidelines for national greenhouse gas inventories, volume 2, energy (2024)	✓		✓	The 2006 IPCC guidelines have been used for scope 1 and scope 3 as a proxy in cases where more specific factors could not be identified.
UK Department for Energy Security and Net Zero, Greenhouse gas reporting: conversion factors (2025)	✓		✓	The 'UK conversion factors 2025' have been used for scope 1 and scope 3 as a proxy in cases where more specific factors could not be identified.

Appendix 4: Key assumptions and uncertainties behind achievement of our climate targets

This appendix provides information on the key assumptions, dependencies and risks behind our climate targets, and how these may impact our ability to achieve these targets. Our targets have been set on the basis of what we currently know and reasonably expect to become possible with technological developments, government policy support and on-farm practices. All of these factors will be critical to whether we can achieve our 2050 net zero ambition. Key assumptions, dependencies and risks include the following:

We commit to reduce our absolute scope 1 and 2 GHG emissions by 50.4% by FY2030 from a FY2018 base year[1]

- Third party professional services and suppliers will need to have the capacity to undertake the required decarbonisation project works identified by Fonterra within the proposed timing. This includes the supply and manufacture of required equipment, vehicles and infrastructure. In addition, projects will need to be completed during seasonal manufacturing shutdowns in order to avoid undue impact on milk processing.
- Low emission energy sources, such as wood biomass or electricity, will need to be available from deforestation free sources and be affordable, and coal and gas supply volume will need to remain available and affordable.
- Necessary consents and/or regulatory approvals will need to be obtained by Fonterra or other third parties to undertake key decarbonisation projects.
- Off-site electrical infrastructure (both transmission and distribution) will need to be available to enable our transition plans within required timeframes. We acknowledge that there are significant demands domestically and internationally for electrical infrastructure upgrades which may impact our plans if they cannot meet our timeframes. In addition, Fonterra may become more exposed to changes in the emissions factor for New Zealand's national electricity grid. These changes are outside our control and can impact our performance against the target.
- Third parties will need to invest in and/or develop supply chain and/or technology solutions, potentially in partnership with Fonterra.
- Resources, both capital and people, will need to be prioritised to undertake the required decarbonisation activities. We assume that no unexpected major events outside of Fonterra's control will require a reallocation of these resources. For example, events related, but not limited to, repairs and maintenance of assets, health and safety and regulation and compliance may require us to divert resources.
- Natural gas supply constraints have emerged, and in response we are continuing to review our decarbonisation pathway. These potential changes are not expected to compromise our ability to achieve our 2030 emissions targets or our transition out of coal by 2037, but could impact over the longer term.
- We will need to draw on commercially viable solutions for decarbonised milk collection, such as availability of appropriate vehicle solutions and charging infrastructure, which will require support from the transport sector.
- Funding will need to be available via our co-funding agreement with the EECA for qualifying coal reduction projects and the commitments within this agreement will be met.

We commit to reduce scope 1 and 3 FLAG GHG emissions from dairy by 30.0% per tonne of fat-and-protein corrected milk by FY2030 from a FY2018 base year[2]

Innovating new technologies

- A key risk is the extent to which development and deployment of novel technology (such as methane inhibitors) can be achieved prior to 2030. There is risk that these solutions may not be available within expected timescales (or at all).
- Novel technology will also need to be practical and affordable for pasture-based farming systems. This will encourage higher rates of farmer adoption which will be critical to meeting our targets. For example, our cows spend over 350 days a year grazing on pasture (as an average calculated across our Fonterra New Zealand farms), which can present challenges for feed-based methane inhibitors to be effective.

1 The target boundary includes land-related emissions and removals from bioenergy feedstocks.

2 Target includes FLAG emissions and removals.

- We will need to ensure that potential technology solutions to reduce methane do not compromise animal health and milk quality.
- To meet the pace and scale of research breakthroughs required, we will need to continue partnering with national programmes of work (e.g., AgriZero[NZ]), as well as progressing Fonterra's own in-house projects. Our targets assume some level of success from these research partnerships prior to 2030.

Best practice farming

- On-farm practice change to meet domestic regulatory absolute targets for methane may have implications for the ability of farmers to achieve emissions reduction on an intensity basis. For example, improving fertility rates or animal health reduces emissions intensity as the farm carries fewer nonproductive livestock. In this scenario, absolute emissions are only reduced if the total number of mature livestock is also reduced. However, herd reduction would not necessarily also lead to an intensity reduction if the same level of milk productivity is no longer maintained.
- Future government reform to laws and regulations and change in central and local government policies are likely to influence the rate of and ability to achieve on farm emissions reductions. For example, the phased replacement of the Resource Management Act 1991 with a new resource management system planned over the next couple of years is likely to influence farmers' investment decisions and activity and may be more enabling of some on-farm activities. In addition, the policy direction set in the Second Emissions Reduction Plan (released in December 2024) is likely to impact investments in, and reliance on, emissions reduction technologies. These announced policy and regulatory measures may also prevent or encourage certain types of land use change on farm that could have emissions reduction implications.
- For best practice adoption at scale, farmers will need to be supported not just by Fonterra, but also by Government, industry bodies and partners to improve on-farm productivity across areas of animal efficiency, feed quality and inputs, fertiliser optimisation, and other aspects of farm management.

Carbon sequestration

- Future removal opportunities on farm will need to be identified and implemented in line with SBTi FLAG criteria for acceptable carbon removal activities. The scale of future removals will be dependent on New Zealand research contributing to effective and acceptable removal activities. For example, there is inherent uncertainty around measuring and accounting for removal opportunities on farm, particularly around soil carbon, due to New Zealand's unique environmental variables.
- We acknowledge that globally there are evolving approaches to how removals count toward corporate targets, particularly in the agriculture sector. To support the integrity of our accounting approach for removals, we are committed to reporting in line with draft GHG Protocol Land Sector and Removals Guidance, as well as engaging with industry to avoid the use of removals in corporate inventories being double counted outside the value chain, such as a voluntary carbon market or the ETS.
- Additional investment and planning for future emissions removal activities will be required not just from Fonterra, but also Government, industry, and partners as well as farmer shareholder uptake and investment.

Land use change

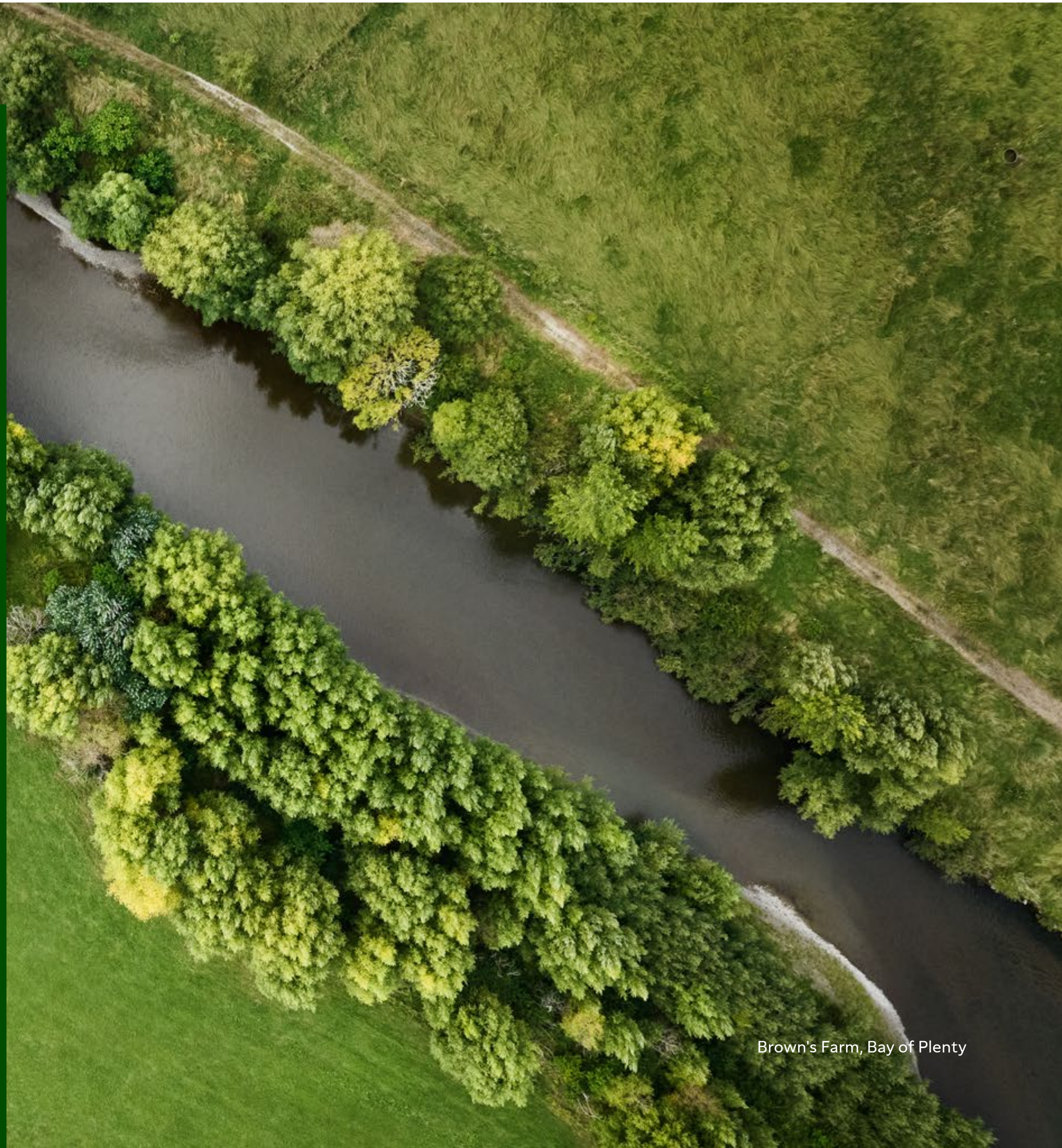
- If changes to land use regulation in New Zealand were to result in conversion of forested land to dairy farms that supply Fonterra in future, this could result in an increase in scope 3 FLAG emissions.

We commit that 78.2% of our suppliers and customers by emissions, covering purchased goods and services, capital goods, upstream and downstream transportation and distribution, business travel and processing of sold products will have science-based targets by FY2028

- Suppliers and customers will need to be forthcoming with information on their emissions and their targets and the targets will need to align with current climate science to limit emissions to 1.5°C warming.
- Suppliers and customers will need to be open to engagement about science-based targets and the level of ambition required, and to targeting action.
- Suppliers and customers will need to have the ability to set their own targets by FY2028.
- There may be some sourcing restrictions outside of our control (such as geopolitical impacts) and/or it is possible that critical functionality of required inputs cannot be found via alternate sources.
- Our methodology has been to allocate GHG E&I emissions to suppliers and customers on a proportionate basis using the total calculated GHG emissions within the applicable scope 3 category. As a result of this approach, the assumptions and uncertainties associated with the calculation of GHG emissions also apply to the calculation of our performance against this target. In some cases, we have used spend or volume data to estimate GHG emissions attributed to the activities of suppliers and customers in our value chain.
- We expect that our reported progress will be non-linear as we build our approach, processes and systems to support this target and as we work with like-minded businesses on progress toward this target. Our assumption is that, over time, prioritised engagement based on the significance of allocated emissions and our expected ability to influence the supplier or customer will encourage suppliers and customers in our value chain to establish science-based targets. However, the dynamic nature of our supply (and customer) base, particularly in light of the potential divestment of our Consumer and associated businesses, means that our progress is unlikely to be cumulative.

In this section

Appendices



Brown's Farm, Bay of Plenty

Non-GAAP Measures

Fonterra uses several non-GAAP measures when discussing financial performance. Non-GAAP measures are not defined or specified by NZ IFRS.

Management believes that these measures provide useful information as they provide valuable insight on the underlying performance of the business. They may be used internally to evaluate the underlying performance of business units and to analyse trends. These measures are not uniformly defined or utilised by all companies. Accordingly, these measures may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS.

Non-GAAP measures are not subject to audit unless they are included in Fonterra's audited annual financial statements.

Please refer to the following tables for reconciliations of NZ IFRS to non-GAAP measures, and the Glossary for definitions of non-GAAP measures referred to by Fonterra.

Reconciliation from profit after tax to total Group normalised EBITDA

	GROUP $ MILLION	
	31 JULY 2025	31 JULY 2024
Profit after tax	**1,079**	**1,128**
Net finance costs from continuing operations	184	156
Net finance costs from discontinued operations	2	8
Tax expense from continuing operations	372	139
Tax expense from discontinued operations	95	96
Depreciation and amortisation from continuing operations	532	521
Depreciation and amortisation from discontinued operations	103	106
Total Group EBITDA	**2,367**	**2,154**
Loss on sale of DPA Brazil	–	66
Consumer and associated businesses divestment costs	106	–
Total normalisation adjustments	**106**	**66**
Total Group normalised EBITDA	**2,473**	**2,220**

Reconciliation from continuing and discontinued profit after tax to continuing EBIT and discontinued normalised EBIT of Mainland Group

	GROUP $ MILLION	
	31 JULY 2025	31 JULY 2024
Profit after tax from continuing operations	**1,004**	**1,047**
Net finance costs from continuing operations	184	156
Tax expense from continuing operations	372	139
Total continuing operations EBIT (Operating profit)	**1,560**	**1,342**
Normalised sales between continuing and discontinued operations[1]	(119)	(91)
Normalised continuing operations EBIT (Operating profit)	**1,441**	**1,251**

	GROUP $ MILLION	
	31 JULY 2025	31 JULY 2024
Profit after tax from discontinued operations	**75**	**81**
Net finance costs from discontinued operations	2	8
Tax expense from discontinued operations	95	96
Total discontinued operations EBIT (Operating profit)	**172**	**185**
Loss on sale of DPA Brazil	–	66
Consumer and associated business divestment costs	106	–
Normalised sales between continuing and discontinued operations[1]	119	91
Normalised discontinued operations EBIT (Operating profit of Mainland Group)	**397**	**342**

Reconciliation from profit after tax to total Group normalised EBIT

	GROUP $ MILLION	
	31 JULY 2025	31 JULY 2024
Profit after tax	**1,079**	**1,128**
Net finance costs from continuing operations	184	156
Net finance costs from discontinued operations	2	8
Tax expense from continuing operations	372	139
Tax expense from discontinued operations	95	96
Total Group EBIT (Operating profit)	**1,732**	**1,527**
Normalisation adjustments (as detailed above)	106	66
Total Group normalised EBIT (Operating profit)	**1,838**	**1,593**

1 Trade terms for sales and purchases between the Group and the Consumer and associated business will change following the divestment. The pricing elements relating to trade terms which are not expected to continue following the divestment have been normalised for continuing operations, with an offsetting impact in discontinued operations.

Reconciliation from profit after tax to normalised profit after tax and normalised earnings per share

	GROUP $ MILLION	
	31 JULY 2025	31 JULY 2024
Profit after tax	**1,079**	**1,128**
Normalisation adjustments (as detailed on the previous page)	106	66
Normalised profit after tax	**1,185**	**1,194**
Profit attributable to non-controlling interests	(41)	(54)
Normalisation adjustments attributable to non-controlling interests	–	3
Normalised profit after tax attributable to equity holders of the Co-operative	**1,144**	**1,143**
Weighted average number of Co-operative shares (thousands of shares)[1]	1,606,895	1,607,734
Normalised earnings per share ($)[2]	**0.71**	**0.71**

Reconciliation from gross profit from continuing operations to total Group normalised gross profit

	GROUP $ MILLION	
	31 JULY 2025	31 JULY 2024
Gross profit from continuing operations	**3,285**	**2,995**
Gross profit from discontinued operations	906	893
Total Group normalised gross profit	**4,191**	**3,888**

The Group uses adjusted net debt, a non-GAAP debt measure in monitoring its net debt position and in calculating the Group's debt to EBITDA ratio, gearing ratio, and return on capital.

Adjusted net debt is calculated as total borrowings, plus bank overdraft, less cash and cash equivalents, plus a cash adjustment for 25% of cash and cash equivalents held by the Group's subsidiaries, adjusted for derivatives used to manage changes in hedged risks on debt instruments. Amounts relating to disposal groups held for sale are included in the calculation.

The Group believes that adjusted net debt provides useful information as it is aligned with how certain rating agencies calculate the Group's debt to EBITDA and gearing ratios.

	GROUP $ MILLION	
	31 JULY 2025	31 JULY 2024
Total borrowings	**3,138**	**3,388**
Add: Bank overdraft	30	42
Less: Cash and cash equivalents	(309)	(540)
Add: Borrowings attributable to disposal groups held for sale	104	–
Less: Cash and cash equivalents attributable to disposal groups held for sale	(94)	–
Add: Cash adjustments of 25% for cash held by subsidiaries (including cash and cash equivalents attributable to disposal groups held for sale)	49	47
Less: Derivatives used to manage changes in hedged risk on debt instruments	(298)	(332)
Adjusted net debt	**2,620**	**2,605**
Equity excluding hedge reserves	8,327	8,247
Total capital	**10,947**	**10,852**
Adjusted net debt gearing ratio	**23.9%**	**24.0%**

1 Comparatives have been re-presented for consistency with the current period.
2 Normalised earnings per share is based on weighted average number of Co-operative shares.

Financial Historical Summary

Market Statistics

	MAY 2021	MAY 2022	MAY 2023	MAY 2024	MAY 2025
Fonterra Seasonal Statistics[1]					
Total New Zealand milk collected (million litres)	17,121	16,404	16,317	16,001	16,313
Highest daily volume collected (million litres)	82.8	79.9	77.9	75.7	77.0
New Zealand shareholding farms milk solids collected (million kgMS)	1,505	1,432	1,440	1,447	1,492
New Zealand non-shareholding farms milk solids collected (million kgMS)	34	46	40	24	17
New Zealand milk solids collected (million kgMS)	1,539	1,478	1,480	1,471	1,509
Fonterra Supply Base					
Total number of shareholding farms[2]	8,838	8,597	8,421	8,258	8,162
Total number of non-shareholding farms[2]	160	244	216	151	103

	JULY 2021	JULY 2022	JULY 2023	JULY 2024	JULY 2025
Total number of shares on issue (million)	1,613	1,613	1,609	1,609	1,609
Shareholder Supplier Returns					
Farmgate Milk Price (per kgMS)[2]	7.54	9.30	8.22	7.83	10.16
Dividend (per share)	0.20	0.20	0.50	0.55	0.57
Dividend yield (%)	4.6%	6.9%	17.8%	21.6%	13.1%
Total pay-out[2]	7.74	9.50	8.72	8.38	10.73
Retentions (per share)	0.16	0.16	0.45	0.12	0.08
Weighted average share price ($ NZD)	4.32	2.88	2.81	2.55	4.35
Weighted Average Commodity Prices ($ USD per MT FOB)					
Whole Milk Powder[3]	3,323	4,019	3,392	3,089	3,755
Skim Milk Powder[3]	3,012	3,750	3,242	2,610	2,803
Butter[3]	4,117	5,601	5,072	5,479	6,959
Cheese[4]	4,060	5,261	4,825	4,180	4,839
Fonterra's average NZD/USD conversion rate[2]	**0.67**	**0.69**	**0.64**	**0.61**	**0.60**
Staff Employed					
Total staff employed (000's permanent full-time equivalents)	18.7	19.0	17.5	15.9	15.7
New Zealand	11.6	11.7	11.9	11.7	11.6
Overseas	7.1	7.3	5.6	4.2	4.1

Total Group Overview (continuing and discontinued operations)

	JULY 2021	JULY 2022	JULY 2023	JULY 2024	JULY 2025
Income Statement Measures					
Sales volumes ('000 MT)	4,102	3,924	3,973	3,529	3,488
Revenue ($ million)	21,124	23,425	26,046	22,994	26,450
EBITDA ($ million)	1,601	1,611	2,880	2,154	2,367
EBIT ($ million)	959	976	2,218	1,527	1,732
Normalised profit after tax attributable to equity holders of the Co-operative ($ million)	550	568	1,289	1,143	1,144
Earnings per share	0.36	0.36	0.95	0.67	0.65
Normalised earnings per share	0.34	0.35	0.80	0.71	0.71
Revenue Margin Analysis					
EBITDA margin (%)	7.6%	6.9%	11.1%	9.4%	8.9%
EBIT margin (%)	4.5%	4.2%	8.5%	6.6%	6.5%
Profit after tax margin (%)	2.8%	2.5%	6.1%	4.9%	4.3%
Cash Flow ($ million)					
Operating cash flow	1,194	193	3,518	2,313	1,960
Free cash flow	1,417	(324)	3,650	1,583	1,262
Trade working capital[2]	3,814	5,549	4,384	4,107	4,726
Capital Measures					
Equity excluding hedge reserve ($ million)	6,895	7,252	7,925	8,247	8,327
Net debt ($ million)[2]	4,325	5,339	3,207	2,605	2,620
Gearing ratio (%)[2]	38.5%	42.4%	28.8%	24.0%	23.9%
Debt to EBITDA ratio[2]	2.7x	3.2x	1.3x	1.2x	1.1x
Average capital employed ($ million)[2]	12,281	12,356	12,774	11,904	12,348
Capital expenditure ($ million)[2]	545	587	668	614	802
Capital invested ($ million)[2]	608	617	747	720	930
Return on capital (%)[2]	6.6%	6.8%	12.4%	11.3%	10.9%

Global Markets[5,6,7,8]

	JULY 2024	JULY 2025
Ingredients		
Sales volume ('000 MT)	1,627	1,534
Sales volume (million kgMS)	895	851
Revenue ($ million)	11,197	12,779
Gross profit ($ million)	921	972
Gross margin (%)	8.2%	7.6%
Operating profit ($ million)	613	662
Operating profit margin (%)	5.5%	5.2%
Foodservice		
Sales volume ('000 MT)	184	230
Sales volume (million kgMS)	82	99
Revenue ($ million)	1,316	1,575
Gross profit ($ million)	204	210
Gross margin (%)	15.5%	13.3
Operating profit ($ million)	20	65
Operating profit margin (%)	1.5%	4.1%
Total		
Sales volume ('000 MT)	1,811	1,764
Sales volume (million kgMS)	977	950
Revenue ($ million)	12,513	14,354
Gross profit ($ million)	1,125	1,182
Gross margin (%)	9.0%	8.2%
Operating profit ($ million)	633	727
Operating profit margin (%)	5.1%	5.1%

Greater China[5,6,7,8]

	JULY 2024	JULY 2025
Ingredients		
Sales volume ('000 MT)	579	629
Sales volume (million kgMS)	298	321
Revenue ($ million)	3,598	4,569
Gross profit ($ million)	237	256
Gross margin (%)	6.6%	5.6%
Operating profit ($ million)	160	181
Operating profit margin (%)	4.4%	4.0%
Foodservice		
Sales volume ('000 MT)	365	403
Sales volume (million kgMS)	151	168
Revenue ($ million)	2,771	3,395
Gross profit ($ million)	639	538
Gross margin (%)	23.1%	15.9%
Operating profit ($ million)	343	231
Operating profit margin (%)	12.4%	6.8%
Total		
Sales volume ('000 MT)	944	1,032
Sales volume (million kgMS)	449	489
Revenue ($ million)	6,369	7,964
Gross profit ($ million)	876	794
Gross margin (%)	13.8%	10%
Operating profit ($ million)	503	412
Operating profit margin (%)	7.9%	5.2%

Core Operations[5,6,7,8]

	JULY 2024	JULY 2025
Ingredients		
Sales volume ('000 MT)	2,120	2,071
Sales volume (million kgMS)	1,216	1,198
Revenue ($ million)	13,555	15,788
Gross profit ($ million)	792	969
Gross margin (%)	5.9%	6.1%
Operating profit ($ million)	165	258
Operating profit margin (%)	1.2%	1.6%
Foodservice		
Sales volume ('000 MT)	622	681
Sales volume (million kgMS)	287	314
Revenue ($ million)	3,622	4,642
Gross profit ($ million)	111	221
Gross margin (%)	3.1%	4.8%
Operating profit ($ million)	(50)	44
Operating profit margin (%)	(1.4)%	0.9%
Total		
Sales volume ('000 MT)	2,742	2,752
Sales volume (million kgMS)	1,503	1,512
Revenue ($ million)	16,977	20,430
Gross profit ($ million)	903	1,190
Gross margin (%)	5.3%	5.8%
Operating profit ($ million)	115	302
Operating profit margin (%)	0.7%	1.5%

Product Channels[5,6,7]

	JULY 2024	JULY 2025
Ingredients		
Sales volume ('000 MT)	2,199	2,197
Sales volume (million kgMS)	1,201	1,193
Revenue ($ million)	14,793	17,541
Gross profit ($ million)	1,950	2,197
Gross margin (%)	13.2%	12.5%
Operating profit ($ million)	938	1,101
Operating profit margin (%)	6.3%	6.3%
Foodservice		
Sales volume ('000 MT)	835	877
Sales volume (million kgMS)	299	323
Revenue ($ million)	5,510	6,396
Gross profit ($ million)	954	969
Gross margin (%)	17.3%	15.2%
Operating profit ($ million)	313	340
Operating profit margin (%)	5.7%	5.3%

Discontinued Operations[2,6,8,9]

	JULY 2024	JULY 2025
Total Discontinued Operations		
Sales volume ('000 MT)	495	414
Revenue ($ million)	2,571	2,339
Gross profit ($ million)	893	906
Gross margin (%)	34.7%	38.7%
Operating profit ($ million)	185	172
Operating profit margin (%)	7.2%	7.4%

Notes to the Historical Summary

1 Fonterra Seasonal Statistics are based on the 12-month New Zealand milk season of 1 June – 31 May.
2 Refer to the glossary for definition.
3 Source: Fonterra Farmgate Milk Price Statement representing the weighted average United States Dollar contract prices of Reference Commodity Products.
4 Source: Oceania Export Series, Agricultural Marketing Service, US Department of Agriculture.
5 Prepared on a continuing operations basis.
6 Comparative information has been re-presented for consistency with the current period
7 Includes inter-segment transactions.
8 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
9 Mainland Group (Consumer and associated businesses) and DPA Brazil consumer and foodservice businesses meet the definition of a discontinued operation. Performance of discontinued operations are recognised up to the date of sale.

GRI Assurance Statement

INDEPENDENT ASSURANCE REPORT

To the Stakeholders of Fonterra Co-operative Group Limited ("Fonterra")

Limited Assurance Conclusion

Based on the procedures we have performed and evidence obtained, nothing has come to our attention that causes us to believe the selected GRI disclosures (" Subject Matter Information"), including associated methods, assumptions, and estimation uncertainty, presented in Fonterra's Annual Report 2025 ("the Report") for the period of 1st August 2024 to 31st July 2025, are not fairly presented and prepared, in all material respects, in accordance with the Reporting Criteria, within the scope of our limited assurance engagement.

Scope of the Assurance Engagement

The scope of assurance was limited to the Subject Matter Information, as presented within the GRI Content Index of the Report, applicable to the entities under Fonterra's operational control for the period of 1st August 2024 to 31st July 2025.

Our assurance engagement does not extend to any other information included in the Report or information from earlier periods. We have not performed any procedures on the excluded information and, therefore, do not express any conclusion on it.

Reporting Criteria

The Reporting Criteria used for the reporting of the Subject Matter Information subject to assurance are the GRI Standards issued by the Global Sustainability Standards Board (GSSB). The Report was prepared with reference to the GRI Standards including the reporting principles and additional requirements specified in GRI 1: Foundation 2021.

Fonterra's Responsibilities

Management of Fonterra was responsible for:

- Selecting and establishing suitable reporting criteria for preparing the Subject Matter Information subject to assurance.
- Preparing and presenting the Subject Matter Information in accordance with the Reporting Criteria.
- Designing, implementing, and maintaining internal controls relevant to the preparation of the Subject Matter Information that are free from material misstatement whether due to fraud or error.
- Advising us of any known or suspected issues related to the Subject Matter Information.

Our Responsibilities

Bureau Veritas (New Zealand) Ltd ("Bureau Veritas") was responsible for:

- Planning and performing the engagement to obtain the intended level of assurance about whether the Subject Matter Information is free from material misstatement, whether due to fraud or error.
- Forming an independent conclusion based on the procedures performed and evidence obtained.
- Reporting our conclusion to the Directors of Fonterra.

Bureau Veritas was not involved in the drafting of the Report and our independence has not been compromised.

Summary of Work Performed

Our limited assurance engagement was performed in accordance with the International Standard on Assurance Engagements (ISAE) 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board (IAASB) and informed by Bureau Veritas' standard procedures and guidelines for external verification and assurance of ESG Information and Sustainability Reports.

Our work was planned and executed in a manner designed to produce the intended level of assurance and to provide a sound basis for our conclusions.

The procedures we performed were based on our professional judgement and included enquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

In undertaking our assurance engagement, our procedures comprised:

- Review of the suitability and application of the Reporting Criteria used as the basis for preparing the Subject Matter Information.
- Enquiries of Fonterra representatives to gain an understanding and evaluate implementation of processes, systems and internal controls to collect, aggregate, calculate, analyse and report the Subject Matter Information.
- Enquiries of personnel responsible for the performance of the processes and preparation of the Subject Matter Information.
- Review of documentary evidence produced by Fonterra representatives.
- Comprehensive performance data testing, involving source verification as well as mathematical accuracy of the calculations pertaining to the disclosures.
- Assessment of whether Fonterra's methods for developing estimates are appropriate and had been consistently applied.
- Review of the presentation and disclosure of the Subject Matter Information within the Report.
- Review of Management Representation Letter on key assertions.

The scope of a limited assurance engagement is significantly narrower than a reasonable assurance engagement. This includes fewer risk assessment procedures, a more limited understanding of internal controls, and less extensive responsive testing. Consequently, the level of assurance obtained in a limited engagement is substantially lower than a reasonable assurance. Even a reasonable assurance engagement, while providing a high level of assurance, does not guarantee the detection of all material misstatements, should they exist.

Inherent Limitations and Exclusions

Excluded from the scope of our work is any assurance of information relating to:

- Activities outside the defined reporting period.
- Statements of commitment to, or intention to undertake future actions by Fonterra.
- Statements of position, opinion, belief and/or aspiration by Fonterra.
- Financial data audited by an external third party.
- Other sites and/or activities not included in the scope.

This independent assurance statement should not be relied upon to detect all errors, omissions or misstatements that may exist within the Report.

Statement of Independence, Impartiality, Competence

Bureau Veritas is a global leader in Testing, Inspection and Certification ("TIC") services whose mission is to support its clients complying with regulations, managing risks and improving performance to meet the challenges of quality, health, safety, hygiene, environmental protection and social responsibility. Leveraging its renowned expertise, as well as its impartiality, integrity and independence, Bureau Veritas has helped build trust between companies, public authorities and consumers for nearly 200 years (https://group.bureauveritas.com/).

Bureau Veritas operates a quality management system across its activities and has implemented a robust Code of Ethics to maintain high ethical standards among its personnel and business partners in their day-to-day business activities. We are particularly vigilant in the prevention of conflicts of interest.

No member of the assurance team has a business relationship with Fonterra, its Directors or Managers beyond that required of this assignment. We have conducted this assurance engagement independently and there has been no conflict of interest.

The assurance team was selected based on its extensive industry sector knowledge and experience in conducting independent verification, validation and assurance of Environmental Social and Governance (ESG) information and associated systems and processes.

Bureau Veritas (New Zealand) Ltd
24th September 2025

Bureau Veritas

Jeremy Leu
General Manager
Perth, Australia

GRI Content Index

Statement of use	Fonterra has reported the information cited in this GRI content index for the period 1 August 2024 to 31 July 2025 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard	GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022

GRI STANDARD	DISCLOSURE	LOCATION	ASSURED[1]
GRI 2: General Disclosures 2021	2-1 Organizational details	About this report. Directory. Basis for preparation. Modern Slavery Statement, Our structure, operations and supply chain.	Y
	2-2 Entities included in the organization's sustainability reporting	Note 22 Subsidiaries. Data consolidation.	Y
	2-3 Reporting period, frequency and contact point	About this report. Our approach. Data consolidation.	Y
	2-4 Restatements of information	Data consolidation.	Y
	2-5 External assurance	Data consolidation. GRI content index. Independent assurance. Bureau Veritas, assurance statement. KPMG, assurance report.	Y
	2-6 Activities, value chain and other business relationships	About Fonterra. Modern Slavery Statement, Our structure, operations and supply chain.	Y
	2-7 Employees	Data consolidation. Our people metrics. Economic impact and employment. 2-7.biii not reported.	Y
	2-8 Workers who are not employees	Data consolidation. Our people metrics. Not reported.	
	2-9 Governance structure and composition	Principle 2: Board composition and performance. Principle 3: Board committees. Directors' disclosures. 2-9.cvi not reported.	Y
	2-10 Nomination and selection of the highest governance body	Principle 2: Board composition and performance.	Y
	2-11 Chair of the highest governance body	Principle 2: Board composition and performance.	Y
	2-12 Role of the highest governance body in overseeing the management of impacts	Principle 3: Board committees. Governance. Modern Slavery Statement, Governance and programme framework. 2-12.bii and c not reported.	Y
	2-13 Delegation of responsibility for managing impacts	Principle 3: Board committees. Governance. Modern Slavery Statement, Governance and programme framework.	Y
	2-14 Role of the highest governance body in sustainability reporting	Principle 4: Reporting and disclosure. Responding to what matters most. Data consolidation.	Y
	2-15 Conflicts of interest	Principle 1: Ethical standards. 2-15.b not reported.	Y
	2-16 Communication of critical concerns	Principle 1: Ethical standards. Ethical business. 2-16.b not reported	Y

1 Y indicates assured.

GRI Content Index CONTINUED

GRI STANDARD	DISCLOSURE	LOCATION	ASSURED[1]
	2-17 Collective knowledge of the highest governance body	Principle 2: Board composition and performance.	Y
	2-18 Evaluation of the performance of the highest governance body	Principle 2: Board composition and performance. 2-18.c not reported	Y
	2-19 Remuneration policies	Remuneration framework FY25. Director remuneration.	Y
	2-20 Process to determine remuneration	Remuneration framework FY25.	Y
	2-21 Annual total compensation ratio	Not reported	
	2-22 Statement on sustainable development strategy	Chair & CEO Letters.	
	2-23 Policy commitments	Ethical business. Material topics. Modern Slavery Statement.	Y
	2-24 Embedding policy commitments	Ethical business. Material topics.	Y
	2-25 Processes to remediate negative impacts	Ethical business. Material topics. Modern Slavery Statement. 2.25.d the whistleblowing hotline is independently administered and facilitated.	Y
	2-26 Mechanisms for seeking advice and raising concerns	Ethical business.	Y
	2-27 Compliance with laws and regulations	Legal compliance.	Y
	2-28 Membership associations	Stakeholder engagement.	Y
	2-29 Approach to stakeholder engagement	Stakeholder engagement. Principle 8: Shareholder rights and relations.	Y
	2-30 Collective bargaining agreements	Economic impact and employment.	Y
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Responding to what matters most.	Y
	3-2 List of material topics	Material topics guiding our reporting. GRI standards.	Y
	3-3 Management of material topics	Material topics.	Y
GRI 201: Economic Performance 2016 (GRI 13-22)	201-1 Direct economic value generated and distributed	Financial Statements. Remuneration report. Economic impact and employment.	Financial Statements are assured by KPMG
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community	Our people metrics.	Y
GRI 205: Anti-corruption 2016 (GRI 13.26)	205-2 Communication and training about anti-corruption policies and procedures	Ethical business.	
	205-3 Confirmed incidents of corruption and actions taken	Legal compliance.	Y
GRI 206: Anti-competitive Behavior 2016 (GRI 13.25)	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Legal compliance.	Y

1 Y indicates assured.

GRI Content Index CONTINUED

GRI STANDARD	DISCLOSURE	LOCATION	ASSURED[1]
GRI 303: Water and Effluents 2018 (GRI 13.7)	303-1 Interactions with water as a shared resource	Water.	
	303-2 Management of water discharge-related impacts	Water.	
	303-3 Water withdrawal	Water metrics.	Y
	303-4 Water discharge	Water metrics.	Y
	303-5 Water consumption	Water metrics.	Y
GRI 308: Supplier Environmental Assessment 2016	308-2 Negative environmental impacts in the supply chain and actions taken	Supporting supplying farmers. Assurance & Audit. Animal Wellbeing Plans. Insights, tools and training.	Y
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Our people metrics.	Y
	401-3 Parental leave	Support for parents. Our people metrics.	Y
GRI 403: Occupational Health and Safety 2018 (GRI 13.19)	403-1 Occupational health and safety management system	Health, safety and wellbeing.	
	403-6 Promotion of worker health	Health, safety and wellbeing.	
	403-9 Work-related injuries	Health, safety and wellbeing.	

GRI STANDARD	DISCLOSURE	LOCATION	ASSURED[1]
GRI 404: Training and Education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	Learning and development.	
GRI 405: Diversity and Equal Opportunity 2016 (GRI 13.15)	405-1 Diversity of governance bodies and employees	Diversity, equity and inclusion. Our people metrics.	Y
	405-2 Ratio of basic salary and remuneration of women to men	Closing our gender pay gap. Our people metrics. Partially met.	Y
GRI 406: Non-discrimination 2016 (GRI 13.15)	406-1 Incidents of discrimination and corrective actions taken	Non-discrimination.	Y
GRI 415: Public Policy 2016 (GRI 13.24)	415-1 Political contributions	Responsible political behaviour.	
GRI 416: Customer Health and Safety 2016 (GRI 13.10)	416-1 Assessment of the health and safety impacts of product and service categories	Nutrition and food safety: FSSC22000 or BRC certification.	Y
GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022	13.11.1 Animal Health and Welfare	Animal health and wellbeing.	Y
	13.20.1 Employment Practices	Economic impact and employment. Refer to Safe hiring practices on fonterra.com.	Y
	13.23.1 Supply Chain Traceability	Nutrition and food safety.	Y

1 Y indicates assured.

Sustainability Reporting Appendix

This appendix provides reporting notes and additional disclosures under the Global Reporting Initiative Standards (GRI).

Water Metrics

Water target

		PERFORMANCE		
INDICATOR	TARGET	FY25	FY24	FY23
Reduction in absolute water take across manufacturing sites	15% reduction by FY30 from a FY18 base year	**14.7%**	12.4%	6.7%

Water withdrawal

		PERFORMANCE		
INDICATOR	METRIC	FY25	FY24	FY23
WATER WITHDRAWAL BY SOURCE OVERALL				
Freshwater (≤1,000 mg/L TDS)				
Surface water		**20,245**	21,966	22,804
Ground water		**12,628**	11,837	13,586
Seawater		**0**	0	0
Produced water		**0**	0	0
Third party water		**8,827**	7,335	7,612
Total withdrawal from freshwater	**Volume '000 m³**	**41,699**	**41,137**	**44,001**
Other water (>1,000 mg/L TDS)				
Surface water		**0**	0	0
Ground water		**123**	135	114
Seawater		**0**	0	0
Produced water		**12,320**	12,336	11,866
Third party water		**0**	1,674	1,538
Total withdrawal from other water	**Volume '000 m³**	**12,443**	**14,145**	**13,518**
Total water withdrawal	**Volume '000 m³**	**54,142**	**55,282**	**57,518**

		PERFORMANCE		
INDICATOR	METRIC	FY25	FY24	FY23
WATER WITHDRAWAL BY SOURCE FROM AREAS OF WATER STRESS				
Freshwater (≤1,000 mg/L TDS)				
Surface water		**1**	1	0
Ground water		**0**	0	0
Seawater		**0**	0	0
Produced water		**0**	0	0
Third party water		**2,303**	464	874
Total withdrawal from freshwater	**Volume '000 m³**	**2,304**	**465**	**874**
Other water (>1,000 mg/L TDS)				
Surface water		**0**	0	0
Ground water		**0**	0	0
Seawater		**0**	0	0
Produced water		**153**	67	114
Third party water		**0**	1,674	1,538
Total withdrawal from other water	**Volume '000 m³**	**153**	**1,742**	**1,652**
Total water withdrawal from areas with water stress	**Volume '000 m³**	**2,457**	**2,207**	**2,526**

Water intensity

Water efficiency (water take per cubic metre of milk processed)	Volume m³ H_2O/m³ milk	**2.19**	2.47	2.58
Water efficiency (water take per tonne of finished goods)	Volume m³ H_2O/tFG	**11.67**	12.93	13.81

Water discharge

		PERFORMANCE		
INDICATOR	METRIC	FY25	FY24	FY23
WATER DISCHARGE BY DESTINATION OVERALL				
Freshwater (≤1,000 mg/L TDS)				
Surface water		**10,616**	14,438	16,589
Ground water		**1,462**	1,542	1,930
Seawater		**0**	0	0
Third party water		**485**	1,426	1,559
Total discharged from freshwater	**Volume '000 m³**	**12,563**	**17,406**	**20,079**
Other water (>1,000 mg/L TDS)				
Surface water		**8,223**	6,486	6,830
Ground water		**15,036**	14,531	12,850
Seawater		**14,009**	13,368	14,456
Third party water		**3,420**	2,516	2,581
Total discharged from other water	**Volume '000 m³**	**40,689**	**36,900**	**36,716**
Total water discharge	**Volume '000 m³**	**53,252**	**54,306**	**56,796**
WATER DISCHARGE OVERALL – QUALITY				
Surface water	(COD mg/L)	**32**	24	33
Ground water	(COD mg/L)	**1,010**	967	1,109
Seawater	(COD mg/L)	**1,698**	1,637	1,886
Third party water	(COD mg/L)	**2,678**	3,883	3,345

		PERFORMANCE		
INDICATOR	METRIC	FY25	FY24	FY23
WATER DISCHARGE BY DESTINATION TO AREAS WITH WATER STRESS				
Discharged as freshwater (≤1,000 mg/L TDS)		**4**	4	0
Discharged as other water (>1,000 mg/L TDS)		**2,249**	2,019	2,354
Total discharged to areas with water stress	**Volume '000 m³**	**2,253**	**2,023**	**2,354**

Water consumption

		PERFORMANCE		
INDICATOR	METRIC	FY25	FY24	FY23
WATER CONSUMPTION AND STORAGE LEVELS				
Total consumption from all areas	**Volume '000 m³**	**890**	976	723
Total consumption from areas with water stress		**204**	183	173
Change in water storage		**(3)**	0	11

Water reporting notes

Water reporting	We report on the direct water take and wastewater discharge globally by our manufacturing sites where we have operational control of the sites. By agreement, or for emergency community support, we provide some water to third parties. This year, we supplied approximately 481,000 m^3 to third parties. Adding individual numbers together may not add up to the total due to rounding.
Target boundary	We have a target to achieve a 15% reduction in absolute water take associated with our manufacturing operations by FY30, from an FY18 base year. For this target we exclude volumes recorded as non-essential take, specifically, rainwater harvested by our Indonesian factory (for gardening and other external purposes) and water provided to third parties under agreement. A small number of water withdrawal and discharge locations are excluded from our reporting and they are considered immaterial. For Australia water reporting aligns to the NGERs year of 1 July to 30 June.
Water discharge by destination	We do not discharge any volumes of wastewater directly to ground water. Under regulatory conditions we irrigate some wastewater in Australia and New Zealand to land. Given the options available to meet GRI Standards we use ground water as the closest match to irrigation to land.
Total Dissolved Solids (TDS) – water quality	TDS is a standard indicator of water quality globally. A representative or median result is used to categorise the quality of a water source or wastewater discharge, as 'fresh' (≤1,000 mg/L TDS) or 'other' (>1,000 mg/L TDS) for the purposes of reporting. For locations where TDS data is unavailable, alternative information has been assessed by internal subject matter experts to estimate water source and wastewater discharge quality.

Chemical Oxygen Demand (COD) – water quality	COD is a common water quality measure in the dairy industry and used by many of our manufacturing sites. We have therefore chosen to report on discharge water quality using COD. Where Biological Oxygen Demand (BOD) results are used rather than COD, we have converted the BOD results to COD using a conversion factor derived from research into typical compositions for wastewater from dairy manufacturing sites (COD = BOD/0.6).
Aggregation of global wastewater quality data	For each site outlet, the overall COD result for the reporting period is calculated as an average from the individual test results for that outlet. The average is generally calculated as a median but in some cases a mean is used. To aggregate these into global results per discharge destination, a weighted average is calculated based on the volume discharged for each overall COD result. If a facility provides a volume but is unable to provide the matching COD or BOD, that volume has been excluded from the global aggregation calculation.
Areas with water stress	Using the World Resources Institute, Aqueduct Water Risk Atlas we have identified six of our manufacturing facilities as being in areas considered under current water stress. Our threshold recognises baseline water stress, where the current indication is high or extremely high. Between FY23, FY24 and FY25 reporting years, there were changes to the sites that met this threshold. The data for years prior to FY25 include sites in locations that were identified as water stressed via the Aqueduct tool, in the applicable year. Adjustments are made for acquisitions and divestments.
Absolute water take	Absolute water take refers to the total volume of water withdrawn by a manufacturing site during a period. Progress against target includes both direct and indirect take of water on Fonterra manufacturing sites, such as water withdrawn from rivers, lakes, and groundwater; and excludes water reuse, water withdrawn and passed to a third party and volumes recorded as non-essential use. Water withdrawn and water discharge tables above account for these exclusions.

Water reporting notes CONTINUED

Surface water	Water that occurs naturally on the Earth's surface. Includes rainwater harvesting at our Indonesian site.
Ground water	Water that is in an underground formation.
Seawater	Water that is from a sea or ocean.
Produced water	Water is extracted from milk during certain processes. The volume is a conservative estimate of produced water, for sites where discharge volumes exceed withdrawal.
Third party water	Municipal water supplies or other public or private water utilities.
Water storage	Water storage facilities are one method for improved water management. By collecting water when it is plentiful, it can be stored for future use during drier periods. Data reported reflects the change in significant storage facilities, such as lagoons, at the end of the reporting year. The impact of precipitation and evaporation is not accounted for.

Our people metrics

Governance

DIVERSITY OF GOVERNANCE BODIES BY AGE AND GENDER (FTE)		METRIC	FY25 %	FY24 %	FY23 %
Fonterra Board	Age	<30	**0**	0	0
		30-50	**0**	0	0
		>50	**100**	100	100
		Unknown	**0**	0	0
	Gender	Male	**67**	60	64
		Female	**33**	40	36

Regional employment metrics

REGION REPORTING (FTE)		FY25 #	FY25 %	FY24 #	FY23 #
Employee total	New Zealand	**11,860**	**73**	11,979	12,149
	Australia	**1,511**	**9**	1,525	1,534
	Asia	**2,386**	**15**	2,478	2,722
	Rest of world	**458**	**3**	459	261
	Total	**16,215**	**100**	**16,441**	**16,665**
Permanent employees	New Zealand	**11,570**	**74**	11,686	11,858
	Australia	**1,458**	**9**	1,474	1,481
	Asia	**2,202**	**14**	2,275	2,575
	Rest of world	**445**	**3**	443	235
Temporary employees	New Zealand	**289**	**54**	293	291
	Australia	**53**	**10**	51	53
	Asia	**184**	**34**	203	147
	Rest of world	**13**	**2**	16	26
Full-time employees	New Zealand	**11,523**	**73**	11,651	11,860
	Australia	**1,471**	**9**	1,494	1,499
	Asia	**2,386**	**15**	2,477	2,720
	Rest of world	**444**	**3**	446	246
Part-time employees	New Zealand	**337**	**86**	328	289
	Australia	**40**	**10**	31	35
	Asia	**0**	**0**	1	1
	Rest of world	**14**	**4**	13	15

PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY (HEADCOUNT)	FY25 %	FY24 %	FY23 %
New Zealand	**95**	85	92
Australia	**86**	86	91
Greater China	**100**	88	88

Employee characteristics

DIVERSITY OF GOVERNANCE BODIES BY AGE AND GENDER (FTE)	METRIC	FY25 %	FY24 %	FY23 %
Gender diversity (Band 12+)	40: 40: 20 % ratio	**39.1**	40.1	39.5

GENDER REPORTING (FTE)*		FY25 #	FY25 %	FY24 #	FY23 #
Employee total	Male	**11,092**	**68**	11,266	11,372
	Female	**5,093**	**31**	5,150	5,284
	Other	**29**	**0**	25	9
	Total	**16,215**	**100**	**16,441**	**16,665**
Permanent employees	Male	**10,708**	**68**	10,867	11,023
	Female	**4,939**	**32**	4,988	5,116
	Total	**15,676**	**100**	**15,878**	**16,148**
Temporary employees	Male	**384**	**71**	399	349
	Female	**155**	**29**	162	168
	Total	**539**	**100**	**564**	**517**
Full-time employees	Male	**10,941**	**69**	11,128	11,249
	Female	**4,855**	**31**	4,915	5,066
	Total	**15,824**	**100**	**16,068**	**16,325**
Part-time employees	Male	**151**	**39**	138	122
	Female	**238**	**61**	235	218
	Total	**391**	**100**	**373**	**340**

DIVERSITY OF EMPLOYEE CATEGORIES BY AGE AND GENDER (HEADCOUNT)		METRIC	FY25 %	FY24 %	FY23 %
Senior Leaders	Age	<30	**0**	0	0
		30-50	**57**	60	60
		>50	**39**	36	36
		Unknown	**4**	4	4
	Gender	Male	**61**	60	64
		Female	**37**	38	35
Managers	Age	<30	**4**	4	4
		30-50	**65**	66	67
		>50	**29**	27	26
		Unknown	**3**	3	3
	Gender	Male	**57**	57	58
		Female	**43**	43	42
Supervisory & Professional	Age	<30	**16**	17	18
		30-50	**58**	58	61
		>50	**23**	22	19
		Unknown	**2**	3	3
	Gender	Male	**45**	47	47
		Female	**55**	53	53
Operators, Drivers, Farm Workers	Age	<30	**12**	12	15
		30-50	**45**	45	47
		>50	**40**	39	36
		Unknown	**3**	3	3
	Gender	Male	**82**	82	81
		Female	**18**	18	19

Employee characteristics CONTINUED

DIVERSITY OF ALL EMPLOYEES BY AGE AND GENDER (FTE)		METRIC	FY25 %	FY24 %	FY23 %
All employees	Age	<30	**11**	12	13
		30-50	**52**	53	54
		>50	**34**	33	30
		Unknown	**3**	3	3
	Gender	Male	**68**	69	68
		Female	**31**	31	32
		Gender diverse	**0**	0	0
		Undeclared	**0**	0	0
Fonterra Management Team (FMT)	Age	30-50	**67**	44	40
		>50	**33**	56	60
	Gender	Male	**67**	44	50
		Female	**33**	56	50

MEDIAN GENDER PAY GAP BY JOB CATEGORY		FY25	FY24	FY23
Senior leaders	Gender pay gap	**0.94**	0.95	0.98
	Gender pay parity gap	**0.99**	1.01	1.00
Managers	Gender pay gap	**0.96**	0.96	0.96
	Gender pay parity gap	**0.97**	0.96	0.96
Professionals	Gender pay gap	**1.04**	1.03	1.07
	Gender pay parity gap	**0.99**	0.96	0.97
Waged	Gender pay gap	**0.87**	0.87	0.85

MEDIAN GENDER PAY GAP BY LOCATION		FY25	FY24	FY23
New Zealand	Gender pay gap	**0.97**	0.97	0.96
	Gender pay parity gap	**0.98**	0.98	0.97
Australia	Gender pay gap	**0.96**	0.96	0.95
	Gender pay parity gap	**0.97**	0.98	0.97
Greater China	Gender pay gap	**1.07**	1.02	1.04
	Gender pay parity gap	**1.00**	1.00	1.00

Hiring and turnover

NEW HIRES BY AGE, GENDER AND REGION (HEADCOUNT)	METRIC	FY25	FY24	FY23
By age				
<30	#	**312**	385	486
	%	**31**	29	26
30-50	#	**536**	695	934
	%	**54**	53	51
>50	#	**132**	186	219
	%	**13**	14	12
Unknown	#	**20**	44	207
	%	**2**	3	11
By gender				
Male	#	**604**	807	1,057
	%	**60**	62	57
Female	#	**389**	494	789
	%	**39**	38	43
Gender undeclared or unknown	#	**7**	9	0
	%	**1**	1	0

NEW HIRES BY AGE, GENDER AND REGION (HEADCOUNT)	METRIC	FY25	FY24	FY23
By region				
New Zealand	#	**631**	866	1,231
	%	**63**	66	67
Australia	#	**112**	128	204
	%	**11**	10	11
Greater China	#	**42**	72	108
	%	**4**	6	6
Rest of Asia	#	**158**	173	200
	%	**16**	13	11
Rest of world	#	**57**	71	103
	%	**6**	5	5
Total new hires	**#**	**1,000**	**1,310**	**1,846**
	%	**6**	**8**	**11**

Hiring and turnover CONTINUED

LEAVERS BY AGE, GENDER AND REGION (HEADCOUNT)	METRIC	FY25	FY24	FY23
By age				
<30	#	**245**	303	321
	%	**17**	17	16
30-50	#	**714**	901	690
	%	**50**	50	35
>50	#	**456**	546	181
	%	**32**	30	9
Unknown	#	**26**	60	792
	%	**2**	3	40
By gender				
Male	#	**904**	1,119	1,241
	%	**63**	62	63
Female	#	**536**	688	743
	%	**37**	38	37
Gender undeclared or unknown	#	**1**	3	0
	%	**0**	0	0
By region				
New Zealand	#	**960**	1,206	1,340
	%	**67**	67	68
Australia	#	**142**	168	150
	%	**10**	9	8
Greater China	#	**54**	87	104
	%	**4**	5	5
Rest of Asia	#	**214**	245	215
	%	**15**	14	11
Rest of world	#	**71**	104	175
	%	**5**	6	8
Total leavers	**#**	**1,441**	**1,810**	**1,984**
	%	**9**	**11**	**12**

TURNOVER BY REASON (HEADCOUNT)	METRIC	FY25	FY24	FY23
Voluntary	#	**989**	1,212	1,492
	%	**6**	7	9
Involuntary	#	**212**	394	244
	%	**1**	2	1
Other (contract end, legal retirement, or deceased)	#	**240**	204	248
	%	**2**	1	1
Total turnover	**#**	**1,441**	**1,810**	**1,984**
	%	**9**	**11**	**12**

Our people reporting notes

Employee data	All analysis, other than turnover and new hires, is at 31 July 2025. Employee data is drawn from our global SAP-based employee data systems, primarily our MY Fonterra system, and from remuneration systems, where required. Gender pay gap is on headcount basis with pay compared on an FTE basis. Gender pay gap is assured under GRI. Gender pay parity gap is not a GRI metric and therefore has not been assured to that standard. Gender pay is reported separately by job category and region and has not been presented in a single table as gender pay by job category and region. As part of our recruitment process we check that any preferred candidate is at least minimum working age. Information reported in the Unknown age category reflects that data collection may not be released from the individual for public reporting. Turnover and new hires cover permanent employees on a headcount basis. Where a breakdown of information represents a small number of employees, we omit this detail to protect the privacy of individuals. Adding individual numbers together may not add up to the total due to rounding. Some percentages shown in tables may not sum to 100% due to rounding.
Employee categories	Our organisation has a banded approach to remuneration based on business roles. The following classifications apply: Senior leaders are Bands 14 and above; Managers are Bands 10-13; Supervisory & professional are Bands 3-9 (threshold varies across the country); and Operators, drivers, farm workers are waged or equivalent workforce.
Gender diversity	The metric refers to 40.0% female, 40.0% male and 20.0% of any gender and reflects our gender representation within Fonterra's senior leadership globally, which for this target is defined as Bands 12+.
Locally hired employees	Citizens or permanent residents of the given country they are working in. Senior management is defined as the most senior employee working in a country plus all direct reports to the senior manager but excluding employees working in a different country and non-management staff (e.g. personal assistants, technical assistants). The CEO and members of the Fonterra Management Team, who have regional responsibilities are excluded. For New Zealand, this means the New Zealand-based managers reporting to the CEO and their direct reports are assessed.

Significant locations of operations	For the purpose of reporting on people the definition of 'significant locations of operations' is those countries where Fonterra has 5% or more of our employees located.
Exclusions	There are no significant seasonal variations in the employee data reported. Casual staff contracted by Fonterra are excluded from these figures as this represents only a very small proportion of the regular workforce. Employees on leave of absence are also excluded. An assessment has been completed of the scope of potential workers who are not employed by Fonterra, but whose work may be controlled by the organisation across categories such as contractors and third-party consultants. These workers are excluded due to limited data availability.
Divestments	The comparative reporting periods within the tables above may include the results of divested businesses where we had operational control at the time of reporting. Consequently, comparative periods may not be reported on a consistent basis and might not reflect the characteristics of our people in relation to our present business.
Parental Leave	Parental leave reporting is for New Zealand and is based on the Fonterra Parental Leave for Salaried Employees in New Zealand Directive or terms specified in an applicable collective agreement. The results presented may cover multiple reporting periods. For data related to return to work and retention, the commencement date of parental leave may have occurred in a prior period. For the FY25 reporting year, 11,862 employees were entitled to parental leave, of which 368 employees took leave. During this reporting period a total of 403 employees returned to work after their parental leave ended (243 female, 158 male and 2 undeclared). Additionally, 368 employees were still with the Co-op 12 months after returning to work (230 female, 137 male and 1 undeclared).

Independent Limited Assurance Report to Fonterra Co-operative Group Limited

KPMG

Conclusion

Our limited assurance conclusion has been formed on the basis of the matters outlined in this report.

Based on our limited assurance engagement, which is not a reasonable assurance engagement or an audit, nothing has come to our attention that would lead us to believe that, in all material respects, the scope 1, 2 and 3 gross greenhouse gas emissions, additional required disclosures of scope 1, 2 and 3 gross greenhouse gas emissions and scope 1, 2 and 3 gross greenhouse gas emissions methods, assumptions and estimation uncertainty disclosures included in the Group Climate Statements on pages 206 to 207 and 215 to 224 (GHG disclosures) are not fairly presented and prepared in accordance with the Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (the criteria) for the year ended 31 July 2025.

Information subject to assurance

We have performed an engagement to provide limited assurance in relation to the GHG disclosures of Fonterra Co-operative Group Limited (**Fonterra**) and its subsidiaries (the **Group**) for the year ended 31 July 2025.

Below are the locations of the GHG disclosures subject to assurance:

NZ CS 1-3 REQUIREMENT	FY25 GROUP CLIMATE STATEMENT REFERENCE
NZ CS 1 22(a)	Table 13 – GHG emissions performance (pages 206 and 207)
NZ CS 1 24(a-d) NZ CS 3 52-53	Appendix 3: GHG emissions methods, assumptions and uncertainties (pages 216 to 224)
NZ CS 3 54	Restatements (page 215)

Our conclusion on the GHG disclosures does not extend to any other information included, or referred to, in the Group Climate Statements or other information that accompanies or contains the Group Climate Statements and our assurance report (**other information**). We have not performed any procedures with respect to the other information.

Criteria

The criteria used as the basis of reporting include the NZ CSs. As disclosed in Appendix 3 of the Group Climate Statements, the greenhouse gas emissions have been measured in accordance with the World Resources Institute and World Business Council for Sustainable Development's Greenhouse Gas Protocol standards and guidance (collectively, the GHG Protocol):

- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition);
- Additionally, Scope 2 emissions have been measured in accordance with The Greenhouse Gas Protocol: GHG Protocol Scope 2 Guidance: An amendment to the GHG Protocol Corporate Standard; and
- Scope 3 emissions have been measured in accordance with The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

As a result, this report may not be suitable for another purpose.

Standards we followed

We conducted our limited assurance engagement in accordance with New Zealand Standard on Assurance Engagements 1 (**NZ SAE 1**) Assurance Engagements over Greenhouse Gas Emissions Disclosures and International Standard on Assurance Engagements (New Zealand) 3410 Assurance Engagements on Greenhouse Gas Statements (**ISAE (NZ) 3410**) issued by the New Zealand Auditing and Assurance Standards Board (**Standard**). We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our responsibilities under the Standard are further described in the 'Our responsibility' section of our report.

KPMG

Key Matters

Key matters are those matters that, in our professional judgment, were of most significance in undertaking our assurance engagement over the GHG disclosures for the year ended 31 July 2025.

Our procedures were undertaken in the context of and solely for the purpose of our assurance conclusion on the GHG disclosures and we did not reach a separate assurance conclusion on each individual key matter.

KEY MATTER	PROCEDURES TO ADDRESS THE KEY MATTER
Estimation of New Zealand on-farm GHG emissions	
Refer to Appendix 3 of the Group Climate Statement. Calculating Scope 3 on-farm emissions associated with the supply of New Zealand raw milk products for the year ended 31 July 2025 is considered a key matter as this is the most material emission source of the Group, and the calculation model is complex. To estimate these emissions, the Group engaged a specialist to calculate milk carbon footprint based on the New Zealand average on-farm inputs and Fonterra regional weightings. The output is a unique emissions factor (multiplier) for the greenhouse gas (**GHG**) emitted per kilogram of fat and protein corrected milk (FPCM). Total emissions are then calculated by multiplying this unique emissions factor by the quantity of FPCM milk collected by Fonterra during the financial year.	Our assurance procedures included: – Inquiring of management and their specialist to obtain an understanding of the Group's process for the selection and application of methods, assumptions and data used in estimating the milk carbon footprint. – Assessing the appropriateness of the methods applied, assumptions and input data by comparing to global sector guidance and methodologies used by other entities within the sector. – Evaluating whether the application of the methods was appropriate for the circumstance and consistently applied using the most recent available inputs. – Evaluating whether the data inputs and assumptions used were relevant, appropriate and consistent with the process documented. – Reconciling the total quantity of milk collected during the financial year to publicly reported information. – Evaluating the presentation and completeness of the emissions disclosure against the requirements of the NZ CSs. **Findings** We have completed our procedures and have no matters to report.

Other Matter – Prior year comparatives not assured

The GHG disclosures for the years ended 31 July 2018, 31 July 2023 and 31 July 2024 were not subject to our limited assurance engagement and, accordingly, we do not express a conclusion or provide any assurance on such information.

Our conclusion is not modified with respect to this matter.

How to interpret limited assurance and material misstatement

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Misstatements, including omissions, within the GHG disclosures are considered material if, individually or in aggregate, they could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the GHG disclosures.

Inherent limitations

Measuring GHG emissions is inherently subject to uncertainty, particularly within scope 3 value chain emissions. GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions of different gases.

Use of this assurance report

Our report is made solely for Fonterra Co-operative Group Limited. Our assurance work has been undertaken so that we might state to Fonterra Co-operative Group Limited those matters we are required to state to them in the assurance report and for no other purpose.

Our report should not be regarded as suitable to be used or relied on by anyone other than Fonterra Co-operative Group Limited for any purpose or in any context. Any other person who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at their own risk.

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 Fonterra Co-operative Group Limited for our work, for this independent assurance report, and/or for the opinions or conclusions we have reached.

Our conclusion is not modified in respect of this matter.

KPMG

Fonterra Co-operative Group Limited's responsibility for the GHG disclosures

The Directors, on behalf of the Group, are responsible for the preparation and fair presentation of the GHG disclosures in accordance with the criteria. This responsibility includes the design, implementation and maintenance of such internal control as the Directors determine is relevant to enable the preparation of the GHG disclosures that are free from material misstatement whether due to fraud or error.

The Directors are responsible for selecting or developing suitable criteria for preparing the GHG disclosures and appropriately referring to or describing the criteria used.

The Directors are also responsible for making judgments and estimates in the preparation of the GHG disclosures that are reasonable in the circumstances.

Our responsibility

We have responsibility for:

- planning and performing the engagement to obtain limited assurance about whether the GHG disclosures are free from material misstatement, whether due to fraud or error;
- forming an independent conclusion based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to Fonterra Co-operative Group Limited.

Our work was carried out by a multidisciplinary team, including specialists in the application of GHG life-cycle analysis, who assisted with our assessment of the methodology for calculating New Zealand on-farm emissions. We remain solely responsible for the assurance conclusion.

Summary of the work we performed as the basis for our conclusion

A limited assurance engagement performed in accordance with the Standard involves assessing the suitability in the circumstances of the Group's use of the criteria as the basis for the preparation of the GHG disclosures, assessing the risks of material misstatement of the GHG disclosures whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the GHG disclosures.

We exercised professional judgment and maintained professional scepticism throughout the engagement. We designed and performed our procedures to obtain evidence about the GHG disclosures that is sufficient and appropriate to provide a basis for our conclusion.

Our procedures selected depended on the understanding of the GHG disclosures that is sufficient and appropriate to provide a basis for our conclusion. The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

In undertaking limited assurance on the GHG disclosures the procedures we primarily performed included:

- Obtaining, through inquiries and inspection, an understanding of the Group's control environment, processes and information systems relevant to the preparation of the GHG disclosures. We did not evaluate the design of particular control activities or obtain evidence about their implementation.
- Assessing the appropriateness of the selected organisational boundary against the criteria, our understanding of the business and where applicable external sources.
- Evaluating, through inquiries, the application of the selected boundary to the emissions inventory. This included evaluating the completeness of emissions sources selected for disclosure.
- Inspecting the activity data and agreeing a limited number of items to supporting records.
- Gaining an understanding of and evaluating the Group's methodology for developing estimates. We did not test the data on which the estimates were made or develop our own independent estimates against which to evaluate the Group's estimates.
- Agreeing a limited number of emissions factors to external source material and, using our knowledge of the Group and the industry, we assessed the reasonableness of the emission factors applied.
- Performing analytical procedures over a limited number of emission categories by comparing the expected GHG emissions to actual GHG emissions. Where significant differences were identified we made inquiries with management to obtain an understanding of the differences.
- Recalculating a limited number of emissions to confirm the mathematical accuracy of calculations.
- Evaluating the presentation and disclosure of the GHG disclosures against the requirements of the criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality management

This assurance engagement was undertaken in accordance with NZ SAE 1. NZ SAE 1 is founded on the fundamental principles of independence, integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) (**PES 1**) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (**PES 3**), which requires the firm to design, implement and operate a system of quality control including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have also complied with Professional and Ethical Standard 4 *Engagement Quality Reviews* (**PES 4**) which deals with the appointment and eligibility of the engagement quality reviewer and the engagement quality reviewer's responsibilities relating to the performance and documentation of an engagement quality review.

Our firm has provided other services to the Group such as financial statement audit and review services, other assurance services and agreed upon procedures. We have also provided vendor due diligence services in relation to the divestment of the Consumer and associated business and have been engaged to provide assurance over the compilation of proforma information in the Notice of Meeting to shareholders.

Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as assurance providers of the Group for this engagement. The firm has no other relationship with, or interest in, the Group.

As we are engaged to form an independent conclusion on the GHG disclosures prepared by the Group, we are not permitted to be involved in the preparation of the GHG disclosures as doing so may compromise our independence.

The engagement partner on the assurance engagement resulting in this independent assurance report is Aaron Woolsey.

KPMG

KPMG
Auckland

24 September 2025

Group Climate Statements Index

The following table maps our Group Climate Statements against the Aotearoa New Zealand Climate Standards 1, 2 and 3 (CS 1, CS 2, CS 3).

NZ CS	PARA		DISCLOSURE / OTHER REQUIREMENTS	PAGE #
GOVERNANCE				
1	7	(a)	The identity of the governance body responsible for oversight of CRROs.	180
		(b)	A description of the governance body's oversight of CRROs, including:	180, 181
1	8	(a)	process and frequency by which the governance body is informed about CRROs;	180
		(b)	how the governance body ensures that appropriate skills and competencies are available to provide oversight;	181
		(c)	how the governance body considers CRROs when developing and overseeing implementation of the entity's strategy; and	180
		(d)	how the governance body sets, monitors, progresses against and oversees achievement of metrics and targets for managing CRROs (including whether, and if so, how related performance metrics are tied to remuneration policies, see CS 1 22(h) (below)).	180, 212
1	7	(c)	A description of management's role in assessing and managing CRROs, including:	181, 182
1	9	(a)	how climate-related responsibilities are assigned to management-level positions or committees, and the process and frequency by which management-level positions or committees engage with the governance body;	181, 182
		(b)	the related organisational structure(s) showing where these management-level positions and committees lie; and	179
		(c)	the processes and frequency by which management is informed about, makes decisions on, and monitors, CRROs.	181, 182

NZ CS	PARA		DISCLOSURE / OTHER REQUIREMENTS	PAGE #
STRATEGY				
1	11	(a)	A description of current climate-related impacts, including:	194
1	12	(a)	its current physical and transition impacts;	194
		(b)	the current financial impacts of the matters identified in CS 1 12(a); and	194
		(c)	if the entity is unable to disclose quantitative information for CS 1 12(b), an explanation of why that is the case.	N/A
1	11	(b)	A description of scenario analysis undertaken, including:	184-188
1&3	13, 51		An entity must describe the scenario analysis it has undertaken to help identify its CRROs and better understand the resilience of its business model and strategy. This must include a description of how an entity has analysed, at a minimum, a 1.5 degrees Celsius climate-related scenario, a 3 degrees Celsius or greater climate-related scenario, and a third climate-related scenario.	184-188, 213
1	11	(c)	A description of identified CRROs over the short, medium and long term, including:	189-193
1	14	(a)	how it defines short, medium and long term, and how the definitions are linked to its strategic planning horizons and capital deployment plans;	184
		(b)	whether the CRROs identified are physical or transition risks or opportunities, including, where relevant, their sector and geography; and	189-193
		(c)	how CRROs serve as an input to its internal capital deployment and funding decision-making processes.	198
1	11	(d)	A description of anticipated impacts of CRROs, including:	189-193

CRROs = climate-related risks and opportunities.

Group Climate Statements Index CONTINUED

NZ CS	PARA		DISCLOSURE / OTHER REQUIREMENTS	PAGE #
1	15	(a)	the anticipated impacts of CRROs reasonably expected by the entity;	189-193
		(b)	the anticipated financial impacts of CRROs reasonably expected by an entity;	Adoption provision 2
		(c)	a description of the time horizons over which the anticipated financial impacts of CRROs could reasonably be expected to occur; and	
		(d)	if an entity is unable to disclose quantitative information for (b), an explanation of why.	
1	11	(e)	A description of how the entity will position itself as the global and domestic economy transitions towards a low-emissions and climate resilient future state, including:	183, 195-197
1	16	(a)	a description of its current business model and strategy;	183
		(b)	the transition plan aspects of its strategy, including how its business model and strategy might change to address its CRROs; and	195-197
		(c)	the extent to which transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision-making processes.	198
RISK MANAGEMENT				
1	18	(a)	A description of its processes for identifying, assessing and managing climate-related risks, including:	183, 199, 200
1	19	(a)	the tools and methods used to identify, and to assess the scope, size, and impact of, its identified climate-related risks;	199, 200
		(b)	the short-term, medium-term, and long-term time horizons considered, including specifying the duration of each of these time horizons;	183
		(c)	whether any parts of the value chain are excluded;	199
		(d)	the frequency of assessment; and	199
		(e)	its processes for prioritising climate-related risks relative to other types of risks.	199
1	18	(b)	A description of how its processes for identifying, assessing, and managing climate-related risks are integrated into its overall risk management processes.	199
METRICS AND TARGETS				
1	21	(a)	The metrics that are relevant to all entities regardless of industry and business model, including:	198, 206-212
1	22	(a)	greenhouse gas (GHG) emissions: gross emissions in metric tonnes of carbon dioxide equivalent (CO_2e) classified as (see CS 1 24):	206, 207
		(i)	scope 1;	206, 207
		(ii)	scope 2 (calculated using the location-based method);	206, 207
		(iii)	scope 3;	206, 207
		(b)	GHG emissions intensity;	208
		(c)	transition risks: amount or percentage of assets or business activities vulnerable to transition risks;	209-211
		(d)	physical risks: amount or percentage of assets or business activities vulnerable to physical risks;	209-211

CRROs = climate-related risks and opportunities.

Group Climate Statements Index CONTINUED

NZ CS	PARA		DISCLOSURE / OTHER REQUIREMENTS	PAGE #
		(e)	climate-related opportunities: amount or percentage of assets, or business activities aligned with climate-related opportunities;	211
		(f)	capital deployment: amount of capital expenditure, financing, or investment deployed toward CRROs;	198
		(g)	internal emissions price: price per metric tonne of CO_2e used internally by an entity; and	209
		(h)	remuneration: management remuneration linked to CRROs in the current period, expressed as a percentage, weighting, description or amount of overall management remuneration (see also CS 1 8(d)).	212
3	40-43		Comparative information, consistency of reporting, and restatement of comparatives	198, 206-212, 214, 215
1	21	(b)	Industry-based metrics relevant to its industry or business model used to measure and manage CRROs;	208
		(c)	Any other key performance indicators used to measure and manage CRROs; and	212
		(d)	The targets used to manage CRROs, and performance against those targets, including:	201-205, 225, 226
1	23	(a)	the time frame over which the target applies;	201-205
		(b)	any associated interim targets;	202
		(c)	the base year from which progress is measured;	201-205
		(d)	a description of performance against the targets; and	201-205

NZ CS	PARA			DISCLOSURE / OTHER REQUIREMENTS	PAGE #
		(e)		for each GHG emissions target	
			(i)	whether the target is an absolute target or intensity target;	201-205
			(ii)	the entity's view as to how the target contributes to limiting global warming to 1.5 degrees Celsius;	201
			(iii)	the entity's basis for the view expressed in CS 1 23(c)(ii), including any reliance on the opinion or methods provided by third parties; and	201
			(iv)	the extent to which the target relies on offsets, whether the offsets are verified or certified, and if so, under which scheme or schemes.	205
1	24			In relation to its GHG emissions:	
		(a)		a statement describing the standard or standards that its GHG emissions have been measured in accordance with	201
		(b)		the GHG emissions consolidation approach used: equity share, financial control, or operational control;	201
		(c)		the source of emission factors and the global warming potential ("GWP") rates used or a reference to the GWP source; and	222-224
		(d)		a summary of specific exclusions of sources, including facilities, operations or assets with a justification for their exclusion.	219-222
3	52			GHG methods and assumptions: Provide a description of the methods and assumptions used to calculate or estimate GHG emissions, and the limitations of those methods. When choices between different methods are allowed, or entity -specific methods are used, an entity must disclose the methods used and the rationale for doing so.	216-222

CRROs = climate-related risks and opportunities.

Group Climate Statements Index CONTINUED

NZ CS	PARA			DISCLOSURE / OTHER REQUIREMENTS	PAGE #
3	53			Describe uncertainties relevant to the entity's quantification of its GHG emissions, including the effects of these uncertainties on the GHG emissions disclosures.	216-222
3	54			Provide an explanation for any base year GHG emissions restatements.	214, 215
ASSURANCE OF GHG EMISSIONS					
1	25			Ensure that the disclosure of an entity's GHG emissions as required by the standards are the subject of an assurance engagement, which must be a limited assurance engagement at a minimum.	250-253
1	26			Subject the following information to an assurance engagement:	250-253
		(a)		GHG emissions: gross emissions in metric tonnes of CO_2e classified as (see CS 1 at 22(a)) (above):	250-253
			(i)	scope 1;	250-253
			(ii)	scope 2 (calculated using the location-based method);	250-253
			(iii)	scope 3;	250-253
		(b)		additional requirements for the disclosure of GHG emissions (see CS 1 24);	250-253
		(c)		GHG emissions methods, assumptions and estimation uncertainty (see CS 3 52 – 54).	250-253

CRROs = climate-related risks and opportunities.

Glossary

TERMS	DEFINITION
Adjusted net debt	is calculated as total borrowings, plus bank overdraft, less cash and cash equivalents, plus a cash adjustment for 25% of cash and cash equivalents held by the Group's subsidiaries, adjusted for derivatives used to manage changes in hedged risks on debt instruments. Amounts relating to disposal groups held for sale are included in the calculation.
Aotearoa New Zealand Climate Standards	are standards issued by the External Reporting Board that comprise the climate related disclosure framework.
Attributable to equity holders of the Co-operative	is used to indicate that a measure or sub-total excludes amounts attributable to non-controlling interests.
Average capital employed	is a 13-month rolling average of capital employed.
Bulk Liquids	means bulk raw milk that has not been processed and bulk separated cream.
Capital employed	is adjusted net debt less the cash adjustment (used in calculating adjusted net debt), plus cash and cash equivalents held by subsidiaries for working capital purposes, plus equity excluding hedge reserves and net deferred tax assets.
Capital Expenditure	comprises purchases of property (less specific disposals where there is an obligation to repurchase), plant and equipment and intangible assets (excluding purchases of emissions units), net purchases of livestock, and includes amounts relating to disposal groups held for sale.
Capital Invested	is capital expenditure plus right of use asset (e.g. leases) additions and business acquisitions, including equity contributions, long-term advances, and other investments.
Carbon dioxide equivalent (CO_2e)	is the universal unit of measurement to indicate the global warming potential of each of the seven GHGs, expressed in terms of the global warming potential of one unit of carbon dioxide for 100 years. It is used to evaluate releasing (or avoiding releasing) any GHGs against a common basis.
Cash operating expenses per kgMS	is continuing operations operating expenses (excluding sold businesses), less non-cash costs (depreciation, amortisation and impairments). Shown by kilogram of New Zealand and Australia milk solids collected.

TERMS	DEFINITION
Ceased Shareholder	is a Shareholder that has given notice of ceasing supply, or is treated as given such a notice, and whose cease notice has become effective.
Climate-related disclosure framework	has the same meaning set out in section 9AA of the Financial Reporting Act 2013.
Climate-related opportunities	are the potentially positive climate-related outcomes for an entity. Efforts to mitigate and adapt to climate change can produce opportunities for entities, such as through resource efficiency and cost savings, the adoption and utilisation of low-emissions energy sources and building resilience along the value chain.
Climate-related risks	are the potential negative impacts of climate change on an entity. See also the definitions of physical risks and transition risks.
Climate-related scenario	is a plausible, challenging description of how the future may develop based on a coherent and internally consistent set of assumptions about key driving forces and relationships covering both physical and transition risks in an integrated manner. Climate-related scenarios are not intended to be probabilistic or predictive, or to identify the 'most likely' outcome(s) of climate change. They are intended to provide an opportunity for entities to develop their internal capacity to better understand and prepare for the uncertain future impacts of climate change.
Consumer	is the channel of branded consumer products, such as powders, yoghurts, milk, butter and cheese.
Continuing operations	means operations of the Group that are not discontinued operations.
Core Operations	represents core operating functions including New Zealand milk collection and processing operations and assets, supply chain, Fonterra Farm Source™ retail stores, and the physical and financial commodity portfolio management function.
Core Operations manufacturing cash costs per kgMS	is the logistics costs, variable and fixed costs of the COO business unit less non-cash costs (depreciation, amortisation and impairment) shown by kilogram of New Zealand milk solids collected. Excludes milk, ocean freight and farm costs.

Glossary CONTINUED

TERMS	DEFINITION
Custodian	means the Fonterra Farmer Custodian, which is the legal holder of the shares in respect of which economic rights are held for the Fund.
Debt to EBITDA	is adjusted net debt divided by Total Group normalised earnings before interest, tax, depreciation and amortisation (Total Group normalised EBITDA) excluding share of profit/loss of equity accounted investees, net foreign exchange gains/losses and any normalised EBITDA relating to entities divested during the year.
DIRA	means the Dairy Industry Restructuring Act 2001, which authorised Fonterra's formation and regulates its activities, subsequent amendments to the Act, and the Dairy Industry Restructuring (Raw Milk) Regulations 2012.
Discontinued operations	means a component of the Group that is classified as held for sale (or has been sold) and represents, or is part of a single co-ordinated plan to dispose of, a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.
Dividend yield	is dividends (per share) divided by volume weighted average share price for the period 1 August to 31 July.
Drivers of change	are critical trends or influences that affect how the agriculture sector operates. They are usually large-scale, external factors that impact how climate risks and opportunities cascade through the agriculture sector. Drivers of change are a key input into climate scenarios.
Earnings before interest, tax, depreciation and amortisation (EBITDA)	is profit before net finance costs, tax, depreciation and amortisation.
Earnings per share (EPS)	is profit after tax attributable to equity holders of the Co-operative divided by the weighted average number of shares on issue for the period.
EBIT margin	is EBIT divided by revenue from sale of goods.
EBITDA margin	is EBITDA divided by revenue from sale of goods.

TERMS	DEFINITION
Economic rights	means the rights to receive dividends and other economic benefits derived from a share, as well as other rights derived from owning a share.
Eliminations	represents eliminations of inter-business unit sales.
Essential capital expenditure	represents investments to maintain the capability of our existing assets from risk management, legislation/regulation commitments, business continuity and capital replacement, as well as projects that drive the Co-operative's sustainability targets.
Farmgate Milk Price	means the average price paid by Fonterra in New Zealand for each kgMS supplied by Fonterra's farmer shareholders under Fonterra's standard terms of supply. The Farmgate Milk Price is set by the Board, based on the recommendation of the Milk Price Panel. In making that recommendation, the Panel provides assurance to the Board that the Farmgate Milk Price has been calculated in accordance with the Farmgate Milk Price Manual.
Fonterra's average NZD/USD conversion rate	is the rate that Fonterra has converted net United States Dollar receipts into New Zealand Dollars including hedge cover in place.
Foodservice	represents the channel selling to businesses that cater for out-of-home consumption; restaurants, hotels, cafés, airports, catering companies etc. The focus is on customers such as; bakeries, cafés, Italian restaurants, and global quick-service restaurant chains. High performance dairy ingredients including whipping creams, mozzarella, cream cheese and butter sheets, are sold in alongside our business solutions under the Anchor Food Professionals™ brand.
Free cash flow	is the total of net cash flows from operating activities and net cash flows from investing activities.
Fund	is the Fonterra Shareholders' Fund.
Gearing ratio (%)	is adjusted net debt divided by total capital. Total capital is equity excluding hedge reserves, plus adjusted net debt.

Glossary CONTINUED

TERMS	DEFINITION
Global Dairy Trade (GDT)	means the electronic auction platform that is used to sell commodity dairy products.
Global Markets	represents the Ingredients, Foodservice and residual Consumer channels outside of Greater China.
Global warming potential (GWP)	is a factor describing the radiative forcing impact (degree of harm to the atmosphere) of one unit of a given GHG relative to one unit of carbon dioxide (CO_2).
Greater China	represents the Ingredients, Foodservice and Consumer channels in Greater China.
Gross margin	is gross profit divided by revenue from sale of goods.
Growth Capital Expenditure	represents investments to improve earnings and/or the milk price (either by revenue expansion or cost reduction) or implement new capabilities that support delivery of strategic priorities. This includes organic growth of existing business operations, and inorganic growth through mergers and acquisitions.
Held for sale	is an asset or disposal group is classified as held for sale if it is available for immediate sale in its present condition and its sale is highly probable. A disposal group is a group of assets and liabilities to be disposed of (by sale or otherwise) in a single transaction.
Ingredients	represents the channel comprising bulk and specialty dairy products such as milk powders, dairy fats, cheese and proteins manufactured either by Fonterra or sourced through our global network, and sold to food producers and distributors.
Internal emissions (carbon) price	is a monetary value on GHG emissions that an entity uses internally to guide its decision-making process in relation to climate-related impacts, risks and opportunities.

TERMS	DEFINITION
Intergovernmental Panel on Climate Change (IPCC)	is the primary source of global climate data, information, and knowledge. The IPCC is the key reference point for all climate-related risk and resilience work undertaken globally.
kgMS	means kilograms of milk solids, the measure of the amount of fat and protein in the milk supplied to Fonterra.
Mainland Group	Mainland Group Holdings Limited is the parent entity of the Consumer and associated businesses at the divestment date.
Market Maker	is a third party appointed by the Co-op who is active in making bids and offers on a minimum number of Fonterra Co-operative Group Shares.
Mass balance chain of custody	is a chain of custody model in which materials or products with a set of specified characteristics are mixed according to defined criteria with materials or products without that set of characteristics (Greenhouse Gas Protocol, 2022)
Maximum Holding	is the maximum number of shares a Supplying Shareholder can hold, which is equal to 4 times the Share Standard.
Minimum Holding	is the minimum number of shares a Supplying Shareholder is required to hold, which is equal to 33% of the Share Standard. New entrants have up to six seasons to meet this.
Net debt	means adjusted net debt.
Non-Reference Products	means all NZ milk solids processed by Core Operations, except for Reference Commodity Products.
Non-shareholding farm	means a farm where the owning entity is not entitled to hold shares in the Cooperative. As an example, farms supplying MyMilk.
Non-supplying shareholder	means all shareholdings that are not Supplying Shareholders.

Glossary CONTINUED

TERMS	DEFINITION
Normalisation adjustments	means adjustments made for certain transactions that meet the requirements of the Group's Normalisation Policy. These transactions are typically unusual in size and nature. Normalisation adjustments are made to assist users in forming a view of the underlying performance of the business. Normalisation adjustments are set out in the Non-GAAP Measures section. Normalised is used to indicate that a measure or sub-total has been adjusted for the impacts of normalisation adjustments. E.g. 'Normalised operating profit'.
Operating profit (EBIT)	is profit before net finance costs and tax.
Permitted Transferee	is a person who has been approved by the Co-op and who is (and remains) related to or associated with a Ceased Shareholder.
Physical climate-related risks	are risks related to the physical impacts of climate change. These can be event-driven (acute), such as increased severity of extreme weather events. They can also relate to longer-term (chronic) shifts in precipitation and temperature and increased variability in weather patterns, such as sea level rise.
Price Relativities	refers to the difference in the weighted average price (in USD) between the Reference Product portfolio and Non-Reference Product portfolio. The difference between these two weighted average prices is a key driver of the Ingredients' gross margin.
Primary users	are existing and potential investors, lenders and other creditors, including, but not limited to, farmer shareholders and Fonterra Shareholders' Fund unitholders.
Product Channel	Fonterra's continuing operations has two product channels: Ingredients and Foodservice.
Profit After Tax Margin	is profit after tax attributable to equity holders of the Co-operative, divided by revenue of sale of goods.
Reference Commodity Products (also referred to as Reference Products)	are the five commodity groups used to calculate the Farmgate Milk Price, being Whole Milk Powder (WMP) and Skim Milk Powder (SMP), and their by-products Butter, Anhydrous Milk Fat (AMF) and Buttermilk Powder (BMP).

TERMS	DEFINITION
Reported	is used to indicate a sub-total or total is reported in the Group's Financial Statements before normalisation adjustments. E.g. 'Reported profit after tax'.
Retentions	means earnings per share, less dividend per share. Retentions are reported as nil where Fonterra has reported a net loss after tax.
Return on Capital (ROC)	is calculated as Total Group normalised EBIT including finance income on long-term advances less a notional tax charge, divided by average capital employed.
Rules for shareholding	is the Rules for Shareholding adopted by the Fonterra Board from time to time.
Scenario analysis	is a process for systematically exploring the effects of a range of plausible future events under conditions of uncertainty. Engaging in a climate-related scenario analysis process helps an entity to identify its climate-related risks and opportunities and develop a better understanding of the resilience of its business model and strategy.
Science-based target	Targets are considered 'science-based' if they are in line with what the latest climate science and meet the goals of the Paris Agreement - limiting global warming to 1.5˚C above pre-industrial levels. The Science Based Targets initiative (SBTi) provides a service to validate that targets are aligned with current science.
Season	New Zealand: A period of 12 months from 1 June to 31 May. Australia: A period of 12 months from 1 July to 30 June.
Secondary Shareholder	is a sharemilker as defined in section 34 of the Co-operative Companies Act that holds shares as if they were a Supplying Shareholder, pursuant to section 44 of the Co-operative Companies Act and clause 30.5 of the Constitution.
Share Standard	means one share per one kgMS supplied, used to calculate a Supplying Shareholder's Minimum Holding and Maximum Holding.
Shareholding farm	means a farm where the owning entity of the farm has a minimum required shareholding of at least 1,000 shares in the Co-operative. This includes farms where the owning entity is in the process of sharing up on a Share Up Over Time contract.

Glossary CONTINUED

TERMS	DEFINITION
Supplying Shareholder	is a shareholder supplying milk to the Co-op.
Total Group	is used to indicate that a measure or sub-total comprises continuing operations, discontinued operations and non-controlling interests. E.g. 'Total Group EBIT'.
Total Payout	means the total cash payment per milk solid that is backed by a share, being the sum of the Farmgate Milk Price per kgMS, dividend per share and capital returns.
Trade working capital	is total trade and associate receivables plus inventories, less trade and associate payables and accruals. It excludes amounts owing to suppliers and employee entitlements and includes trade working capital classified as held for sale.
Tradeable shares	represents shares on issue that are in excess of aggregate minimum shareholding.
Transition plan	is an aspect of an entity's overall strategy that describes an entity's targets, including any interim targets, and actions for its transition towards a low emissions, climate-resilient future.
Transition risks	are risks related to the transition to a low-emissions, climate-resilient global and domestic economy, such as policy, legal, technology, market and reputation changes associated with the mitigation and adaptation requirements relating to climate change.
WACC	means weighted average cost of capital.
Weighted average share price	represents the average price Fonterra Co-operative Group Limited shares traded at, weighted against the trading volume at each price over the reporting period.
Working capital days	is calculated as 13-month rolling average working capital divided by revenue from the sale of goods (excluding impact of derivative financial instruments) multiplied by the number of days in the period. The working capital days calculation excludes other receivables, prepayments, other payables and includes working capital classified as held for sale.

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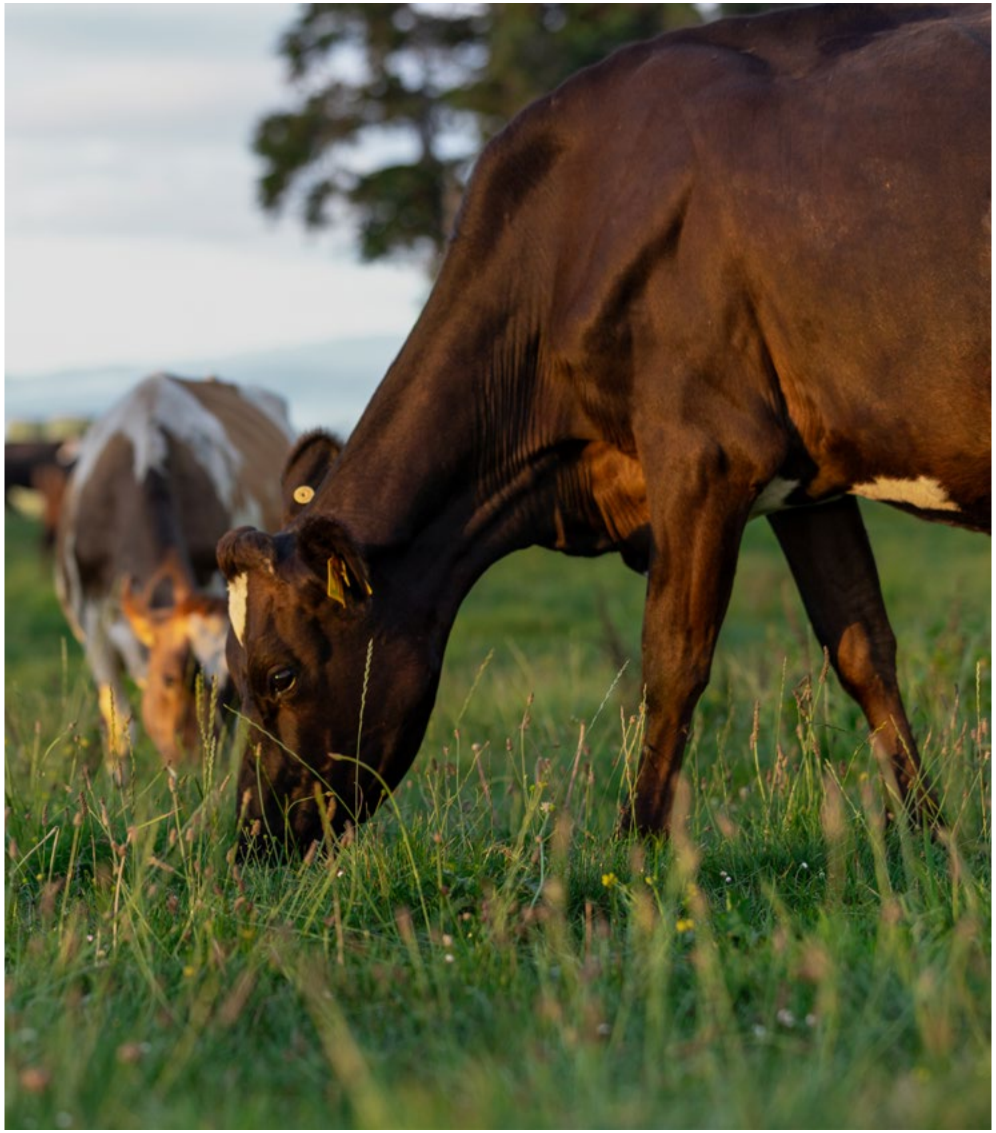

Annual Report 2025
Pūrongo-ā-tau Te Mātāpuna

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