

**FONTERRA ANNUAL MEETING  
14 NOVEMBER 2024  
CHAIR'S ADDRESS**

In a moment I will ask Miles to take us through a short summary of our financial performance. I know many of you will also be keen to hear his comments on our strategy refresh and the intended divestment of consumer.

Before we hear from Miles, I thought it would be informative to talk you through a couple of key insights that the board considers important in the development of strategy.

These form the background of the conversations we have as a leadership team when we consider our options around the strategy, including the decision to divest our wider consumer business.

The first insight is our global operating context – which continues to change.

And the second is risk – how we manage risk on your behalf and the way we treat your capital.

We are and always will be a New Zealand farmer-owned Co-op, but we are also a global export business.

When considering our strategy, we need to challenge ourselves to look beyond the back fence, and past the here and now.

The world is changing. We are moving out of an era of trade liberalisation and co-operation and into a world that is more expensive, competitive and volatile. Expectations are evolving and New Zealand milk is becoming scarce.

Customers are increasingly calling on us to partner with them to improve their sustainability and innovation capabilities. And there's even more focus on sustainability from banks, regulators, and from a market access perspective.

The cost of capital has increased, and many industries – including agriculture and our bankers – face higher capital requirements.

In this new global context, Fonterra also faces increasing competition for both milk and capital here at home.

That all sounds inherently negative, and it's certainly not without risk, but the opportunity for us still absolutely exists.

Demand for dairy continues to grow and, in a rapidly changing world, we are uniquely positioned to capitalise on any shifts.

We have high quality New Zealand milk which is becoming more scarce.

And most critically, we have scale.

That gives us great confidence in the future of our Co-op. Success will come by focusing on our comparative advantages, simplifying the business to meet that, and then aligning our people to achieve that singular vision.

The second insight we consider is risk.

Fonterra is an extension of your farming businesses. It exists to provide certainty and manage risk on your behalf, while also maximising returns via a competitive and sustainable milk price, and a respectable return on the capital you invest in the Co-op.

We govern Fonterra through a set of financial settings and a risk appetite that is now more appropriately aligned to that of our farmer owners.

As you've seen from our recent financial performance, this approach has served us well in recent years and has set a strong platform for this next phase in Fonterra's evolution.

Fonterra adds value for all dairy farmers by creating stability for the industry and de-risking the on-farm investment.

You and your bank manager know that your milk will be collected and you'll be paid on time each month – not every industry can say that.

We add value through the milk price - delivering a return on the \$50 billion invested in on-farm capital.

And by generating a return on the \$12 billion worth of capital you have invested in the Co-op.

This last piece is central to the conversation on our strategy and the divestment of our consumer business.

Right now, we estimate the weighted average cost of capital for a dairy farmer is somewhere around 10%.

Consumer businesses are inherently more capital intensive and riskier businesses to operate - you've seen that play out over time in our own operation.

Overlay that with the potentially higher geographic risk in the markets where our consumer businesses operate, and a respectable return on capital for the consumer business should be something north of 15%.

Our Consumer business had one of its better years in 2024, but despite that, its return on capital was just 6.8%, up from 3.9% in 2023 and 0.2% in 2022.

We cannot justify investing your money into a business that generates returns lower than your opportunity cost of capital, whilst at the same time exposing you to more risk.

We are better off returning that capital to you, reinvesting it into the parts of our business where we have a comparative advantage, or a mixture of both.

That might seem like a cold message to the many people in the room that have an emotional connection to those brands. We understand that. Those brands and the associated assets that go with them do hold a lot of value, but to the right owner.

Fonterra, as a farmer-owned co-operative and the associated cost of capital that comes with that model, is not the natural owner of a consumer business.

Having reached that conclusion, our focus from here is on running a process that maximises value in a way that is in the best long-term interests of farmer shareholders.

The evolved Fonterra that remains will be a simplified business focused on our comparative advantages. It will be lower risk, be less capital intensive, and achieve an increased return on capital overall.

I hope that's a useful insight into the way the Board looks at these strategic choices. Having options is a good thing and you are right to want more information around these big decisions.

Ultimately this will be a decision for shareholders to make. We will keep you updated as much as possible along the way and then provide you with the details needed to make an informed decision.

Miles will give you his perspective shortly, but before we go there, I do need to quickly cover off some other governance matters.

Given the heightened uncertainty and volatility I mentioned earlier, the Co-op can be proud of the set of financial results it has put up this year.

We did have some tail winds in terms of favourable price relativities, but the team worked hard to take full advantage of those and our underlying performance has improved significantly through time.

The period of relatively consistent performance we are enjoying now is the culmination of a huge amount of hard work put in by everyone across the Co-op over a number of years.

To deliver consistently strong financial results within our global context is no easy feat, so it's important to acknowledge that effort, led by Miles, his management team, and indeed all of our people in Fonterra.

In my opinion, the shift in share price reflects performance, and the returning confidence farmers have in Fonterra.

Over the past 12 months the share price has increased from \$2.18 to \$4.93, both of which were the post dividend and capital return.

You should have seen an announcement last week that we are moving Fonterra Co-operative Group shares onto the NZX main board.

I want to reiterate that from a farmer perspective there are no changes to the way you trade shares, or who can buy shares in the Co-op.

This is a simple but important cost-saving exercise that we have initiated and is supported by the Co-operative Council.

Lastly I'd like to touch on the Board changes that will come into effect at the conclusion of today's meeting.

Last year, just over 88% of voting farmers supported the recommendation for the Board size to reduce from 11 down to 9 directors. At the conclusion of the meeting we will move to a Board comprising six farmer elected directors and three appointed independent directors.

One of those independent directors is Alistair Field, who we welcomed to the Board earlier this month. Alistair will address the meeting later as part of voting on the resolution confirming his appointment.

Today we also farewell two of our long-serving directors, Leonie Guiney and Clinton Dines who are retiring from the Board having both served nine-years.

Thank you, Leonie and Clinton, for your time and energy over so many years. Your contribution to Fonterra has been significant, but in particular your focus on risk and balance sheet management has been invaluable as we have reset the business.

If the measure of success for a director is leaving the organisation in better shape than you found it, then you have both unquestionably achieved that.

Our Co-op is in good health.

The sentiment we are receiving from farmers right now is overwhelmingly positive.

There will always be small but meaningful things to some farmers that we don't get quite right, but overall there's a huge amount of positive momentum in the Co-op.

Our teams are confident and energised, which is important as we look to lean into increasing competition overseas and back here at home.

On that note Miles, I'll pass over to you.