



Our strategy



A strategy fit for the future

Our context is changing so we're changing too

The world we've come from

Defining features of the past

- Global co-operation and trade
- Rise of Asia and China
- Energy abundance
- Cheap capital

Fonterra set up to benefit

- Co-op with scope and scale
- Trade agreements, Asia adjacent
- NZ dairy comparative advantage
- Consolidation and growth

Where we're heading

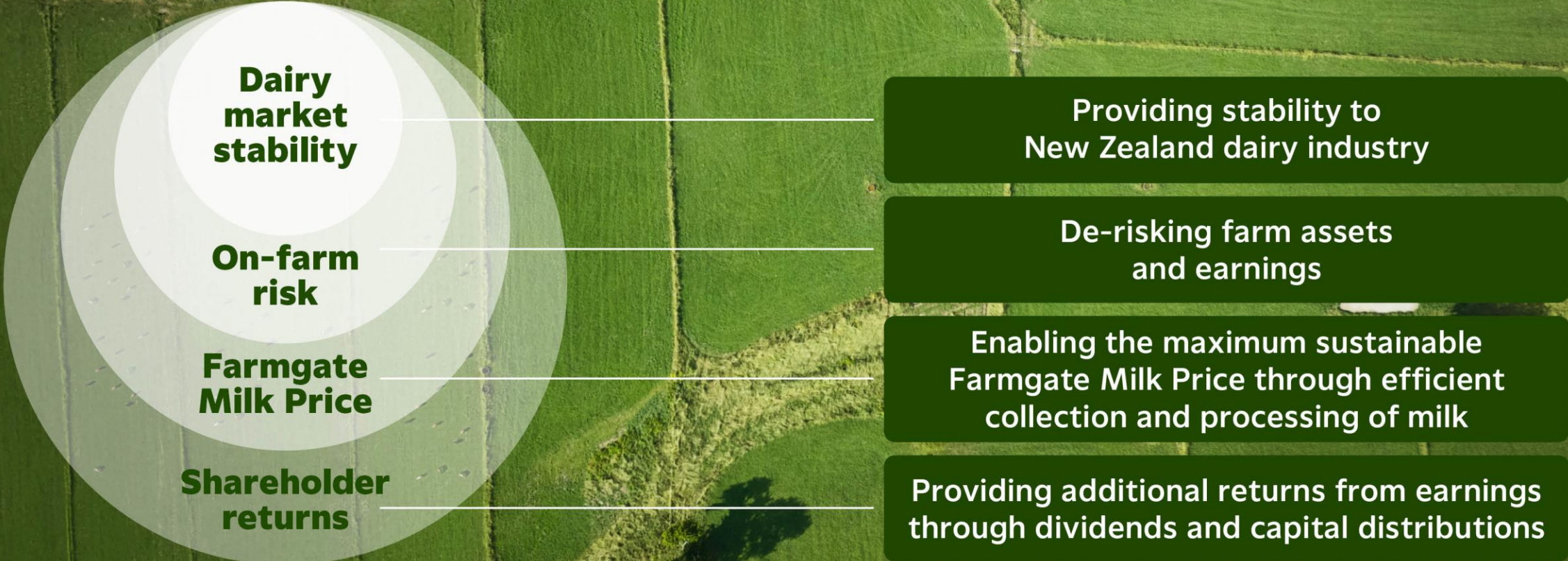
Defining features of the future

- Nationalism and protectionism
- Game-changing tech
- Asia and China at scale, aging populations
- Global climate commitments
- Capital costs high

Implications for NZ dairy

- Geopolitical instability, trade advantages
- Competition for milk higher
- Sustainability imperative
- Farming more expensive, capital costs high
- Opportunities from volatility

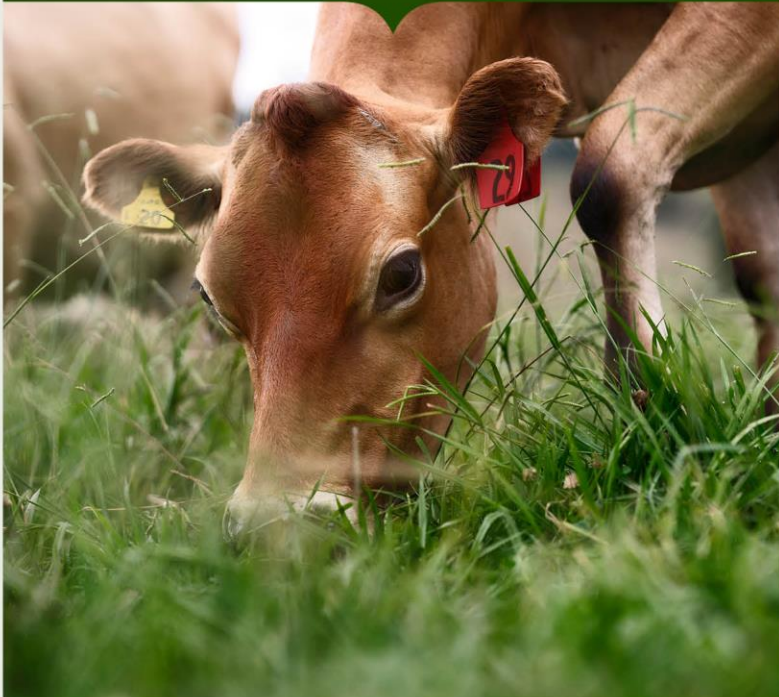
How we create end-to-end value for farmers



The foundations of our strategy remain unchanged

We are clear on who we are and confident in our strengths

Focus on
New Zealand Milk



Be a leader in
sustainability



Be a leader in dairy
innovation and science



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 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

Deliver strongest farmer offering

Work alongside farmers to help drive on-farm productivity and profitability.



Stronger payout

Continuous improvement across the Co-op to support the highest sustainable Farmgate Milk Price.

Improve on-farm cashflow

Optimise the Advance Rate Schedule to get cash to farmers sooner.

Increase farmer support

Deliver greater value in the way we support farmers to achieve their on-farm productivity and sustainability goals.

Next generation of farmers

Increase support for young and early-career farmers, and better connect them with those at the end of the farming lifecycle, to help keep land in dairy.

Unleash our Ingredients engine

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



Strategic customer relationships

Deeper partnerships with customers who value our unique offering.

Rewire processes

From manufacturing through to pricing and sales, optimising as one, to unlock value.

Build trading capability

Integrating physical and financial portfolios to unlock new sources of value.

Manufacturing capacity

Invest growth capital in new capacity to increase milk allocated to high-value ingredients.

Grow nutrition portfolio

Invest in innovation to develop advanced ingredient products and solutions.

Keep momentum in Foodservice

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



China growth

Maintain our leadership position in China and expand our footprint into new cities.

Rest of world growth

Selectively accelerate Foodservice growth in markets outside China, with a capital-light approach.

Customer partnership

Continue to invest in local application centres to tailor our products to customer needs.

Product innovation

Deliver new product innovations to maintain and grow market share.

Manufacturing capacity

Invest growth capital in new capacity to increase milk allocated to Foodservice.

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.



Efficiency gains

Optimise manufacturing costs through continued improvement in collection, processing and distribution.

Asset capacity shift

Towards higher value Foodservice and Ingredients products.

Technology enhancements

Increase uptake of robotics, automation, AI and other new technologies.

Asset flexibility

Enable flexible allocation of milk across product, channel and customer mix.

Enduring assets

Continued investment of capital in operating efficiencies, energy and wastewater.

Build on our sustainability position

Further improve the Co-op's sustainability credentials, as we work towards our ambition to be net zero by 2050.

An aerial photograph showing a river winding through a lush green forest. The river is dark, and the surrounding trees are vibrant green. The image is used as a background for the text overlay.

Sustainable value

Strengthen strategic partnerships with customers who value our sustainability position.

Climate targets

Support farmers to reduce on-farm emissions by deploying new tools, services and technologies. Invest capital to continue reduction of operational emissions.

Nature

Help support the health of waterways, soil and biodiversity.

Animal wellbeing

Work alongside farmers to maintain high standards of animal wellbeing.

Innovate to drive our advantage

Use science and technology to solve the Co-op's challenges and build on our competitive advantages.



Product innovation

Invest in R&D and partner with customers to develop core dairy products and science-backed nutritional solutions.

Value chain improvements

From on-farm emissions reduction solutions through to manufacturing process improvements.

Innovation model

Work alongside customers through in-market application centres and R&D partnerships.

Ki Tua Fund

A standalone entity, investing in new businesses and technology.

Targeting a significant capital return if Consumer businesses divested

Currently exploring options for full or partial divestment of some or all of our global Consumer business, including Fonterra Oceania and Fonterra Sri Lanka.

Targeting a significant capital return, guided by Resource Allocation Framework.

If we proceed with a divestment of this size, we will seek shareholder support.



*Illustrative subset of our Consumer brands

A strong Co-op, creating value

OUTCOMES	TARGETS & POLICY SETTINGS	FY18-23 AVERAGE	
Strong Shareholder returns	Return on capital ¹	10-12%	8.6%
	Dividend policy	60-80%	50%
	Capital distributions	Guided by Resource Allocation Framework	
Stable balance sheet	Gearing ratio	30-40%	35%
	Debt to EBITDA	2-3X	2.5X
Enduring Co-op	Capital investment requirements	~\$1+ billion per annum in Essential, Sustainability, Growth	\$650m
	Emissions reduction by 2030 ²	Absolute Scope 1 & 2 emissions	50%
		On-farm emissions intensity Scope 3	30%

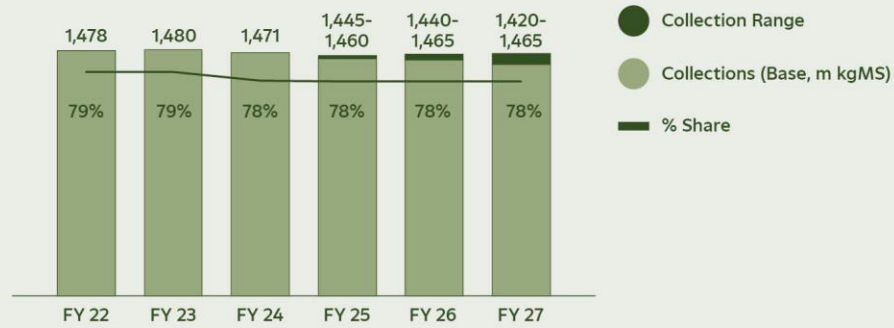
¹ Average Return on Capital FY24-30

² From an FY18 base year

Key financial drivers to FY27

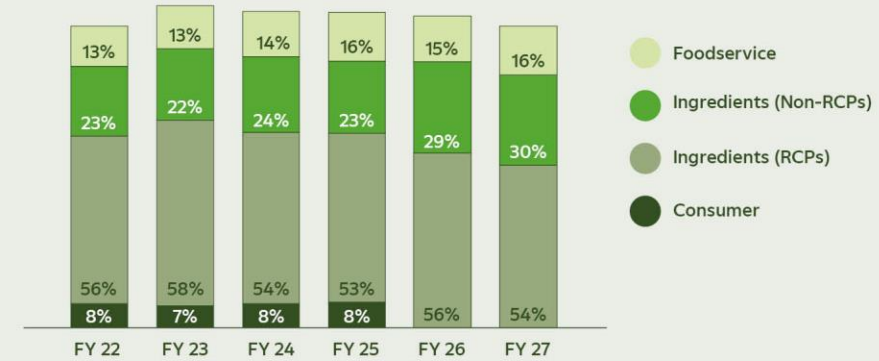
A stable milk supply¹

Strong farmer offering stabilises milk supply



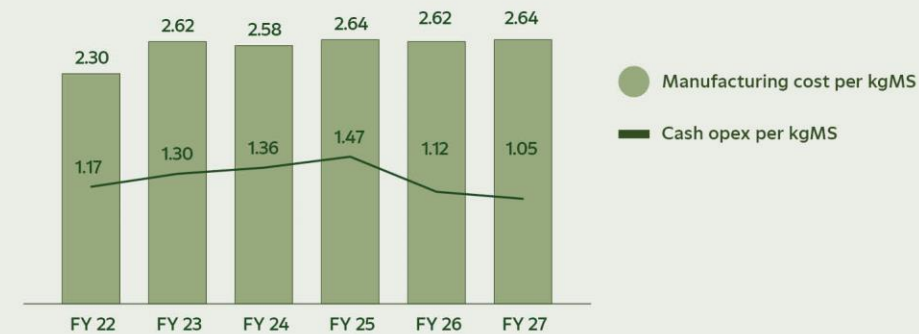
Improved product mix²

Underlying growth in Foodservice of ~5% per year



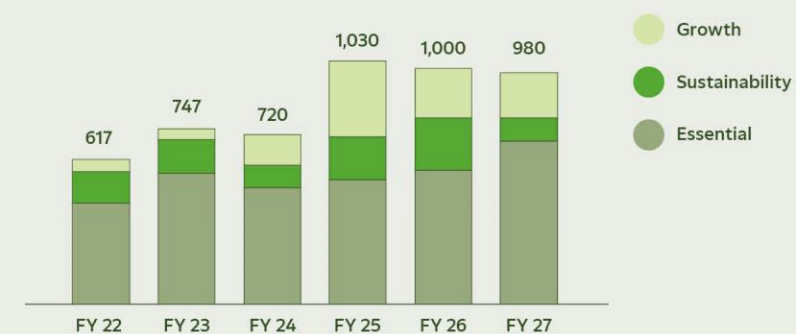
Efficient operations²

Efficiency improvements in NZ manufacturing offset cost inflation



A clear capital plan

Increase in spend to support resilience and growth



¹ New Zealand milk solids ² Indicative of post-divestment levels

How we'll track progress

Progress will be reported through our annual business updates.

We will continue to issue a forecast Farmgate Milk Price and give earnings guidance for the current season.

This will be accompanied by a forward-looking view of the key business drivers, making performance against them visible.

Strategic choices

Deliver 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

Key business drivers

A stable milk supply

Improved product margins & mix

Efficient processing

A clear capital plan

Targets & Policy Settings

Strong shareholder returns

Return on capital¹

10-12%

Dividend policy

60-80%

Stable balance sheet

Gearing ratio

30-40%

Debt to EBITDA

2-3X

Enduring Co-op

Capital investment requirements

~\$1+ billion per annum in Essential, Sustainability, Growth

Emissions reduction by 2030²

50% Absolute Scope 1&2 emissions

30% On-farm emissions intensity Scope 3

¹ Average Return on Capital FY24-30

² From an FY18 base year

Our values shape how we deliver our strategy

Good Together

We work collaboratively.
This is our foundation.

We know we're good together
when we prioritise:

Safety
Collaboration
Empathy

Better Every Day

We embrace transformation.
This is what drives us forward.

We know we're better every
day when we prioritise:

Curiosity
Innovation
Boldness

Every Drop Counts

We're focused on performance.
This is how we maximise value.

We know every drop counts
when we prioritise:

Integrity
Focus
Impact



Dairy for life



Thank You