Annual Report 2026
Pūrongo-ā-tau Te Mātāpuna

Front cover: Hopkins family farm, Manawatū-Whanganui

About this report

This Annual Report covers the activities of Fonterra Co-operative Group Limited for Financial Year 2026 (FY26), commencing 1 August 2025 and ending 31 July 2026.

It provides an overview of our Co-operative's performance during the year and how we create value for farmer shareholders.

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.

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

Bridgeman family, Taranaki

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About Fonterra

A proudly farmer-owned Co-operative, Fonterra brings together more than 8,000 farming families, global scale, deep dairy expertise and innovation to connect our farmers' milk with customers and consumers in over 100 countries around the world.

For generations, New Zealand farmers have produced some of the world's highest-quality, most nutritious milk. We have a pasture-based farming system made possible by the goodness that comes from New Zealand's abundant sunshine and rain.

The world around us is becoming more complex and volatile. Customer needs are shifting, consumer preferences are evolving, and geopolitical and economic uncertainty is reshaping global markets. Now more than ever, our customers and farmers need trusted partners who deliver consistently, understand what matters to them most, and can turn uncertainty and volatility into opportunity and value.

Our role is clear – perform for our farmers, customers and people. Performance comes from staying close to market, and disciplined strategic focus on where we create the greatest value. By deepening customer partnerships, investing in innovation and making deliberate choices about the products, markets and applications we serve, we honour the work of our farming families and create more value for our customers in our pursuit to deliver the perfect bucket of milk.

Our vision is simply to create the world's most valued dairy.

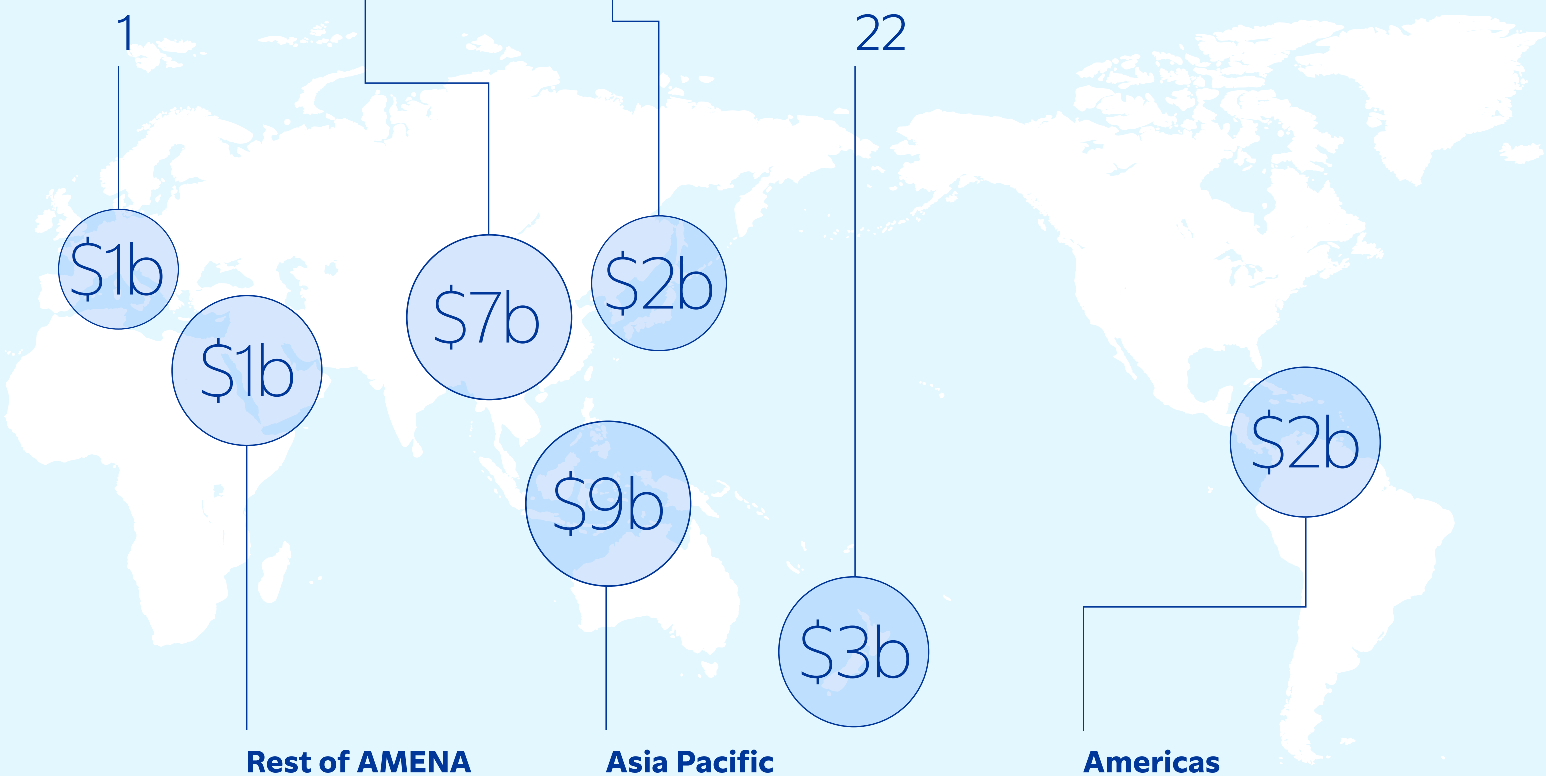
Hopkins farm, Taranaki

Europe
Employees (FTE)
125
Manufacturing sites
1

China
Employees (FTE)
457

North Asia
Employees (FTE)
98

New Zealand
Employees (FTE)
10,306
Manufacturing sites
22



Rest of AMENA
Employees (FTE)
36

Asia Pacific
Employees (FTE)
355

Americas
Employees (FTE)
95

Employees (FTE)[1]
11,472

Revenue (NZD)[2]
~25b

Fonterra's operations

Fonterra is a global dairy provider powered by our home base of New Zealand milk and operations.

We supply more than 100 markets, have 31 offices around the world, and partner with global customers who value our unique offering.

1 Permanent FTE employees only.
2 Figures have been rounded.
The data shown on this page reflects Fonterra's business as of 31 July 2026.

Chair Letter

Peter McBride
Chair

Consistency in the face of uncertainty

Kia ora farmers and shareholders,

Consistency in the face of global uncertainty is important to farmers and our shareholders. We're proud of the collective effort that's delivered another strong set of financial results, at the top end of our expectations.

It's been another year of volatility and uncertainty for our global markets. The outbreak of conflict in Iran and the Strait of Hormuz added to an already complex geopolitical environment. In addition to the humanitarian crisis in the region, the conflict has seen fuel shortages in parts of Asia and had rippling effects across global economies.

In FY26, our underlying earnings per share were 71 cents, up from 54 cents in FY25, and above our earnings guidance range of 60–70 cents.

That headline result is an excellent start to our new era as a B2B Co-op. It's driven by improvements in both our high-value Ingredients and Foodservice businesses.

On an end-to-end basis our Ingredients business delivered \$1,293 million in operating profit, up 7.0% on last year, supported by strong global protein demand, favourable pricing and product mix decisions. In Foodservice, we achieved \$547 million in operating profit, up 94.7% on last year, driven largely by volume and pricing growth across all product categories and markets.

Other performance highlights were our underlying return on capital for both Ingredients (13.5%) and Foodservice (16.3%), and our 36.9% reduction in net debt, which benefited from the partial retention of proceeds from the sale of Mainland Group.

These are strong numbers in the context of our lower risk business post-divestment. In short, our risk is down and returns are up.

Having reached the target for earnings to return to FY25 levels, Fonterra will no longer report on that target and will revert to its prior practice of forecasting earnings for the relevant financial year.

"We're proud of the collective effort that's delivered another strong set of financial results, at the top end of our expectations."

At the same time, in response to a 4% increase in global milk supply, Global Dairy Trade prices did soften during the season and that led to a final Farmgate Milk Price for the 2025/26 season of $9.69 per kgMS, down from $10.16 the season prior.

Overall, the Co-op has continued to generate significant value for farmer shareholders through a combination of earnings, distributions and the completion of the Mainland transaction. While Fonterra Co-operative Group (FCG) shares closed at $4.25 on 31 July 2026 (financial year end), compared with $4.61 immediately before consultation on flexible shareholding began (May 2021), the cash distributed over the period more than offsets the reduction in the share price. Together, the closing share value and cash distributions ($2.50 of Capital Returns and $2.37 in dividends) represent $9.12 per share of value, almost twice the opening share price. This equates to a total shareholder return of approximately 98%, or approximately 14% per annum.

Completing the sale of the Mainland Group in March was a major milestone in the history of our Co-op. We thank the more than 88% of voting farmer shareholders who voted in support of divestment. The resulting change within the business should not be underestimated. Richard's leadership team has driven a concerted effort to remove complexity from every corner of the Co-op and put farmers and customers back at the centre of decision-making.

Farmers have a choice in processors, so we're focused on making our offering as compelling as possible. That includes making the Co-op easier to deal with and giving farmers personalised support, tools and new options.

We have expanded our regional teams to provide farmers with support from their dedicated Co-op Business Partner. We made adjustments to the Co-operative Difference, designed to save farmers time by reducing duplication.

The Co-op also continues to help the next generation of farmers into farm ownership.

In December 2025, Fonterra introduced a new option for farmers sharing up to their minimum shareholding level, giving them more flexibility in how they do this within the six-year transition period. We also launched an enhanced support package for first-time farm owners joining the Co-op in the 2026/27 season to help set them up for success during those first few years on farm.

While we've held our own and maintained a stable 78% share of New Zealand milk this past year, competition is increasing in key regions. There's also an opportunity for future growth, especially in the south, off the back of new conversions.

Looking out to the year ahead we can expect volatility and uncertainty in our key markets to continue. There's also potential for further extreme weather events, including here at home. The Co-op is monitoring the potential for an El Niño weather pattern which would put pressure on New Zealand milk supply, bringing into play our flexible manufacturing footprint and the strategic decisions the team makes each day around our product mix and what Richard refers to as "*creating the perfect bucket of milk*."

Richard's transition into the CEO role has been seamless and it's exciting to see the energy his team is putting into building on this strong position. We all value consistency of performance and disciplined use of our capital. Under Richard's leadership, our Co-op has fresh energy and renewed ambition.

Peter

FY26 full year dividend, fully imputed

73 cents

per share

Return on capital

13.6%

up from 10.9%

Total cash distribution

$19.6b

in total cash returns to shareholders[1]

1 Includes Farmgate Milk Price, dividends and capital returns. Milk payments calculated across the 2025/26 season.

CEO Letter

Richard Allen
Chief Executive Officer

FY26 was a year that demonstrated the strength and importance of our Co-op

To our shareholders,

This year, sunshine, rain, our farmers and their cows produced around $25 billion of export earnings for New Zealand. Delivering $19.6 billion back to our farmers, unit holders and ultimately New Zealand while also providing some of the best, most sustainable food and nutrition to millions around the world.

Through 12 months of continued global volatility, our farmers, customers and people worked together to deliver strong results, complete significant strategic milestones and position Fonterra for its next phase of growth.

This year, we completed the divestment of Mainland Group and returned capital to shareholders and unit holders, while continuing to deliver strong performance through our Ingredients and Foodservice businesses, achieving our goal of returning earnings back to pre-divestment levels two years ahead of plan. Having reached our target for earnings to return to FY25 levels, we will no longer report on that target, and will revert to our prior practice of forecasting earnings for the relevant financial year.

Our final Farmgate Milk Price for the 2025/26 season was $9.69 per kgMS. We also announced a fully imputed final dividend of 33 cents, increasing total dividends for the year to 73 cents, having already paid a 24 cent interim dividend and a 16 cent special Mainland dividend.

Total Group reported operating profit was $3.4 billion, up from $1.7 billion last year, which includes a Mainland divestment benefit of $1.2 billion. Our reported profit after tax was $2.6 billion.

What matters most is what this means for our farmer owners. Our job is straightforward – collect the milk they produce and make decisions every single day across the Co-op to generate the greatest possible value for it.

FY26 showed the strength of this business.

Milk collections in New Zealand were up just over 4% to 1,571 million kgMS, making FY26 our third-highest year for milk production and the strongest in more than a decade. This reflected favourable growing conditions, but also the ongoing productivity gains our farmers are achieving.

We benefited from particularly strong milk growth in the South Island – a combination of strong farmer retention, winning milk back from the competition and new dairy conversions. Our organic milk programme continues to build momentum, demonstrated by our confirmed expansion into the South Island and a record FY26 organic milk price.

Supporting our farmers remains central to our strategy. In FY26, we expanded our price risk management services and saw strong uptake from farmers. We also began a review and simplification of our Co-operative Difference programme, so it remains fit for purpose in supporting value creation with our customers.

“Our customers and farmers are at the heart of what we do.”

I'm proud of how our team has performed in what I would describe as challenging market conditions. Strong milk supply came alongside ongoing volatility in global markets, costs, demand and geopolitics. Despite this, we ensured our customers' needs were met - collecting, processing and shipping record volumes this year.

During the year, we also continued to invest in the capabilities that will support future value creation. Our advanced protein hub at Studholme is now finished, and product trials are starting soon on our UHT cream plant at Edendale. We're also making good progress on our new butter line at Clandeboye and pastry butter sheet capacity expansion at Edgecumbe.

In FY26, we made changes to the Fonterra Management Team to support accelerated delivery of our strategy. In an increasingly volatile world, it's critical we're even closer to customers and markets, and our new structure enables clear functional accountability for performance.

As we look ahead, our strategy remains focused on our high-value Ingredients and Foodservice businesses – to enable this we need the right assets, products and capabilities to meet demand in areas where our products create the most value.

Global dairy consumption is changing. Consumers around the world want sustainably produced, protein-rich and nutrient dense food. Our decision to invest an incremental $1 billion over the next three years across our South Island manufacturing network will help position our Co-op for this future. This investment accelerates and expands our protein manufacturing network while improving our environmental performance across water and emissions.

Our current forecast Farmgate Milk Price is $9.50 per kgMS, and our forecast earnings range is 65 to 85 cents per share. This improving outlook reflects continued delivery from our B2B businesses, as they continue to grow high-value demand across our markets. Geopolitical volatility remains and with only two months complete, previous seasons tell us that things can always change.

Through our clear and focused strategy, strong balance sheet, deep customer and market presence and an increasingly agile manufacturing footprint, I'm confident in the Co-op's ability to create opportunity from volatility.

For me, put simply, our job is to get up every day and look for ways to create the perfect bucket of milk. It means making the right choices across the Co-op, from the milk we collect, to the products we make, to the customers and innovation we invest in. We put our customers and farmers at the heart of what we do and are innovation-led and farmer-focused.

When I look across Fonterra, I see a Co-op with real momentum and significant opportunity. We produce dairy in one of the most natural and efficient systems in the world. Sunshine, rain and great farmers. We have deep customer partnerships, a strong asset base and talented teams across New Zealand and around the world. FY26 has given us a strong platform. FY27 will undoubtedly ask more of us, and as a team we're up for it.

Thank you to our farmers for the trust you place in your Co-op, to our customers and partners around the world, and to our people for the work you do every day. Together, we are building a stronger, more focused Fonterra, one that can continue to create the world's most valued dairy.

Richard

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

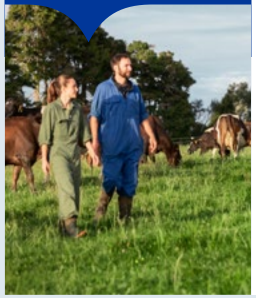
- **Deliver strongest farmer offering**
- **Unleash our Ingredients engine**
- **Keep momentum in Foodservice**
- **Invest in operations for the future**
- **Build on our sustainability position**
- **Innovate to drive our advantage**

Outcomes

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

Progress on strategy

Deliver the strongest farmer offering



- Collected 1,571 million kgMS, up 4.1% on prior year.
- Confirmed planned expansion of Organic programme into the South Island.
- Provided new tools and offerings to support farmers.
- Introduced new share up alternative.

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Unleash our Ingredients engine

- Supplied high-quality ingredients to customers in 100 countries.
- Completed new advanced protein hub at Studholme, which will add further capacity for higher-value functional dairy proteins.

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Keep momentum in Foodservice

- Strengthened our customer proposition through product innovation, our network of application centres and distributor partnership kitchens.
- Invested in additional capacity at Edendale, Clandeboye and Edgecumbe to support flexibility and growth.

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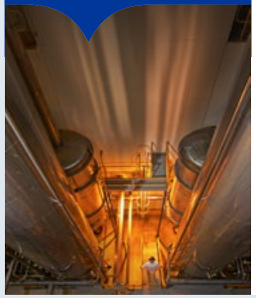
Invest in operations for the future



- Achieved record shipping volumes this year.
- Began or progressed a range of investments designed to support flexibility, growth or resilience across our operations.

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Build on our sustainability position

- Reviewed our sustainability strategy and confirmed climate, nature and animal wellbeing as key focus areas.
- Launched Carbon Removals programme for farmers.

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Innovate to drive our advantage

- Began to reshape our approach to innovation in order to focus on areas where we can make the greatest difference.
- Launched Anchor Essence Cream in China and won a Best Innovation Award at Bakery China.

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Financial Overview

Total Group Reported

Operating profit
$3,422m
↑ From $1,732m

Gain on sale of Mainland
$1,250m

Profit after tax
$2,608m
↑ From $1,079m

Earnings per share
160c
↑ From 65c

Underlying Performance[1]

Operating profit
$1,840m
↑ From $1,489m

Profit after tax
$1,182m
↑ From $914m

Earnings per share
71c
↑ From 54c

Return on capital
14.2%
↑ From 11.7%

Distributions

Farmgate Milk Price
$9.69
↓ From $10.16 / kgMS

+

Total dividends per share
73c
↑ From 57c

=

Total payout[2]
$10.42
↓ From $10.73 / kgMS

+

Capital return per share
$2.00

=

Total cash distribution
$12.42

1 Underlying performance is Fonterra's continuing operations represented as if the Mainland transaction had occurred for the full period to provide a comparative of Fonterra's continuing operations and align with the Pro forma historical financial information disclosed in the Notice of Special Meeting 2025 (29 September 2025).
2 Total payout calculated on the basis of a supplying shareholder at 100% of their share standard.


Maunsell family farm, Auckland

Higher milk collections, sustained momentum across Ingredients and Foodservice, and completion of the Mainland divestment enabled the Co-operative to generate $19.6 billion in cash payments to shareholders.

Together the Farmgate Milk Price and dividend delivered a total payout of $10.42 per kgMS, with total cash distributions of $12.42 per kgMS including the capital return[1].

Cash payments to shareholders comprised:

- 2025/26 Farmgate Milk Price of $9.69 per kgMS, equating to $15.2 billion in payments to farmers.
- cash dividend payments of 73 cents per share, including a 16 cent special dividend in relation to the Mainland divestment, equating to $1.2 billion returned to shareholders.
- a capital return of $2.00 per share from the Mainland divestment, returning $3.2 billion to shareholders.

Total Group reported financial performance

Total Group profit after tax increased to $2,608 million, up from $1,079 million the prior year. This included the Mainland Group divestment gain on sale of $1,250 million.

The reported profit equates to earnings of 160 cents per share.

Across the Co-op's three reportable segments on a continuing operations basis:

- Ingredients operating profit was $1,067 million, up $222 million or 26%.
- Foodservice operating profit was $412 million, up $156 million or 61%.
- Core Operations operating profit of $341 million, up $32 million or 10%.

The strong earnings performance enabled the Co-op to increase cash returns to shareholders and continue strengthening the balance sheet. The Board declared a fully imputed final dividend of 33 cents per share, to be paid on 15 October 2026.

"This year, we've delivered strong end-to-end value for farmers through our high-performing Ingredients and Foodservice businesses. By staying focused on strategy, we're building an agile Co-op recognised for reliable returns, economically profitable growth and balance sheet resilience."

Andrew Murray, Chief Financial Officer

1 For a supplying farmer at 100% of their share standard.

Underlying performance

The following section is presented as if the Mainland trade terms had applied for the full financial period to provide a comparative of Fonterra's continuing operations and align with the pro forma historical information disclosed in the Notice of Special Meeting Booklet released to the NZX on 29 September 2025. This approach shows the performance of the Co-op as it operates now, a focused, global business-to-business dairy nutrition Co-operative.

The Co-op achieved its target to return earnings to pre-divestment levels within three years following the sale of Mainland and associated businesses, with FY26 operating profit of $1,840 million, an increase of $351 million on the prior year.

Having reached the target, Fonterra will no longer report on that target and will revert to its prior practice of forecasting earnings for the relevant financial year.

As well as the reportable segments, the Co-op assesses performance through its end-to-end Ingredients and Foodservice channels. This management view includes the relevant contribution from Core Operations and provides greater insight into the performance of the Co-op's strategic channels.

On this end-to-end channel basis:

- **Ingredients channel** operating profit was up $85 million to $1,293 million. The increase reflected higher sales volumes and prices, as well as increased solids allocated to higher value protein products. Refer to the Unleash our Ingredients engine section of this report for further information.
- **Foodservice channel** operating profit increased by $266 million to $547 million, supported by higher volumes, favourable margins and lower input costs due to softer milk-fat prices. Refer to the Keep momentum in Foodservice section of this report for further information.

Stronger in-market performance underpinning higher return on capital

	Ingredients	Foodservice	Total
External sales volume (million kgMS)	1,362 ↑ 3.3%	240 ↑ 2.1%	1,602 ↑ 3.1%
Underlying operating profit (excludes Mainland)[1]			
Core Operations	$206m ↓ $78m	$135m ↑ $110m	$341m ↑ $32m
In-market	$1,087m ↑ $163m	$412m ↑ $156m	$1,499m ↑ $319m
Total	**$1,293m** ↑ $85m	**$547m** ↑ $266m	**$1,840m** ↑ $351m
Return on capital	13.5% ↑ From 12.8%	16.3% ↑ From 8.5%	14.2% ↑ From 11.7%

1 Underlying performance is Fonterra's continuing operations represented as if the Mainland transaction had occurred for the full period to provide a comparative of Fonterra's continuing operations and align with the Pro forma historical financial information disclosed in the Notice of Special Meeting 2025 (29 September 2025). The net impact on total normalised segment operating profit is $20m (31 July 2025:$79m).

In an inflationary global environment, operating expenses increased below the rate of inflation to $1,861 million, up $59 million. Key operational spend included investing in Fonterra's technology platform, higher milk volumes and costs relating to realigning to a more focused B2B Co-op.

An enduring Co-op

Higher operating profit, together with the Co-op's focused capital base, increased underlying return on capital to 14.2%, from 11.7% in the prior year. This was the highest return on capital recorded by the Co-op since its formation.[1]

Capital invested for the period increased to $1.0 billion as the Co-op invested in growing processing capability of higher-value products, providing long-term energy security, and supporting a reliable, high-performing asset base. Refer to Invest in operations for the future for further information.

Adjusted net debt reduced $1.0 billion to $1.7 billion reflecting strong cash flows and Mainland sale proceeds retained to support future resilience and growth investments. The Co-op's balance sheet remains in a position of strength, with net debt to EBITDA ratio of 0.7x and gearing reducing to 20.8%, from 23.9% in the prior year.

1 Highest return on capital since Fonterra commenced reporting this metric in FY07, calculation methodologies have changed over this period.

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.

Bridgeman family farm, Taranaki

Total cash returns

$19.6b

up 21%

Final Farmgate Milk Price

$9.69 per kgMS

down from $10.16 per kgMS

Milk collections

1,571m kgMS

up 4.1%

We know farmers have a choice in processors, so we're focused on making our farmer offering as competitive as possible. This includes maximising the returns we deliver to Co-op farmers and providing industry-leading tools and support that are tailored to their needs.

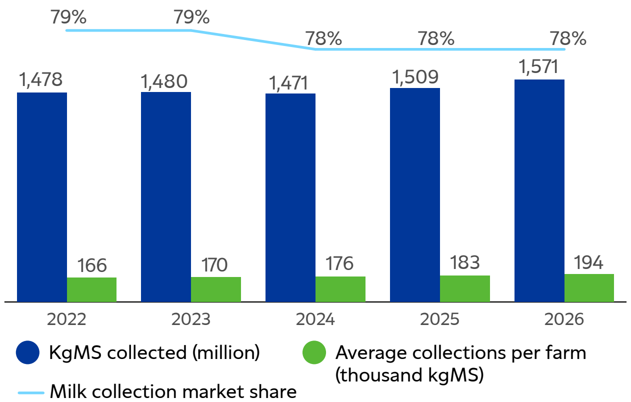
For the 2025/26 season, Fonterra generated a record $19.6 billion in cash distributions for farmers, comprised of a $9.69 per kgMS Farmgate Milk Price, 73c in ordinary and special dividends and a capital return of $2.00 per share following the divestment of the consumer division.

Continued milk growth

The 2025/26 season began favourably, with our Co-op attracting more milk from competing processors than it lost.

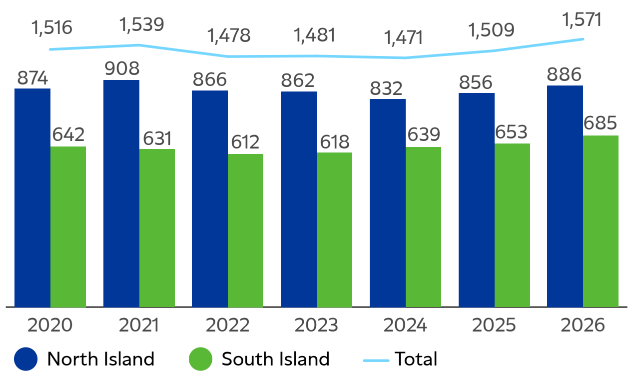
Milk collections continued to grow during the 2025/26 season, with 1,571 million kgMS collected, up 4.1% on the prior year and the highest level in more than 10 years. The growth was largely driven by favourable weather conditions and was further supported by productivity improvements and the return of farmers from competing processors.

Co-op milk collections



Fonterra's market share remained at 78% at the end of the 2025/26 season. Momentum in the South Island is building with more than 20 recently converted farms in the region joining the Co-op for 2026/27. Our local teams work to support those thinking about converting to dairy, helping them get set up for supply to a high standard.

Co-op's supply trend



Organic expansion confirmed

In May 2026, the Co-op confirmed its Organic Programme will expand into the South Island.

The plan is to be able to process organic milk in the South Island from the 2028/29 season, allowing time for more converting farmers to achieve organic certification by then.

The final Organic Milk Price for 2025/26 was $14.13 per kgMS, and the Co-op continues to recruit organic farmers in both the North and South Islands to help meet growing demand.

Enhanced tools and support

Fonterra's support for farmers continues to evolve with new tools and offerings. This includes tailored advice to boost productivity, reducing on-farm input costs through our Farm Source retail offerings and managing milk price risk through a variety of hedging services.

There's a focus on saving farmers time and enhancing on-farm decision-making where possible, including through data sharing solutions with industry partners and recent adjustments to the Co-operative Difference announced in May 2026 to reduce duplication.

Also in May, the Co-op confirmed it was expanding its regional teams and evolving how they work, with the aim of providing farmers with personalised support from their dedicated Co-op Business Partner, a role designed to serve as farmers' primary, consistent point of contact.

The Co-op also continues to help the next generation of farmers into farm ownership.

In December 2025, Fonterra introduced a new option for farmers sharing up to their minimum shareholding level, giving them more flexibility in how they do this within the six-year transition period. In addition, Fonterra launched an enhanced support package for first-time farm owners joining the Co-op in the 2026/27 season to help set them up for success during those first few years on farm.

Co-operative Difference achievement levels continue to rise

In the 2025/26 season, 94% of Fonterra farmers achieved the Co-operative Difference - a 3% increase on the 2024/25 season.

We congratulate all farmers who have achieved one of the three stages during the 2025/26 season.

- Te Pūtake (The start) 74 farmers, down from 1,383
- Te Puku (The centre) 6,483 farmers, up from 5,179
- Te Tihi (The peak) 1,091 farmers, up from 908

View the Co-operative Difference Honour Roll full list

View numbers related to customer-funded incentives.

First Farm Award winners supported into farm ownership

The Fonterra & ASB First Farm Award returned in 2026 for the second year. The award aims to remove barriers to farm ownership by offering financial backing, mentorship and industry support. 2025 winners Braden & Brigitte Barnes recently took the leap into farm ownership, purchasing their first farm in Canterbury.

"We've got a place now that's home. It's nice to have that security and have a base for our family."

Braden Barnes

Delivering on strategy

Oct 2025	**Received approval** for consumer divestment from Fonterra farmers
Oct 2025	**Launched** Carbon Removals Tool for farmers
Nov 2025	**Posted third season results** for Net Zero Pilot Dairy Farm
Dec 2025	**Introduced** new share up alternative
Feb 2026	**Fully allocated** customer funding for 2025/26 on-farm solutions
Mar 2026	**Commenced** new season of Price Risk Management services
May 2026	**Confirmed** planned expansion of Organic programme into the South Island
May 2026	**Simplified** Co-operative Difference for 2026/27 and kicked off broader review of the programme
Jun 2026	**Launched** new support package for first-time farm owners joining our Co-op
Jul 2026	**Confirmed** 94% of farmers achieved Co-operative Difference

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.

Ingredients underlying operating profit

$1,293m

up 7.0%

Ingredients underlying return on capital

13.5%

up from 12.8%

Sales volumes

1,362m kgMS

up 3.3%

Our Ingredients business plays a valuable role in our Co-op, connecting New Zealand farmers' milk with customers and consumers around the world, supporting both the Farmgate Milk Price and earnings.

Through our brand NZMP™, we supply high-quality ingredients to customers in 100 countries, with our ingredients used by some of the world's most famous food and nutrition brands. This includes applications spanning the full life cycle, from infant care to healthy growing, living and ageing.

Earnings uplift driven by stronger in-market performance

Ingredients operating profit increased $85 million to $1,293 million, while return on capital increased to 13.5% from 12.8%.

Strong global demand supported higher sales prices for protein products, while higher sales volumes also contributed to the result. These benefits more than offset higher input costs and a modest increase in operating expenses.

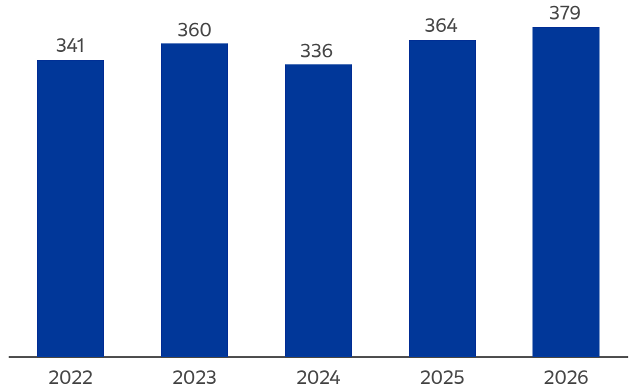
Our Ingredients sales volumes were particularly strong in the second half. Combined third and fourth quarter Ingredients shipments were the highest in a decade, increasing by 104,000 metric tonnes, or 8%, compared with the prior year.

Creating more value from milk

During FY26, we continued to optimise milk allocation across our Ingredients portfolio, balancing customer demand, relative product returns and the value of each milk component.

Growing cheese and protein production increases the Co-op's capacity to capture value

Fonterra cheese and protein production (million kgMS)



Note: Includes casein, cheese, other proteins and other items.

Increased cheese and protein production lifted the amount of milk solids allocated to these product groups to 379 million kgMS, from 364 million kgMS in FY25, as the Co-op responded to demand across nutrition applications.

Record cheese volumes were manufactured during the year. Producing additional cheese also increased the supply of valuable protein co-products, allowing the Co-op to capture value across more components of farmers' milk.

Our protein capabilities in New Zealand, Europe and the USA worked together to serve growing customer demand. This broader production network, supported by deep customer relationships and NZMP's global market presence, enabled the Co-op to respond to opportunities across markets and applications.

A resilient global Ingredients business

Performance was broad-based across the Ingredients business. European results benefited from strong demand and pricing for protein and higher volumes across products including milk protein concentrate, casein, butter and organics. In the Americas, performance was broadly stable, with the business recovering tariff-related costs. Volumes across Asia increased, while the long-term supply agreement established through the Mainland divestment supported performance in Oceania.

This performance was achieved against continued geopolitical and trade volatility. The scale of our global customer network, flexibility across products and markets, and disciplined approach to portfolio choices enabled the Co-op to respond to changing conditions while supporting both the Farmgate Milk Price and earnings for shareholders.

Digital enablement with myNZMP Link

We continue to explore ways to expand our digital services to improve efficiencies for both ourselves and our customers.

myNZMP Link is a digital sales platform that complements our traditional sales channels, making it easier for customers to access NZMP ingredients. The platform provides fast, flexible digital ordering experiences, complementing and enhancing our relationships with customers by providing them with better insights and clearer market signals.

This is one example of how we are using digital innovation to strengthen customer engagement and commercial performance, strengthening the pipeline of higher-value products and applications, and creating more value from our farmers' milk.

Positioning Ingredients for future growth

Demand from healthy ageing, active lifestyles and specialised nutrition continues to support opportunities for functional and specialised dairy proteins. Through NZMP, we combine New Zealand's grass-fed dairy advantage with advanced protein capability and long-standing customer relationships to participate in these growing nutrition applications.

We are focused on:

- deepening partnerships with customers who value our dairy expertise and ingredient capabilities;
- using customer insights and market presence to prioritise the most attractive products, applications and markets;
- integrating manufacturing, portfolio management, pricing and sales decisions to maximise the value of each milk component;
- investing in innovation to develop advanced ingredient products and solutions; and
- investing in production capacity where we see sustained customer demand and attractive returns.

To support our next phase and shift to a market-led model, in June 2026 we appointed Teh-han Chow as CEO Greater China, Gaby Amade as President Global Markets and Elisa Giusti as Chief Growth and Strategy Officer.

Our FY26 results demonstrate the benefits of taking a deliberate approach to value creation. Led by our strategy, we continue to refine how we allocate milk solids, prioritise opportunities and support our highest-returning product portfolios.

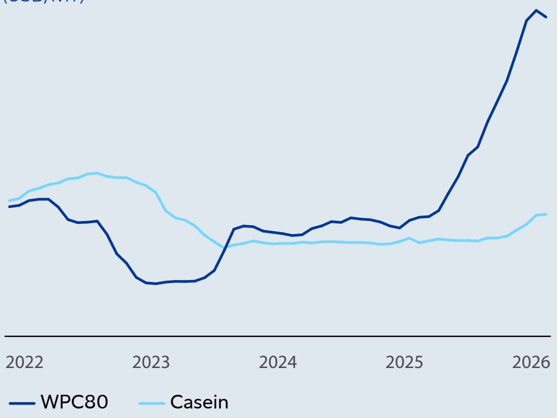
Capturing growing demand for protein

Demand for functional and specialised dairy proteins continues to grow across applications supporting healthy ageing, active lifestyles and specialised nutrition.

During FY26, strong customer demand and pricing for protein supported Ingredients earnings.

Our New Zealand, European and USA protein capabilities allow us to serve customers across a broader range of products, markets and applications. Our new advanced protein hub at Studholme will add further capacity for higher-value functional dairy proteins, supporting our ability to respond to customer demand and create more value from farmers' milk.

Growing nutrition demand is supporting strong protein prices (USD/MT)



Delivering on strategy

- Nov 2025 — **Showcased** NZMP at China International Import Expo (CIIE)
- Nov 2025 — **Launched** myNZMP Link for New Zealand customers
- Feb 2026 — **Celebrated** one year of myNZMP Link, with more than 10,000MT traded through the platform
- Apr 2026 — **Recognised** Mainland Group as NZMP's largest customer
- May 2026 — **Reached** product validation for advanced proteins at Studholme
- Jun 2026 — **Hosted** more than 160 farmers at Organics Conference
- Jun 2026 — **Won** 12 medals for NZMP at the International Cheese & Dairy Awards

> "Our strongest results came where customer demand, capability and strategy intersected. By focusing on the right customers, the right products and the right markets, we're creating stronger value for both customers and farmer shareholders."

Gaby Amade, President Global Markets

Keep momentum in Foodservice

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

Foodservice underlying operating profit

$547m

up 95%

Foodservice underlying return on capital

16.3%

up from 8.5%

Sales volume

240m kgMS

up 2.1%

Our Foodservice business continues to be a high-value channel for our Co-op, combining New Zealand dairy expertise, chef-led application capability and close customer partnerships to support growth across Greater China and Southeast Asia.

Through Anchor Food Professionals™, we work with foodservice customers to develop products and applications tailored to local tastes, formats and operating requirements. This customer-led approach, together with our trusted dairy credentials and in-market capability, supports value creation for customers and farmer shareholders.


Foodservice bakery

Strong margin and earnings growth

Foodservice operating profit increased $266 million to $547 million, while return on capital increased to 16.3% from 8.5%.

The increase was driven primarily by stronger margins, reflecting sustained pricing across key products, particularly UHT cream and cream cheese, together with lower input costs. Sales volumes were moderately higher, while operating costs were managed following the rationalisation of the residual Consumer business in Greater China.

The result also benefited from the non-repeat of $67 million of one-off costs associated with exiting a product line in FY25 and favourable foreign exchange conditions. Stronger earnings, combined with a stable capital base, supported the increase in return on capital.

Building on our position in Greater China

Greater China remains the largest contributor to Foodservice operating profit and an important centre of customer insight, product application and commercial capability.

Our teams work closely with customers to understand their operations and develop dairy solutions suited to local consumer preferences. This includes chef-led demonstrations, application support and products designed to deliver consistent performance in foodservice environments.

During FY26, we continued to strengthen our customer proposition through product innovation, our network of application centres and distributor partnership kitchens. These capabilities help customers respond to changing consumer preferences and support deeper, longer-term commercial relationships.

"We have achieved strong results again this year and accelerated our expansion throughout China and Southeast Asia. Our in-market, chef-led sales approach, quality products and grass-fed credentials continue to help us deliver for our customers, shareholders and other stakeholders."

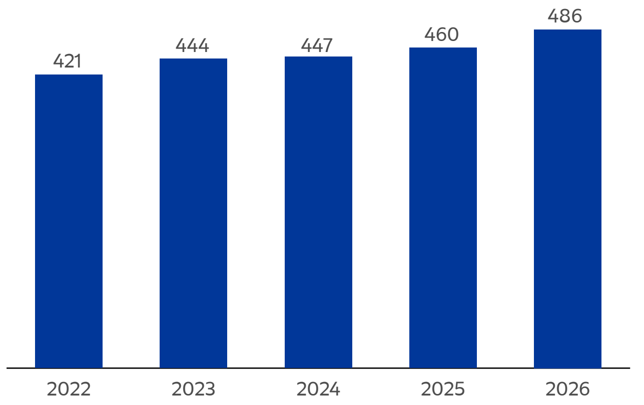
Teh-han Chow, CEO Greater China

Investing to support higher-value growth

Growing cream production increases our Co-op's capacity to support higher-value Foodservice growth. Fonterra cream production increased to 486 million kgMS in FY26, from 460 million kgMS in FY25.

Growing cream production increases capacity to support higher-value growth

Fonterra cream production (million kgMS)



During FY26, construction progressed on our $150 million UHT cream expansion at Edendale. Once complete, the plant is expected to provide more than 50 million litres of annual UHT cream capacity, with the potential for further expansion.

The Co-op is also investing in butter capability through expansions at Clandeboye and Edgecumbe. These investments provide additional flexibility and capacity to respond to customer demand across Foodservice applications. Further information is provided in the Invest in operations for the future section of this report.

Cream continues to deliver

Since its launch in 2024, Anchor Easy Bakery cream has continued to perform in Greater China, outstripping sales targets and achieving strong volume growth year on year. FY26 is no exception, with the product's reliable performance and competitive price point helping it perform strongly again with our mass-market customers.

In FY26, we expanded Anchor Easy Bakery 1 litre cream sales into Thailand, Indonesia, Vietnam and Mexico, with more markets planned for FY27. Larger formats are also driving growth, particularly with our large-scale bakery manufacturing customers, where they have made strong contributions to our channel segment performance this year.


Foodservice bakery, Singapore


Foodservice bakery

Positioning Foodservice for continued growth

We remain focused on:

- strengthening our position in Greater China through deeper customer partnerships, product innovation and chef-led application expertise;
- selectively expanding across Southeast Asia by applying proven capabilities to local market opportunities;
- investing in local application capability to tailor products to customer needs;
- developing products and formats that help customers improve performance and respond to consumer preferences; and
- investing in cream and milk-fat capability where we see sustained customer demand and attractive returns.

Customer focus drives growth in Southeast Asia

In FY26, we continued to build on our hyper-local, customer-focused sales approach to expand across Southeast Asia.

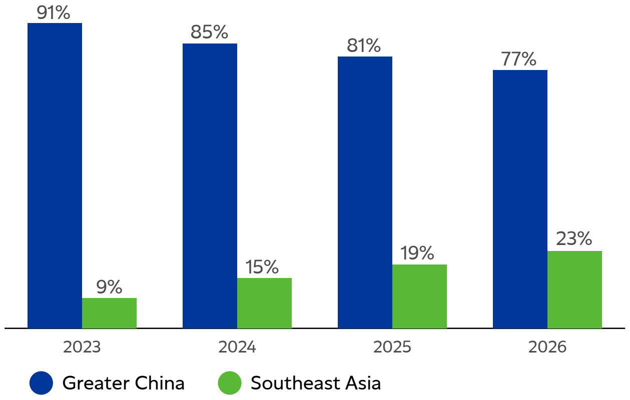
Every day, our network of in-market teams and chefs in the Philippines, Vietnam, Thailand, Singapore, Malaysia and Indonesia work closely with customers to develop dairy solutions that meet unique consumer preferences, seasonal demands and emerging food trends. Being on the ground means we collaborate as partners, building trusted relationships for the long-term and unlocking growth. This is a proven approach that continues to deliver results year on year.

Chef-led applications, innovation, a relentless focus on the customer and our quality, grass-fed dairy credentials will help us maintain this momentum into FY27.

Anchor FOOD PROFESSIONALS

Anchor Food Professionals' proven China model is driving growth across Asia

Foodservice operating profit by region (%)



Southeast Asia's contribution to Foodservice operating profit increased from 9% in FY23 to 23% in FY26, demonstrating the growing contribution from the region.

Delivering on strategy

Aug 2025	**Launched** lactic butter sheets in Singapore
Nov 2025	**Launched** Anchor Easy Bakery Cream in Southeast Asia
Nov 2025	**Revealed** GrassFed FernMark logo at China International Import Expo
Mar 2026	**Won** six recognitions at NZ Champions of Cheese Awards
Mar 2026	**Hosted** Business Connect in NZ, with global employees hearing direct from farmers and innovation teams
Apr 2026	**Opened** two distributor partnership kitchens (Fujian/Jiangxi and Xi'A n)
May 2026	**Launched** Anchor Essence Whipping Cream at Bakery China
Jun 2026	**Opened** distributor partnership kitchen (Hebei Shijiazhuang)
Jun 2026	**Won** nine awards at International Cheese & Dairy Awards
Jul 2026	**Opened** upgraded Fonterra Application Centre in Chengdu

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.

Whareroa site, Taranaki

Reported operating earnings

$341m

up $32m from FY25

Capital Invested

$1,035m

up $160m from FY25

Our manufacturing operations and supply chain are at the heart of our Co-op, collecting and processing our farmers' milk into quality products and delivering them to customers around the world.

The financial performance of Core Operations improved year-on-year, delivering operating earnings of $341 million, up $32 million from FY25. Higher milk volumes supported an increase in gross profit, offsetting the impact of elevated energy and freight costs.

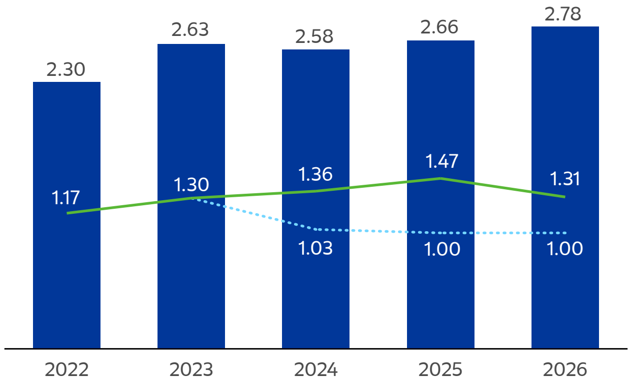
Throughout FY26, we successfully navigated disruption across Middle East shipping routes while maintaining continuity of supply for customers. By leveraging the strength of our global supply chain network and collaborating closely with logistics partners and customers, we adapted to changing conditions and continued to deliver products to market, achieving record shipping volumes this year.

This year also saw the highest milk volumes in a decade. In response, we drew on our flexible asset network to optimise product mix and scale production to meet demand, achieving record production for products such as UHT cream, butter and mozzarella. The Co-op maintained a high level of milk utilisation, with almost 97% of supplied milk being processed into product. Product made right first time also strengthened to 96% as we continued to focus on efficiency and reliability.

Food safety and quality remain central to how we run our operations. Building on Fonterra's established milk traceability, this year we connected our trace records with process and quality data to show how milk age and quality risk accumulate along the full journey from farm to finished product, giving our teams earlier sight of emerging risk and better information to act on.

We remained focused on manufacturing productivity, while managing higher input costs in an inflationary environment. Cash manufacturing costs per kgMS increased from $2.66 to $2.78 per kgMS, reflecting higher lactose and freight costs. The impact of these cost pressures was partly offset by efficiencies from processing higher milk volumes, with cash manufacturing costs broadly maintained in real terms. Our consistent financial performance has enabled us to continue to invest to grow value, improve sustainability and maintain operational resilience.

Cash expenses ($/kgMS)
Full financial year figures



Manufacturing cost per kgMS — Cash opex per kgMS
Cash opex (excluding ERP and Mainland)


Edendale site, Southland

Energy resilience for the future

We continue to pursue various energy resilience projects across our manufacturing sites. These projects boost energy security, reduce our reliance on fossil fuels and support our Co-op's scope 1 and 2 emissions reduction targets, while also underpinning future processing growth.

Clandeboye

- Conversion of two coal boilers to wood pellets complete.
- Estimated annual emissions savings of ~155,000 tonnes of CO_2e.

Whareroa

- Installation of two new electrode boilers complete.
- Estimated annual emissions savings of ~68,500 tonnes of CO_2e.

Edgecumbe

- Installation of one new electrode boiler complete.
- Estimated annual emissions savings of ~26,000 tonnes of CO_2e.

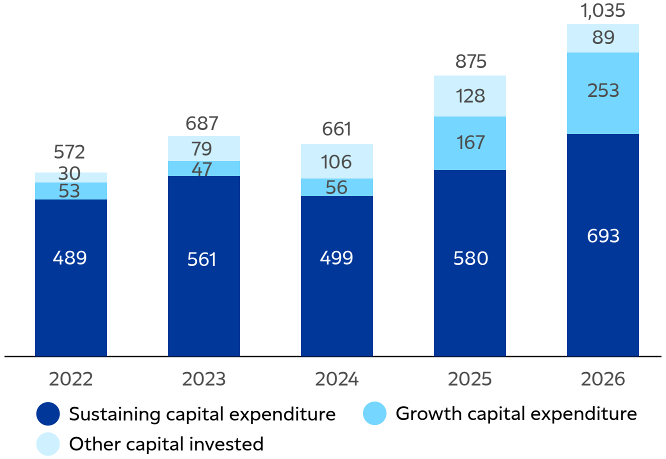
Waitoa

- Installation and commissioning complete for two new resistive element boilers.
- Estimated annual emissions savings of ~14,725 tonnes of CO_2e.

Edendale

- Installation underway of two new electrode boilers. Commissioning expected in mid-2027.
- Estimated annual emissions savings of ~72,800 tonnes of CO_2e.

Capital invested ($ million)
Full financial year figures



Capital investment through FY26 reached $1.0 billion, with sustaining capital expenditure of $693 million and growth capital expenditure of $253 million.

Key investments underway include:

- **Studholme protein**: Our $75m investment into an advanced protein hub at Studholme was completed on time and on budget. We have concluded product validation and are nearing full-scale commercial production.
- **Edendale UHT cream**: The new $150m UHT cream plant is nearing completion and plant commissioning is well advanced.
- **Clandeboye butter**: In October 2025, we announced a $75m butter expansion at our Clandeboye site. This build is tracking well, and we expect commissioning to begin in 2027.
- **Edgecumbe pastry butter sheets**: In March 2026, we began site works on a $35m pastry butter sheet line expansion at Edgecumbe. This is progressing to target and we expect first products off the line next year.
- **Wai Māhea wastewater treatment plant (Hautapu)**: This $120m facility is now fully operational and meeting its new consent conditions.

Enterprise Resource Planning (ERP) transformation

Our ERP transformation remains a key part of our work to simplify and strengthen the systems that support our Co-op. The programme is progressing to plan, with five sites now live and two more planned for later this calendar year.

Momentum is continuing across both manufacturing and markets as the team prepares for the next phase of go-lives in FY27. The programme remains on budget and on track for completion in late 2028.

Once complete, the transformation is expected to strengthen and simplify core processes and deliver modern systems capable of improved functionality.


Waitoa site, Waikato

"The strength of Fonterra's operations lies in our people, our assets and our ability to reliably connect our farmers' precious New Zealand milk with customers around the world. Throughout the year, our teams demonstrated resilience, adaptability and disciplined execution, maintaining a strong focus on safety, quality and customer centricity while continuing to improve the efficiency and performance of our operations."

Anna Palairet, Chief Operating Officer

Delivering on strategy

Aug 2025	**Completed** renewable energy conversion at Clandeboye
Aug 2025	**Commissioned** Hautapu wastewater treatment plant
Nov 2025	**Deployed** ERP at first site
Dec 2025	**Deployed** ERP at second site
Jan 2026	**Commenced** butter expansion build at Clandeboye
Feb 2026	**Deployed** ERP at third site
Mar 2026	**Commenced** construction at Edgecumbe for pastry butter sheets
May 2026	**Achieved** highest Q3 shipment volumes in a decade
May 2026	**Reached** product validation for advanced proteins at Studholme
Jun 2026	**Won** NZ Workplace Health & Safety Award for Clandeboye biomass project
Jun 2026	**Won** Safeguard NZ Safety Collaboration Award – Fonterra Te Awamutu and KiwiRail
Jul 2026	**Achieved** highest Q4 shipment volumes in five years
Jul 2026	**Began** commissioning Edendale UHT cream plant build

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.

Chris, Southland

6.2%

Reduction in scope 1 and 3 Forest, Land and Agriculture (FLAG) GHG emissions intensity from dairy from a FY18 base year

28.7%

Reduction in absolute scope 1 and 2 GHG emissions from a FY18 base year

Sustainability remains an important driver of long-term value and resilience for our Co-operative.

We reviewed our sustainability strategy in FY26, considering the areas that matter most to our farmers, customers and business. The review reaffirmed the importance of sustainability to our Co-op and confirmed climate, nature and animal wellbeing as key focus areas.

Carbon Removals Programme launched

In October 2025, we launched our Carbon Removals Programme. The programme uses satellite imagery and remote sensing technology to estimate carbon removals from trees and other woody vegetation. This allows us to provide a more complete picture of a farm's emissions profile, recognising the contribution of on-farm planting and supporting comprehensive emissions reporting.

In FY26, farmer uptake has been strong, reflecting interest in recognising carbon removals and the role they can play in reducing on-farm emissions intensity.

Climate action and progress

In September 2026, we launched the Fonterra Sustainability Roadmap, which sets out the actions we are taking across our value chain to deliver against our sustainability strategy. Building on our previous Climate Roadmap, it covers animal wellbeing and nature as well as climate and provides customers and other stakeholders with a clear view of our sustainability priorities and progress.

Reducing emissions remains a key component of our climate action plan, while strengthening resilience and adapting to a changing climate is an increasingly important focus for us as the impacts of climate change continue to be felt across our value chain.

Progress on reducing on-farm emissions intensity is an important part of delivering our climate ambition. Our target is to reduce on-farm emissions intensity from dairy by 30% by FY30, from a FY18 baseline. In addition to the on-farm target, we have a target to reduce absolute Scope 1 and 2 emissions by 50.4% by FY30, also from a FY18 baseline.

In FY26 we achieved:

- A 6.2% reduction in scope 1 and 3 FLAG GHG emissions intensity from dairy from a FY18 base year.
- A 28.7% reduction in absolute scope 1 and 2 GHG emissions from a FY18 base year.

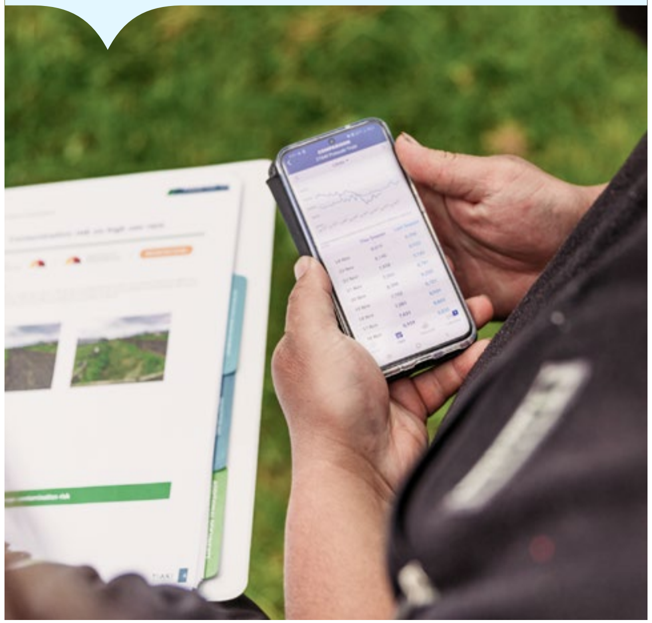
We continue to make progress towards reducing our reliance on coal and transitioning to renewable energy solutions across our manufacturing network. During FY26, two new electrode boilers became operational at Whareroa and are expected to reduce the site's annual emissions by around 68,500 tonnes of CO_2e.

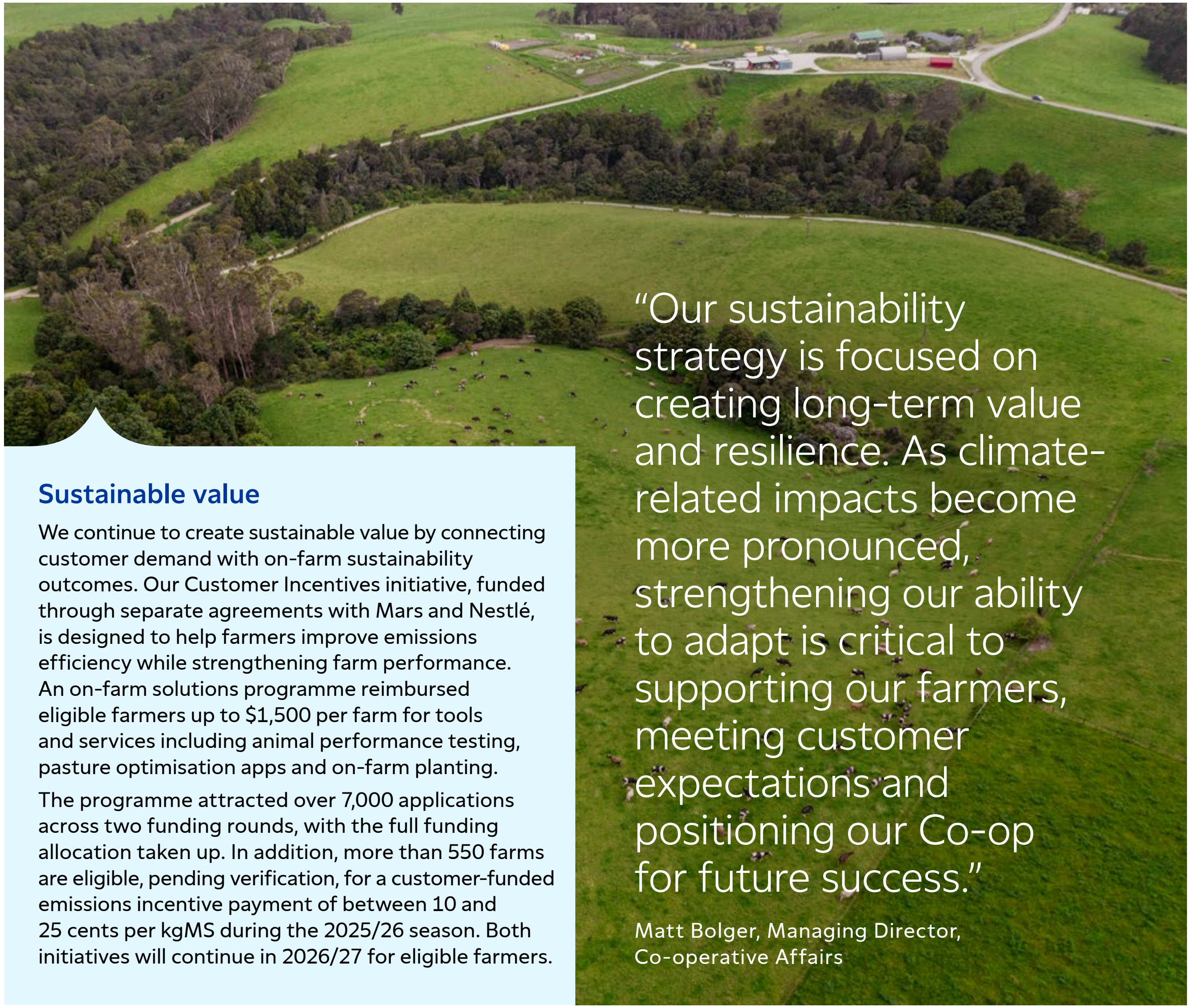
We have also completed the installation of an electrode boiler at our Edgecumbe site, which we expect will reduce annual emissions by around 26,000 tonnes of CO_2e. Refer to the Invest in operations for future section of this report for more information.

Supporting sustainable farming

We work alongside our farmers to provide practical insights, tools and support that help build resilient and sustainable farming businesses. Now in its sixth year, the annual Farm Insights Report provides a personalised view of farm performance, helping farmers make informed decisions to improve efficiency.

All farms supplying our Co-op in New Zealand are now required to have a Farm Environment Plan in place. These plans provide comprehensive information and recommendations for improvement, including around soil health, water quality, emissions reductions and biodiversity.





Sustainable value

We continue to create sustainable value by connecting customer demand with on-farm sustainability outcomes. Our Customer Incentives initiative, funded through separate agreements with Mars and Nestlé, is designed to help farmers improve emissions efficiency while strengthening farm performance. An on-farm solutions programme reimbursed eligible farmers up to $1,500 per farm for tools and services including animal performance testing, pasture optimisation apps and on-farm planting.

The programme attracted over 7,000 applications across two funding rounds, with the full funding allocation taken up. In addition, more than 550 farms are eligible, pending verification, for a customer-funded emissions incentive payment of between 10 and 25 cents per kgMS during the 2025/26 season. Both initiatives will continue in 2026/27 for eligible farmers.

"Our sustainability strategy is focused on creating long-term value and resilience. As climate-related impacts become more pronounced, strengthening our ability to adapt is critical to supporting our farmers, meeting customer expectations and positioning our Co-op for future success."

Matt Bolger, Managing Director, Co-operative Affairs

Delivering on strategy

Aug 2025	**Completed** renewable energy conversion at Clandeboye
Oct 2025	**Launched** Carbon Removals Tool for farmers **Received** independent assurance of key regenerative agriculture data
Oct 2025	**New** resistive element boiler commissioned at Waitoa
Nov 2025	**Another** resistive element boiler commissioned at Waitoa
Jan 2026	**Initiated** eDNA pilot to grow understanding of biodiversity in Canterbury and Waikato
May 2026	**Launched** first Anchor Food Professionals product with FernMark Grass Fed logo
Jun 2026	**Commissioned** a heat recovery project to reduce natural gas use at Heerenveen
Jul 2026	**Supported around 5,000 farmers** to adopt efficiency tools and technology through On-Farm Solutions funding

Doing Good Together

Over 8 million breakfasts served to students in more than 1,500 schools through the KickStart Breakfast programme.

Over 11 million dairy serves donated to families in need through New Zealand Food Network & Meet the Need.

Through the partnership with Trees for Survival, we supported over 650 students to plant over 15,000 native plants along 3,183 metres of waterways.

Over $600K donated in dairy donations and grants, enabling 500 community groups to deliver local projects and initiatives that strengthen food security and help build resilient, thriving communities across New Zealand.

As a foundation partner of Rural Support Trust, Fonterra has continued to support initiatives that strengthen rural wellbeing and resilience. For example, we were proud to back the Willie Apiata wellbeing tour which brought over 1,100 people to 8 regional events.

Through the Co-op's volunteering programme, our people contributed more than 2,500 hours to support Fonterra's community partners, helping deliver positive outcomes for communities.

Innovate to drive our advantage

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

During FY26, we began reshaping our approach to innovation to focus more clearly on the problems dairy can solve and the areas where Fonterra's expertise can make the greatest difference.

This recognises that innovation is broader than product development. It spans foundational science, specialised ingredients and applications, process, technology and quality improvements, and the commercialisation of real solutions for our customers and farmers.

We continued to deliver tangible results during FY26. Clean-label was a big topic for our customers this year. Teams progressed clean-label protein solutions that support simpler formulations, and in Foodservice, we launched Anchor Essence Cream in China. Made with just two ingredients, the product was recognised with the Best Innovation Award at Bakery China 2026.

By connecting scientific capability, application expertise and deep market understanding, we are directing innovation toward differentiated solutions that support customer success and create value for farmer shareholders.

"By staying close to our customers and innovating alongside them, we are building momentum for a new era of value growth."

Elisa Giusti, Chief Growth and Strategy Officer

In this section

Sustainability Reporting

Loveridge farm, Southland

Our Approach

This section of Fonterra Co-operative Group Limited's Annual Report provides stakeholders with an overview of the policies, targets, and actions we have taken to support our sustainable performance during our FY26 financial year, 1 August 2025 to 31 July 2026.

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.

This is the third year that sustainability reporting has been integrated into the Annual Report, which reflects the alignment of our governance and strategic choice to build on our sustainability position.

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

Bridgeman farm, Taranaki

Our commitment and approach to sustainability is embedded in our strategy, policies, and targets, highlighting the importance of sustainability in creating goodness for generations and contributing to a nature positive future.

Strategy

"Build on our sustainability position" is one of six strategic choices that aim to achieve three key outcomes: strong shareholder returns, a stable balance sheet, and an enduring Co-op. In FY26, we reviewed this strategic choice and re-confirmed the importance of sustainability to our Co-op. As part of this review, we identified three strategic focus areas:

- Climate: Support farmers to reduce on-farm emissions and continue to reduce operational emissions, whilst strengthening our resilience to a changing climate.
- Nature: Support the health of vital resources like water, biodiversity, and soil – the foundations of productive, sustainable dairy farming.
- Animal wellbeing: Work alongside farmers to maintain high standards of animal wellbeing.

These focus areas align to topics where we can have the most impact, and where our stakeholders (including our customers) are most interested. Collectively, we believe that progressing these focus areas will enable sustainable value and an enduring Co-op. In addition to these strategic focus areas, we continue to manage our longer list of material topics, which are described on pages 43-44. Content relating to our strategic focus area of climate is presented in our Group Climate Statements.

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 toward people, the planet, and economic performance. This is supported by our sustainability standards, which define the requirement to embed sustainability into the way our Co-op operates, and to align with global best practices, 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.

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

Ethical business

We drive ethical and responsible practices across our global operations and business relationships through a suite of policies, standards, and supporting documents. This Global Policy Framework is an important part of our risk management approach and also supports our performance. Our policies and standards are easily accessible to our employees via an internal online library, with references to 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. This 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). It reflects our purpose and values and outlines behaviours expected of our people toward each other, our customers, the wider community, and the expectation of our suppliers and business partners to uphold our principles and standards. 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 our 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.

Our Supplier Sustainability Code of Practice sets out our expectations for suppliers to align with our values and codes of conduct, including upholding human rights and protecting the environment. In July 2026 we updated our Supplier Sustainability Code of Practice to reflect changes in our internal policies and international best practice and regulation.

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 our Co-op. Our publicly available global policies, global standards and Code≈of Business Conduct can be found on our website.

Training on our global policy framework

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

Our annual policy commitments and conflict of interest declaration e-learning campaign are key ways our people stay updated with these global policies. They also support fulfilment of the requirement for our 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 our Co-op's organisation structure, and employees at level six or below who work in sensitive business areas or functions. These areas include Procurement, Sales, Communications, Internal Audit, Finance, and Environmental. Areas managing or influencing a budget with an external third party are also included, as are areas with access to information that could influence our share price or reputation.

In FY26, 98% of those assigned this e-learning campaign completed it successfully.

Legal compliance

In addition to providing training, we seek to protect our reputation by implementing robust practices in the areas of actual, potential or perceived 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 our 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 interests of our 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 incidence of non-compliance with laws and regulations in the social and economic area.[1] In FY26, we received three fines (totalling $7,200) relating to environmental compliance matters at our Maungatūroto and Te Rapa manufacturing sites. The short-term impacts were promptly addressed, with longer-term corrective actions taken to improve processes and minimise future risks as part of our ongoing commitment to responsible environmental management.

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 of our businesses for potential fraud risk as part of annual planning. This risk assessment helps prioritise audits across our global operations.

During FY26, 69% of the internal audits completed globally included either a direct or indirect assessment of corruption-related risks. Key focus areas included system access, purchasing, financial reporting, delegated authority, warehousing, contract management, and traceability processes. No instances of fraud or corruption were identified in internal audits completed.

Our Internal Audit team was referred to investigate nine potential cases of corruption or fraud identified through our whistle-blowing hotline in FY26. Five claims were not substantiated, two were partially substantiated, one was substantiated, and one investigation is ongoing. The results and outcomes of the investigations are reported to the Audit, Finance and Risk Committee of the Board (AFRC).

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

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 local communities.

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 agricultural sector.

Memberships in industry associations and other organisations

Our Co-op 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.

For example, as an active member of the Sustainable Agriculture Initiative (SAI) Platform, our Co-op continues to contribute to the development of globally aligned sustainability approaches for the dairy sector. In FY26, we played a key role on the Dairy Working Group steering committee, contributing to the evolution of shared tools and standards. This included the initiation and ongoing development of SAI Platform's Sustainable Dairy Partnership (SDP) 3.0 as well as support for the public release of SAI Platform's Regenerating Together framework. Our collaboration focused on benchmarking, supporting a public letter of commitment, delivering a biodiversity webinar, and engaging in broader discussions on nature and other topics to explore how shared learning, collaboration and aligned definitions can support global industry partners. Through these activities, we continue to bring a distinctive New Zealand pasture-based perspective to global sustainability discussions.

In New Zealand, we have continued to participate in industry-agnostic sustainability organisations such as The Aotearoa Circle and the Sustainable Business Council, and agriculture sector organisations and initiatives including Safer Farms, Growing Future Farmers, and the Dairy Women's Network.

Below are some of the voluntary memberships and initiatives we supported in FY26.

MEMBERSHIPS

- Bioenergy Association of New Zealand
- Biosecurity Business Pledge
- Business New Zealand and the Sustainable Business Council
- Dairy Women's Network
- DCANZ
- Global Dairy Platform
- Institute of Rural Professionals
- International Dairy Federation
- Kai Commitment
- Roundtable for Sustainable Palm Oil
- SAI Platform
- Sustainable Dairy Partnership
- The Aotearoa Circle
- US Dairy Sustainability Alliance

INITIATIVES

- DairyNZ
- Dairy Sustainability Framework
- Growing Future Farmers
- New Zealand Climate Leaders Coalition
- Responsible Dairy Programme
- Safer Farms
- Science Based Targets initiative (SBTi)
- Value Change Initiative

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

In October 2025, our Co-op was awarded a silver medal by EcoVadis, an ESG rating platform. This medal is awarded to the top 15% of companies assessed over the previous 12 months and demonstrates our continued focus and commitment to our value chain across the topics of environment, labour, human rights, ethics and sustainable procurement.

SILVER | Top 15%
ecovadis
Sustainability Rating
OCT 2025

Responsible political behaviour

We do not make corporate contributions of any kind to a candidate or political party in connection with political elections, and did not make any corporate political contributions in FY26. We do not offer money or anything of material value to government officials, parties, or candidates for the purposes of influencing the acts or decisions of officials. This expectation is communicated to all staff through our Code of Business Conduct and as part of our annual training programmes for senior leaders.

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, and in FY26 we conducted a high-level review of those findings in light of the divestment of Mainland Group. These assessments form the foundation of this sustainability report, aligning with the Global Reporting Initiative (GRI).

In our 2024 assessment, we identified potential impacts across our value chain using industry guidance and reports, including the Agriculture, Aquaculture and Fishing Sectors guidance from the GRI (GRI 13), the European Sustainability Reporting Standards, and the Dairy Sustainability Framework (DSF). As a founding member of the DSF we are committed to seeking to address all 11 DSF criteria within our supply chain, with a focus on continuous improvement. We also incorporated insights from various other sources, including customer and consumer insights, research reports, risk assessments, media coverage and stakeholder engagement.

We prioritised six impact areas for deeper exploration and engagement through internal workshops and stakeholder interviews. These areas were 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 exports. 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 our 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. 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 our 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 in alignment with GRI requirements. The findings were reviewed and adopted by the FMT and the Sustainability and Innovation Committee of the Board.

In March 2026 we divested Mainland Group, our global consumer and related businesses, to Lactalis. This represented a significant change to our business and a trigger for an updated materiality assessment. A full double materiality assessment is planned for FY27.

In the interim, our sustainability team conducted a high-level revalidation of our 2024 material topics in light of the divestment. This found that all but one of the material topics we reported on in FY25 remain significant for our continuing operations. Sustainable packaging was considered to have reduced in significance, as the divestment of Mainland Group means the volume and variety of packaging we use has reduced. These findings were reviewed and endorsed by the Sustainability Steering Committee. The material topics guiding our reporting this year are therefore consistent with our FY25 material topics, except that sustainable packaging has been excluded as it is not considered sufficiently significant following the divestment of Mainland Group.

Our materiality process

Define – Identify material impacts reflecting our Co-op's sustainability context

↓

Prioritise – Assess and prioritise material impacts for stakeholder engagement

↓

Engage – Consult with experts and stakeholders

↓

Assess & validate – Assess material impacts, considering engagement findings and additional impacts

↓

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

↓

Review – Consider implications of divestment on material topics, and agree changes with Sustainability Steering Committee

↓

Report – Share results and actions relating to refreshed material topics

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 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 OUR CO-OP'S KEY IMPACTS	RELEVANT GRI 13 & TOPIC STANDARDS	LINKS TO THE SDGS
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 102)	1, 2, 3, 7, 12, 13, 14, 15
Biodiversity and land	Biodiversity loss, poor soil health and reduced ecosystem and community resilience caused by dairy farming, sourcing of raw materials and our Co-op's operational activities.	Topic 13.3 Biodiversity (GRI 101) Topic 13.4 Natural ecosystem conversion	2, 6, 12, 13, 14, 15
Water	Impacts to the health of freshwater and marine systems from farm run-off and wastewater discharge. Potential water availability impacts where our Co-op draws from catchments that are over-allocated or where water is scarce.	Topic 13.7 Water and effluents (GRI 303)	6, 12, 14
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, 3, 12, 14, 16

MATERIAL TOPIC	DESCRIPTION OF OUR CO-OP'S KEY IMPACTS	RELEVANT GRI 13 & TOPIC STANDARDS	LINKS TO THE SDGS
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

We recognise our responsibility to respect universally recognised human rights for all people directly or indirectly impacted by our operations and decisions. Human rights are addressed through our policies, standards and governance frameworks rather than as a standalone material topic in this report. This includes our Code of Business Conduct. Each year we also publish a standalone Modern Slavery Statement setting out our human rights commitments, risk management practices, due diligence processes and actions taken during the reporting period.

Material Topics

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

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

Brown family farm, Bay of Plenty

Biodiversity and land

At our Co-op, te ao Māori (the Māori worldview) inspires us. The principle of kaitiakitanga (stewardship or guardianship) influences our efforts to care for the environment and safeguard it 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 our 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

Our 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.

We provide the farmers directly supplying milk to our Co-op with 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 minimise soil disturbance and riparian management.

Our Forest and Agriculture Products Sourcing and Procurement Standard reflects internally recognised principles. It details commitments including:

- working towards using palm oil that is 100% certified segregated or higher
- no deforestation across our Co-op's primary deforestation-linked commodities (see our Group Climate Statements for more details).

Our Supplier Sustainability Code of Practice outlines our expectations of suppliers such that all sourced goods and services meet agreed minimum levels of sustainability. It was updated in July 2026 to reflect changes in our internal policies and international best practice and regulation. In 2026 we also developed a new Human Rights and Environmental Due Diligence standard, which details our expectations for conducting human rights and environmental due diligence within our value chain, and applies to our business operations and direct business partners.

Our progress

Supporting supplying farmers

In FY26, our team of 40 Sustainable Dairying Advisors (SDAs) worked with our supplying farmers to both deliver on-farm efficiency visits and provide continued support through Farm Environment Plans (FEPs) and Farm Insights Reports (FIRs).

On-farm efficiency visits are available to all farmers supplying our Co-op, and support changes to maximise on-farm productivity, profitability and sustainability.

An on-farm efficiency visit involves the farmer using their FIR to identify opportunities for improvement, exploring different scenarios to help find the right actions for their farm, working with trusted advisors to make changes, and tracking performance. Our SDAs work alongside farmers through all stages of the on-farm efficiency visit process, providing farmers with actionable next steps to support their journey towards improved farming practices. During FY26, 1,879 individual farms (23%) completed an on-farm efficiency visit, with discussions focused on animal health and somatic cell count reduction, improving pasture management, feed conversion efficiency and homegrown feed and nitrogen fertiliser efficiency.

FEPs are tailored for each farm, capturing specific environmental characteristics, assessing current activities against industry-defined Good Farming Practices (GFPs) and agree prioritised improvement actions. We support 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 an FEP will go beyond these requirements. Where the local requirement is higher, we work with farmers and the wider industry to support meeting those requirements.

Pete Morgan, Fonterra farmer, South Waikato

Current FEP topics include water, land and soil health and management, biodiversity, nutrient management, GHG emissions and efficiency. For farms with irrigation systems (approximately 19% in FY26), FEPs also build on regulatory requirements for metering and support irrigation efficiency improvements. Having achieved our goal of 100% of New Zealand farms having an FEP in place in FY25, in FY26 our Co-op transitioned to requiring an FEP as part of our Terms of Supply.

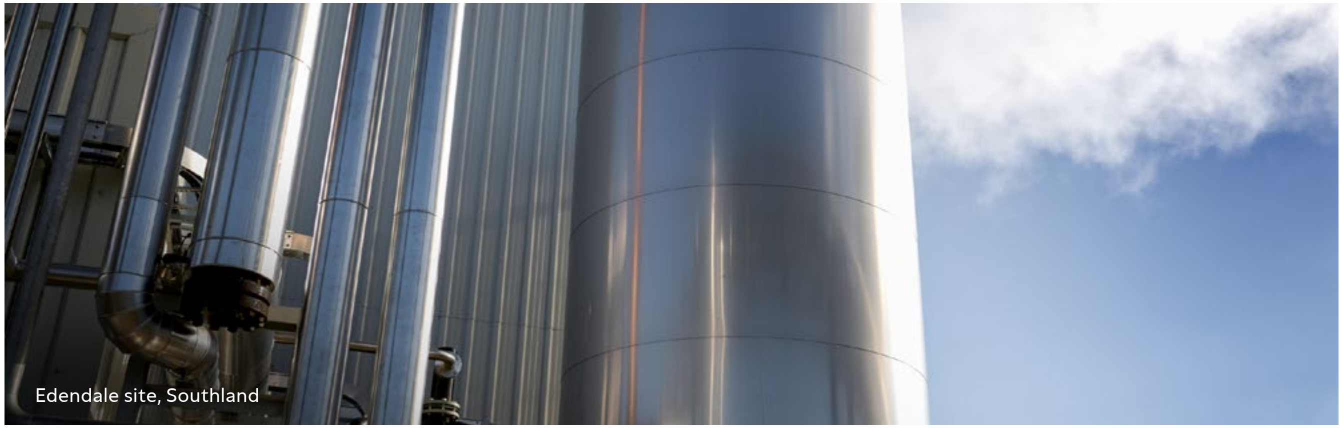
Our supplying farmers also complete annual Farm Dairy Records, which serve as a key input for the FIRs we provide. FIRs provide farmers with detailed information on nitrogen risk, milk quality, GHG emissions and animal wellbeing. They are intended to help farmers to benchmark their performance regionally and nationally, while identifying potential opportunities for improvement.

Our operations

We manage 30 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 some of the excess water and nutrients from our manufacturing operations to support pasture growth, which allows us to grow and supply supplementary animal feed that is available to our supplying farms. Our farms also have FEPs and farm management plans in place as appropriate for each farm, 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 modules. In the 2025 calendar year we purchased 31,412 tonnes of palm oil products as an ingredient, with 76% RSPO-certified to at least segregated supply level and 24% certified as mass balance.



Edendale site, Southland

Minimising solid waste

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 diverted from landfill.

Following the introduction of Solid Waste Improvement Plans across our manufacturing sites in FY25, we have standardised many of our landfill diversion pathways. This has strengthened key stakeholder relationships and increased our confidence in the alternative waste management pathways being used.

Our Co-op is also undertaking activities that minimise waste. For example, the Waitoa UHT manufacturing team have successfully implemented process changes and championed donations to divert surplus product from alternative waste streams throughout FY26. Surplus cartons of UHT milk and cream have been diverted and donated to local community foodbanks and food rescue organisations, enabling over 280,000 serves of UHT milk and cream to be used in community kitchens and local households, providing good quality dairy nutrition to communities in need.

Our Co-op has also collaborated with mudguard vendor Rhino Mudguards New Zealand, who have developed a recycled-plastic mudguard for heavy trucks and trailers. Used mudguards are collected from a range of locations, including our Co-op’s manufacturing sites, and Rhino converts these into recycled mudguards which have a ~76% lower carbon footprint than mudguards made from virgin plastic. This supports the development of a recycling ecosystem. In Darfield in October 2025, we fitted our first truck and trailer with these mudguards and, subject to the trial meeting targets, we intend transitioning to fitting our tanker fleet with mudguards manufactured from recycled plastic.

Looking ahead, we will continue to focus on maximising the percentage of waste diverted away from landfill through a combination of waste minimisation and utilising alternative waste streams.

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 FY26, 100% of our manufacturing sites were 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. In FY26 our Co-op's contribution supported the planting of over 15,000 native plants with over 650 students along 3,183 metres of waterways across New Zealand.

Our partnership with Landcare Trust continues, and we have committed to distribute $750,000 to community wetland projects during the three years from FY25 to FY27. This partnership is supporting action across New Zealand in protecting and restoring wetlands. Landcare Trust also provides on-the-ground advice to farmers and community groups on land and water management practices. This year, the partnership has supported 15 community-led projects, from the Waionehu corridor in Northland to the Lower Taieri in Otago. Funding has supported the planting of around 32,600 native plants directly into wetland and riparian sites, alongside other tasks critical for enduring results such as project design and management, exclusion fencing, and pest control. In addition to environmental impact, these projects have facilitated positive social engagement via community engagement days and more than 5,300 volunteer hours.

We also commenced our partnership with Premier Nutrition Company to support the regeneration of around 80 hectares of native vegetation. Supporting farmers supplying our Co-op across Waikato and Southland, this initiative partners with local ecological specialists Balanced Forestry to deliver site-specific plans, supply seedlings, oversee planting, and deliver up to two years of targeted maintenance aiming to maximise establishment success. With the aim of delivering ecosystem benefits through supporting local biodiversity, reducing sediment and nutrient run-off, protecting riparian habitats, improving overall water quality, providing carbon sequestration, we are aiming to improve the long-term resilience of participating farms. Site preparation is underway for first planting of around 50 hectares in early FY27.

New tools

During FY26, we conducted a small environmental DNA (eDNA) pilot across two South Island areas and one North Island area. As organisms move in, through and around their environment they shed genetic material (eDNA). By testing for eDNA in samples from different environments such as waterways and soil, we can gain valuable insights into the distribution of species through time and space, more sensitively monitor biosecurity threats, and better understand and track fluctuations in ecosystem health. The primary purpose of the pilot was to investigate eDNA as a tool to support positive farmer engagement on water quality and biodiversity. The pilot demonstrated the biodiversity present in soils and waterways on farms, including the presence of multiple vulnerable species. Interviews with participating farmers identified that they care deeply about water quality and have an interest in learning more about biodiversity, including via tools like eDNA. During FY27, we intend exploring options to scale the use of eDNA in the areas in which we operate. eDNA can also help us to better understand the biological health of the environment, which is useful to inform us on what specific actions could improve environmental outcomes.

We also developed a Carbon Removals Tool in FY26 to identify and calculate carbon sequestration by on-farm vegetation, contributing to a more accurate and complete assessment of a farm's net emissions footprint. Our Carbon Removals Tool uses satellite imagery, historic aerial photography and LiDAR data to identify woody vegetation across individual farms and estimate carbon removals. This data is then human reviewed and verified for accuracy. Our Carbon Removals Tool has also highlighted that our farmers have ~89,000 hectares of native trees on their farms, and ~6,000 hectares are older than 100 years, providing a valuable source of biodiversity to local ecosystems.

Our FY26 performance

– **Sourcing segregated supply palm oil from credible organisations**
  - All palm oil purchased is RSPO-certified
  - 76% RSPO-certified to at least segregated supply

Water

Healthy freshwater, soil and ecosystems are essential to the long-term success of farmers' businesses, our 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 our 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 approach, assessing the health of sourcing and receiving environments as a key outcome for ongoing and long-term improvements. Our Global Environment Management Standard emphasises responsible water use, stewardship and prioritises the health of sourcing and receiving environments. This includes taking an integrated approach to effluent and wastewater treatment and planning collaboratively for new plants and site upgrades. 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

In FY26, we continued to focus on improving water efficiency, strengthening water security and progressing long-term wastewater solutions to support sustainable manufacturing across New Zealand. Key areas of work included:

- Reviewing and updating Water Improvement Plans to align site priorities with future risks and opportunities
- Progressing our environmental strategy to support a more integrated approach to environmental management across manufacturing
- Completion of the Longburn discharge solution in partnership with Palmerston North City Council, removing the need for direct river discharge and supporting positive environmental outcomes
- The unveiling and naming of the Pou at Hautapu, recognising the site's connection to place and the importance of relationships with local communities and tangata whenua.

Our Co-op also continued to investigate innovative approaches to water reuse and efficiency, water security and wastewater management to support the sustainable operation of its manufacturing sites.

Our Heerenveen manufacturing site in the Netherlands has been recognised for its reduction in water consumption, becoming a finalist in the Vitens 2025 Sustainable Water Use for Business Award. The Heerenveen site consumed approximately 35% less water (70,000m^3) compared with FY20. This was achieved through the use of advanced reverse osmosis technology and by embedding a culture of continuous improvement.

We also achieved a 13.4% reduction in water take across our manufacturing sites from a FY18 base year. This means we are using ~5,900,000m^3 less water at our sites now compared to eight years ago.[1] In September 2026, we replaced our previous absolute water use target with a target to improve water intensity by 1% year on year to support secure and resilient water supplies across all sites. We believe this approach is better aligned with our current operating context, where our manufacturing sites are managing variable milk supply and product mix.

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 and a place of global environmental significance.

As New Zealand's largest harbour system, the harbour includes 6,000km^2 of catchment across Auckland and Northland, seven major river systems and over 8,000km of waterways flowing into the harbour. The harbour has deep environmental values, with some of the rarest ecosystems in New Zealand including sand dune, seagrass, freshwater and estuarine wetland ecosystems. As the breeding ground for much of New Zealand's snapper fishery, the Kaipara Harbour also has major economic value.


Kaipara, Northland

Bringing together central and local government, local iwi (indigenous groups) and primary industry, KMR invests in projects to restore wetlands, fence off rivers and streams, plant trees and regenerate forest on erosion-prone land. In doing so, KMR supports thriving biodiversity, on-farm carbon sequestration, and greater resilience to extreme weather. With dairy platforms forming part of the catchment, our partnership is an important contributor to KMR's long-term goal of halving sediment flows into the harbour.

Now in its fifth year, KMR has provided funding and support for sediment remediation initiatives on dairy farms supplying our Co-op located within the Kaipara Harbour catchment. During the 1 June 2025 to 31 May 2026 funding period, KMR contributed to 47km of fencing to protect waterways and erosion-susceptible land and the purchase of over 51,000 native trees and shrubs for planting.

Building on our existing processes and strong farmer relationships, the partnership with KMR provides practical advice and streamlined access to funding. It also supports local employment and skills development through KMR's network of over 50 local businesses. The partnership has been highly beneficial for local farmers and supports the catchment through elevating the priority of and accelerating projects that may otherwise have been deferred until farmers had the resources to undertake them.

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

Whakamana te Waituna

Waituna Lagoon and its surrounding wetlands and waterways is an area of great environmental and cultural significance, supporting an internationally important ecosystem and a productive dairy farming catchment. Since its establishment in 2018, the Whakamana te Waituna Trust has brought together iwi, farmers, agencies and industry to restore the health and mana of Waituna Lagoon/Waipārera.

Our Co-op remains a key partner in the Trust alongside Te Rūnanga o Awarua, Te Rūnanga o Ngāi Tahu, Environment Southland, Southland District Council and the Department of Conservation. The Trust is focused on restoring wetlands and native habitats, improving freshwater quality, supporting cultural reconnection and developing innovative funding mechanisms to support long-term environmental outcomes.

During FY26, the programme reached a significant milestone with the 48-hectare Webster Block transferring into the ownership of the Whakamana te Waituna Trust and moving from planning into active restoration. The first large-scale planting programme established more than 8,500 native plants across around 6.5 hectares, creating the foundation for a future native forest and wetland ecosystem. Ecological monitoring was also implemented, with 11 permanent monitoring plots established to measure biodiversity improvements over time.

A major focus has been advancing the Waituna Nature Credits Pilot, which aims to generate revenue through carbon and biodiversity markets and support the programme's restoration and maintenance activities. Over the past year the project progressed from concept development to implementation, with the Trust selected for both the Ministry for the Environment Nature Credits Pilot and the Ekos Accelerator Programme. Baseline ecological assessments, biodiversity monitoring frameworks and project registration documentation were completed, establishing the foundations for future nature credit issuance and new sources of restoration funding.

Webster Block, Waituna Lagoon

The Trust's long-term goal remains to repurpose approximately 10% of the Waituna catchment (around 2,000 hectares) into land uses that improve water quality, biodiversity and cultural outcomes while supporting sustainable financing models. With 584 hectares incorporated into the restoration programme and restoration activities accelerating through initiatives such as the Webster Block and Nature Credits Programme, Whakamana te Waituna continues to demonstrate how collaborative catchment-scale restoration can help deliver enduring environmental and community benefits.

Our FY26 performance

- **Reduction in absolute water take across manufacturing sites since FY18: 13.4%**

By agreement, or for emergency community support, we provide some water to third parties. This year, we supplied approximately 461,000m³ to third parties.

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

Nutrition and food safety

We believe that New Zealand milk plays an important role in providing nutritious food for people around the world. Every year, billions of litres of naturally nutrient-rich milk supplied by our farmer shareholders provide the foundation for our high value ingredients.

To maintain trust in our products, we prioritise traceability and food safety and quality (FSQ) across our supply chain. Through robust systems and standards, we work to make our products safe and nutritious and consistently meet the expectations of customers and consumers around the world.

Our approach

Our Food Safety and Quality Global Policy reflects our commitment to delivering safe, high-quality products and services across every stage of our supply chain. The policy is supported by a comprehensive suite of standards and guidelines, including those relating to safe food production, allergen management, and good manufacturing practices. All of our food products undergo health and food safety assessments prior to launch and on an ongoing basis.

Our robust FSQ framework establishes clear and consistent expectations and supports our ability to deliver safe, quality products worldwide.

Our Global Nutrition Policy outlines our commitments to delivering science-based nutrition and health benefits, tailoring products to meet specific nutritional needs and marketing responsibly. Our Nutrition Standard and Nutrition Guidelines, which comply with national food standards and regulations, support that policy. Together, this framework is designed to support healthy and sustainable diets.

Following the divestment of Mainland Group, the Policy, Standard and Guidelines are being reviewed so that they remain fit for purpose for our Co-op as a global business-to-business dairy provider.

We take great care to make the most of every drop of milk supplied by our farmer shareholders. Our dedication and care enable us to produce safe, high-quality nutrition, and our ingenuity gives us the ability to unlock more of the potential of dairy for the world. We do this by combining world-class dairy science, advanced processing capabilities and deep application expertise, helping customers transform this natural advantage into innovative products and nutrition solutions that meet evolving consumer needs and ultimately deliver value back to our farmer shareholders.

As global demand grows for nutritious, sustainable and resilient food systems, we continue to invest in the science that underpins the role of dairy in supporting human health, food security and sustainable food systems. Through our long-standing partnership with the Sustainable Nutrition Initiative® (SNi), we are helping build the evidence base needed to inform future food and nutrition decisions in New Zealand and globally.

Our progress

Advancing food systems research capability and collaboration

Over the past year, the SNi, based at the Riddet Institute and hosted by Massey University, continued to advance research supporting sustainable, resilient and nutritious food systems in New Zealand and internationally. Through our involvement in SNi, we contribute to research that helps deepen understanding of how nutrient-rich foods, including dairy, can support sustainable food production, diets, and future food security.

Key achievements included the ongoing development of national-level food systems modelling platforms through the Kai Anamata mō Aotearoa (KAMA) project in New Zealand and the Kenya Interactive Food System Model (KeISM). These models are helping researchers, industry and policymakers evaluate future food production and nutrient availability under a range of sustainability scenarios, strengthening the evidence base needed to balance nutritional outcomes with environmental and economic considerations. The SNi also expanded its international research capability and collaboration.

Students from Wageningen University & Research in the Netherlands and University College Cork in Ireland contributed to the continued development of the iOTA Model, a dietary optimisation tool designed to assess nutrient adequacy within sustainable diets. Research capability was further strengthened through the recruitment of Associate Professor Abby Johnson and the appointment of our researcher Andrew Fletcher as Adjunct Professor, reinforcing the strong connection between academic research and industry expertise.

Together, these initiatives support our ambition to be the source of the world's most valued dairy. By investing in science, strengthening global research partnerships and contributing to a deeper understanding of sustainable food systems, we are supporting the continuing role of dairy in nourishing a growing population while creating long-term value for customers, consumers and farmer owners.

Product traceability

We have world class capability to trace all our products from farm to customer. This includes all our raw milk, ingredients and packaging. Our Raw Milk Harvesting, Collection and Transport Standard sets the minimum requirements that all farmers must meet. This standard applies to all farms, suppliers, collection points, vats owned by our Co-op, and chilling centres that supply raw milk to our Co-op. It builds on our requirement for compliance with local regulations and 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.

Our tankers are equipped with digital technology to test milk before it is collected from our farms. Our New Zealand manufacturing sites and distribution centres have full end-to-end electronic traceability from farm vat, through our processing sites up to the point of sale to the customer.

Our manufacturing sites and distribution centres complete two traceability exercises each year to validate data integrity and confirm effective control of our products. These controls demonstrate our Co-op's strong governance over product safety, quality and traceability from farm through to customer.

Frequent audits are completed at our manufacturing sites by customers, regulators and certification bodies. 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, with all our sites holding FSSC22000 certification. All vendors providing ingredients, packaging or third-party manufacturing facilities must meet our FSQ requirements, including holding all relevant certifications.

Assurance & Audit

Our integrated Global Assurance Audit (GAA) is our one consistent way of assessing FSQ and compliance risk across sites and warehouses owned by our Co-op. The programme supports sites to strengthen FSQ leadership, identify potential risks early and drive continuous improvement. It includes physical observations, employee interviews and an assessment of the FSQ management system, to confirm they are effectively embedded in day-to-day operations.

The programme is active across all our New Zealand manufacturing sites and warehouses and has been deployed globally to our Heerenveen site. All facilities have completed at least four rounds of audits against the framework, providing a strong foundation for benchmarking performance and identifying improvement activity.

For milk supplied to us, we set clear expectations in our annual Fonterra Farmers' Terms of Supply including regulatory compliance, producing safe, high-quality milk and looking after people, animals and the environment. Supplying farms are regularly assessed by our Co-op and independent 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 our 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, 17% of farms were placed into our performance management process at some point during the season. Milk collection suspension notices were issued for five farms this year: one has been resolved, one is "on-farm monitoring" and three farms have ceased.

Our FY26 performance

- **Global manufacturing sites certified to a leading food safety management system**
  - 100% of our manufacturing sites are certified to FSSC22000.
- **Global manufacturing sites with electronic traceability**
  - Our global manufacturing sites have 100% electronic traceability from the farm vat or receipt of ingredients to the point of sale to the customer, meaning we can track the origins of all our ingredients, packaging, and finished goods within three hours.
- **Compliance with regulations**
  - There were no consumer recalls of product for FSQ reasons and none of our products were delisted from sale in any country.

Health, safety and wellbeing

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 HSW. In addition, workplace conditions can affect mental health and wellbeing.

Our approach

Our Health, Safety and Wellbeing Global Policy emphasises 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, Chief Operating Officer and Board, providing accountability and leadership.

We are committed to achieving our strategic HSW 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 people's 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 have controls that 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.

Our Health and Safety Performance Reporting Standard details the minimum requirements for monitoring, measuring, and reporting health and safety performance to evaluate ongoing performance and drive continual improvement. Our performance is measured and reported to the FMT and our Board each month.

Our progress

Safe Work, Thriving People

Two years into our *Safe Work, Thriving People* 2030 strategic plan, in FY26 we sharpened our focus to three areas: leadership and governance, risk reduction, and system revitalisation. Each concentrates effort where it counts most, on the risks with the greatest potential to cause serious harm and the systems that control them.

Leadership and governance

Health and safety at our Co-op is line-led and HSW-partnered. Line leaders own health and safety outcomes, and HSW professionals partner with the business to enable this. Line and functional HSW accountabilities are established and formally assessed with the FMT and their leadership teams, shifting attention upstream to where risk is shaped, before our people are exposed to it. Senior leaders completed Critical Risk Conversations training, equipping them to engage with their teams and learn about where our most serious risks are managed.

Worker voice sits at the heart of our governance. Our National Safety Committee and Global HSW Steering Committee bring senior leaders and worker representatives together to guide key decisions and align plans with our strategic intent.

Our HSW Plan connects priorities across our Co-op, and performance is reported transparently to the FMT and Board, including where progress is not on track, so governance attention goes where it is most needed.

Risk reduction

This year, we reduced risk by strengthening higher-order controls. Risk Control Protocols were published for chlorine, suspended loads and lifting equipment, rail, and natural gas, setting non-negotiable expectations for the controls that must be in place. We verified more than 1,700 critical controls across 198 locations, directing improvement where it matters most.

We adopted an approach to safety and the Safety Classification and Learning (SCL) model, and a new psychosocial risk framework and standard extends our serious-risk focus to psychological as well as physical harm.

We began piloting technology that reduces reliance on human vigilance, including in-cab fatigue management and forklift systems that separate vehicles from pedestrians. More than 550 learning reviews were completed this year, examining how work actually went rather than only what went wrong, with a new Learning and Insights Panel enabling lessons to be applied across our Co-op.

Eliminating routine wood dust exposure at Clandeboye

Our Clandeboye site has recently converted two coal boilers to wood pellet fuel. This changed the materials on the site and created the risk of wood dust exposure as pellets were unloaded and processed.

Rather than layering additional personal protective equipment (PPE) or administrative controls, the site initiated a comprehensive healthy-by-design redesign to eliminate routine dust exposure at its source. The guiding design objective was to remove people from the dust generating task entirely, rather than attempting to manage exposure during work. A project and design phase was undertaken with a focus on engineering higher-order controls. The system was designed to perform across all operating conditions.

A detailed process safety review was completed to identify safety-critical elements and risks. Automated controls and design safeguards were implemented to prevent dust accumulation and ignition risks.

Post implementation sampling confirmed that inhalable dust exposure during pellet unloading was below detection thresholds and continued monitoring confirms that routine airborne wood dust exposure has been effectively eliminated as a material occupational health risk.

The success of this project was recognised in winning the Health award at the 2026 Safeguard National Health and Safety Awards.

System simplification

We assessed our health and safety management system end to end in FY26, identifying where it can be simplified to better support how work is done. A global review of contractor safety management identified better ways to work with our partners on the risks we share.

Data insight dashboards give operational leaders a clear view of risk and control performance in their operations, and our Co-op HSW system simplification helps our people find the health and safety information they need faster.

We maintained tertiary accreditation, the highest level, under ACC's Accredited Employer Programme.

Our FY26 performance[1]

- **Work-related fatalities: 0**
- **Serious harm injuries:[2] 5**
  We remain focused on preventing serious harm through critical risk management, learning from events and implementing more effective controls.
- **Average number of higher-order controls per Health, Safety and Wellbeing Learning Review: 0.64**
  This reflects continued focus on translating learning into meaningful risk reduction. Higher order controls reduce risk at its source through changes to systems, equipment and work design.
- **Number of recordable injuries:[3] 302**
- **Total Recordable Injury Frequency Rate: 11.0**
  This is the number of employees with work-related injuries, per million work hours (27.5 million hours were worked).
- **Since 2014, there have been no health and safety prosecutions connected to our Co-op's operations.**

1 Data as at 31 July 2026. Includes Mainland Group up to and including 31 March 2026.
2 A serious harm injury is any work-related injury or illness that results in significant temporary or permanent impairment and/or that requires immediate treatment as an inpatient in a hospital and/or that is required to be reported to the local Regulator as a notifiable injury or illness.
3 A recordable injury is defined as a work-related injury sustained by an employee or contractor that results in an inability to work for one full day or shift on any day subsequent to the injury occurring (lost time injury), a medical treatment injury, including a restricted work injury, or an occupational illness caused by exposure to a workplace health hazard.


Smith farm, Southland

Animal health and wellbeing

Animal wellbeing on the farms that supply us with raw milk is important to us.

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

Our approach

Farmers supplying our Co-op are required to uphold high standards of animal wellbeing, to comply with all regulations and codes of welfare and to continuously improve animal wellbeing outcomes. These requirements are outlined in the Fonterra Farmers' Terms of Supply and are guided by our Animal Wellbeing and Biosecurity Global Policy and supporting standards, which reflect global best practice. Our policy and standards define our principles and commitment to the importance of providing a good quality of life for the animals, by attending to their wellbeing. Our biosecurity practices, which help reduce the spread of diseases and pests, are essential for the protection of animal wellbeing. As remote islands in the South Pacific, we also have a natural biosecurity advantage and are free from many pests and diseases that affect dairy farming in other parts of the world.

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 receives support from centralised teams for the implementation of our policy and standards.

Business units responsible for dairy cattle are required to have processes in place to monitor animal wellbeing.

We work 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 our people identify a serious animal wellbeing event it must be escalated, including notification to our incident management team.

We are committed to managing animals responsibly through the promotion of positive experiences described by the Five Domains, while eliminating practices that contravene the Five Freedoms. The Five Domains Model builds on the existing Five Freedoms concepts. These are defined as:

1. Freedom from hunger or thirst: Nutrition
2. Freedom from discomfort: Environment
3. Freedom from pain, injury or disease: Health
4. Freedom to express normal behaviour: Behaviour
5. Freedom from fear and distress: Positive mental state

Our Cared for Cows Standard

Our Cared for Cows Standard formalises the process for assessing and managing animal wellbeing on farms that supply milk to our Co-op. The Standard sets out requirements, including processes for managing risk, capturing and submitting animal health data, and undertaking third-party certification against this standard. Monitoring animal wellbeing indicators helps to identify at-risk farms and for actions to be addressed with the appropriate parties.

Our progress

We require all on-farm practices to comply with legislation, regulations and animal welfare codes, including meeting the requirements set out in Fonterra Farmers' Terms of Supply. We also require farmers to notify us should their farm be under a biosecurity, veterinary medicines or animal welfare investigation or inspection by the SPCA or a government agency. As part of our approach to risk mitigation and compliance, we commission a bimonthly report that identifies those in the agricultural industry who have been prosecuted by the New Zealand Courts for breaches of New Zealand law. We then cross reference this against internal information. This allows us to proactively monitor potential risks, provide support to farmers, and where necessary take further action.

Animal Wellbeing Plans

Farmers who actively focus on animal health and welfare and who have a good relationship with their veterinarian usually achieve better standards of animal wellbeing. Full adoption of annual 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. Key elements of the Five Domains are included in each AWP, such as mastitis and lameness, care of calves, youngstock management, body condition scoring, prudent use of antibiotics, mortality, mitigation options for heat stress and other extreme weather events, and consideration of genetic improvement and reproduction strategies. These elements have been identified and prioritised in collaboration with the New Zealand Veterinary Association and DairyNZ and are included to enhance animal wellbeing outcomes.

In FY25, 92% of supplying farms had an AWP in place. In recognition of our continued focus on animal wellbeing, we have gone a step further for the 2025/26 season, with all supplying farms being required to have an AWP prepared and agreed with their veterinarian within the past 12 months as part of the Fonterra Farmers' Terms of Supply.

Barlass family farm, Canterbury

Building resilience

As the climate changes, pasture-based dairying will need to adapt alongside efforts to reduce emissions. We're committed to lowering emissions intensity from dairy and are increasingly assessing how climate change may affect animal wellbeing and productivity over time. We are working to better understand how the future impacts of climate change will affect animals and pasture conditions. For example, we worked with industry partners to assess the risk of heat stress on pasture-raised cows. This can enable proactive management of heat stress events through our Animal Wellbeing Plans, and supports our approach to helping farmers manage risks to animal health and productivity, contributing to a more resilient dairy system.

Grass-fed

Our New Zealand farming system means that cows have access to pasture year-round. In 2025, the New Zealand Government launched the New Zealand Dairy Grass-Fed Administrative Standard which defines the criteria for animals to be considered "grass-fed" in New Zealand. The Standard requires that cows must have a diet which constitutes, on a three-year rolling average, of at least 90% (fresh weight) qualifying grass-feed types and on average graze pasture or forage crops at least 340 days per year for a minimum of eight hours per day. Our data shows that we not only meet but exceed the Standard: cows on farms supplying our Co-op in New Zealand are on average 96% grass-fed[1] and graze outdoors on pasture for more than 350 days.[2]

This year we successfully launched the FernMark Grass-Fed logo on our latest foodservice innovation Anchor Food Professionals Essence Cream, making this amongst the first dairy products in market to do so. The logo helps consumers and customers to identify products containing dairy from a New Zealand grass-fed source that meets the New Zealand Grass-Fed Administrative Standard.

Insights, tools and training

In New Zealand, farmers complete an annual Farm Dairy Record, which informs the Farm Insights Report (FIR) we provide to each supplying farmer. FIRs 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 FIRs include somatic cell count (SCC), mastitis rates, lameness and reproductive performance. We support farmers to implement improvements identified in their FIRs 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 FIR. 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.

On-farm solutions

Following our successful pilot in 2024, in FY26 we extended our on-farm solutions programme to more farmers. Our on-farm solutions are supported by separate agreements with our customers Mars and Nestlé, and help our farmers improve production efficiency and reduce emissions intensity. Included in our on-farm solutions are tools that support animal health outcomes, including Johne's disease testing, BVD testing and herd testing. Other solutions include feed optimisation, farm management and data optimisation and planting. These solutions offer practical tools to support productivity and on-farm emissions intensity reduction. Herd improvement choices and planting were the most popular selections during the 2025/2026 season.

Our EcoPond™ pilot for effluent ponds commenced in the 2025/2026 season in two catchments. EcoPond™ treats manure on-farm, with studies showing it can reduce effluent pond GHG emissions by over 90% and has the potential to reduce a dairy farm's overall emissions footprint by 4-5%. The pilot is supporting testing of effectiveness and scalability, involving up to 200 farms involved across the Waikato and Southland regions.

Cows on farms supplying our Co-op in New Zealand are on average 96% grass-fed[1] and graze outdoors on pasture for more than 350 days.[2]


Barlass family farm, Canterbury

1 96% is an average measured over the previous three seasons' data. It is calculated on a 'as consumed' basis, which is consistent with 'fresh weight' defined in the New Zealand Grass-Fed Standard. Grass-fed means cows mainly grazing on grass and crops in paddocks where they roam. Some farmers may include supplementary feed to help support cows' nutrition. Visit Fonterra.com/grass-fed for more information.

2 350 days grazing on pasture is an average calculated across our Fonterra New Zealand farms.


Drysdale family farm, Manawatū-Whanganui

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 nine Milk Quality Managers also form part of our on-farm support to farmers. If appropriate, the opportunities to better manage mastitis and lower bulk SCC are explored. This is because a low SCC not only reflects good 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.

Beef-on-dairy collaboration

This year, we began collaborating with Silver Fern Farms Limited to launch a programme focused on the development of a beef-on-dairy value chain. The programme publicises a list of beef sires selected for easy calving, moderate gestation length and high-growth calves, which produce calves that are then tagged as performance calves and eligible for a premium at processing. This allows farmers to access quality beef genetics with confidence that they are producing a calf that has value to the beef industry. Using targeted non-replacement matings also allows dairy farmers to breed herd replacements from their best cows, driving genetic gain. It is expected that calves will be born from 2027 and will come through the processing network from 2029.

Our FY26 performance

– **Somatic Cell Count**

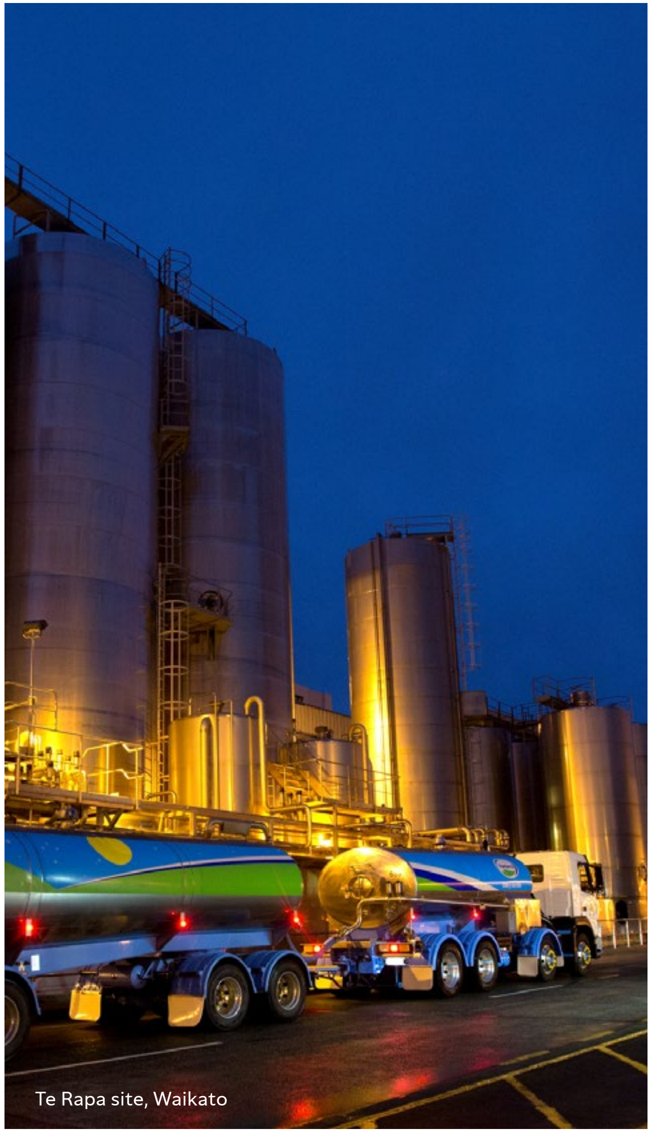
SOMATIC CELL COUNT AVERAGE (MEAN) ('000 CELLS/mL)	FY26	FY25	FY24
New Zealand	162	164	169

Our SCC result of 162 remains well below the European Union import/export standard[1].

– **96% grass fed[2]**

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

2 96% is an average measured over the previous three seasons' data. It is calculated on a 'as consumed' basis, which is consistent with 'fresh weight' defined in the New Zealand Grass-Fed Standard. Grass-fed means cows mainly grazing on grass and crops in paddocks where they roam. Some farmers may include supplementary feed to help support cows' nutrition. Visit Fonterra.com/grass-fed for more information.



Te Rapa site, Waikato

Economic impact and employment

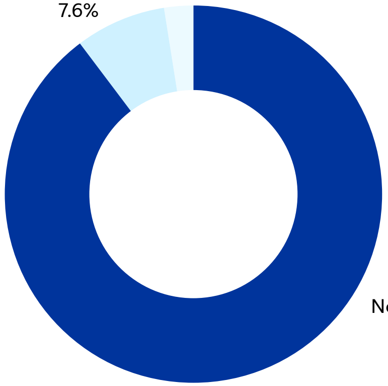
Delivering sustainable returns to our farmer shareholders is at the core of our purpose and a key focus of our Co-op's strategy.

Through the milk price and dividend distributions, we help support the success of our farmers and contribute to economic development, employment and income generation in communities across New Zealand. This year, we returned more than $19 billion to regional New Zealand through the milk price, dividend distributions, and the capital return following the Mainland Group divestment.

Creating long-term value for our farmer shareholders depends on the strength of our people. We are committed to fostering a workplace culture grounded in our purpose and values, where collaboration and inclusion enable our employees to contribute to our Co-op's success. We directly employ 11,721 people on a full-time equivalent basis, with 89.9% of those based in New Zealand.

Beyond our own workforce, the dairy sector plays an important role in supporting employment across the country, with an average annual workforce of about 50,000 people across the sector.

FY26 employees by location (FTE)



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

Our approach

We are committed to providing fair, safe and inclusive workplaces where employees have opportunities to develop, contribute and thrive. Through our employment practices, remuneration frameworks, wellbeing programmes and opportunities for growth, we seek to create positive economic and social outcomes for our workforce and the communities in which we operate.

Our expectations for how employees act and behave are set out in our Code of Business Conduct together with our global policies, including the Ethical Behaviour Global Policy and the Diversity, Equity and Inclusion Global Policy. These policies are supported by local guidance to reflect the legal and regulatory requirements of our markets around the world.


Crawford St distribution centre, Waikato

We value and respect diverse perspectives and experiences, recognising that they strengthen decision-making, support innovation, and contribute to our Co-op's success. Through our people and leadership frameworks, we support capability development, career growth and succession planning, while encouraging a culture of learning, coaching and continuous feedback. Our Employee Lifecycle Global Integrated Standard outlines our approach to supporting employee engagement, wellbeing and development throughout their employment with our Co-op. As part of our recruitment processes, we verify that preferred candidates have a legal right to work, including confirming that they are of at least minimum working age.

We seek to provide fair and competitive remuneration for our people. 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 provided by independent remuneration consultants.

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

We are committed to maintaining a workplace where concerns can be raised safely and without fear of retaliation. An independently administered and confidential whistle-blowing hotline, The Way We Work Hotline, is available globally to all employees and external stakeholders to report concerns about serious wrongdoing or behaviour that is not consistent with our Code of Business Conduct.

Supporting employee wellbeing is an important part of our approach. We provide an Employee Assistance Programme (EAP), a confidential service paid for by our Co-op, where 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, access was extended to our supplying farmers and their employees. In 2025, EAP services were further expanded to include Rongoā Māori, a holistic and traditional Māori healing service.

Our progress

Creating pathways into dairy careers

Through our Careers in Dairy programme, established in FY25, we are working to strengthen future workforce pathways by inspiring young people to see the breadth of opportunities available across our Co-op and the wider dairy sector. The programme connects students, educators, whānau and communities with dairy-related learning and career experiences, with a focus on building awareness of Farming, STEM and agribusiness pathways. In FY26, Careers in Dairy reached approximately 16,500 students, engaged about 800 educators and trained more than 125 Fonterra School Ambassadors in New Zealand.

During the year, we continued to build momentum through partnerships and experiences that support long-term talent pipelines across Aotearoa. Highlights include piloting our Wonder Project Ice Cream Challenge with 1,200 primary school students, and commencing our first cohort of learners with Growing Future Farmers – a structured pathway into on-farm dairy careers. Together, these initiatives are intended to improve visibility of dairy as an innovative career destination, strengthen educator confidence, and create clearer pathways into future study, employment and sector participation.

Early Careers as a key talent channel

In FY26, we continued to invest in our future workforce through graduate, internship and apprenticeship programmes, strengthening critical capability pipelines and long-term leadership succession. Talent attraction outcomes continued to strengthen, with almost 700 applications for 27 graduate roles, and similar numbers across intern and apprentice campaigns. For early career roles offered in FY26, female hires remained high at 40%. Māori and Pasifika hires for graduate programmes increased to 44%, up from 20% of offers made in FY25, showing progress towards attracting a broader and more diverse talent pool.

Looking ahead, in January 2027 we will launch our refreshed Future Leaders Graduate Programme. This enterprise-wide programme brings together three streams: Sales & Trading, Technical, and Specialist, covering Engineering, Agribusiness, Data & AI, Finance and People & Culture. The programme continues our history of graduate development and will play an important role in developing a diverse pipeline of future leaders and technical talent aligned to our Co-op's future workforce needs and strategic priorities.

Strengthening leadership, talent and capability

We continued to invest in leadership, talent and capability to support the delivery of our strategy and future growth. During FY26, more than 11,000 employees participated in recorded learning, completing over 2,300 learning activities across leadership, technical, professional, safety and compliance capability areas.

Key initiatives during the year included the launch of our Leadership Foundations Programme for frontline leaders, leadership coaching for senior leaders, and the introduction of our Leadership DNA framework. We also continued to support leadership diversity through programmes such as Puna Kawea, which helps develop Māori leadership capability and strengthen representation within our leadership pipeline.

We strengthened our talent and succession approach through the introduction of Talent Accelerator Programmes for high-potential leaders, with 36 leaders commencing these programmes to date. Across our Co-op, capability initiatives supported areas including sales, operational excellence, food safety and quality, engineering, health and safety, helping build critical skills, support operational performance and deliver value for customers and farmer shareholders.

Diversity, equity and inclusion

Our ability to deliver for farmers, customers, communities and our people depends on attracting, developing and retaining the talent and capability needed to achieve our strategy. As workforce demographics shift, inclusion remains a critical enabler of our culture aspiration of Enduring Performance, enabling diverse perspectives and better decision-making.

This year we embedded inclusion across the employee lifecycle by reducing barriers to participation, while strengthening inclusive leadership capability and accountability. We launched our Inclusion Hub and strengthened employee networks to support connection, development and belonging.

Through our Māori Workforce Plan, we continued to strengthen Māori attraction, development and progression. Māori representation in senior leadership increased during the year, supported by targeted leadership development, sponsorship initiatives and strengthened talent pathways.

We maintained progress towards our 40:40:20 global leadership ambition, with women representing 39.7% of senior leadership roles. During the year, we achieved Advanced Gender Tick Accreditation and continued to invest in the development and progression of women.

Looking ahead, our focus is on strengthening Māori workforce outcomes, accelerating gender equity and building a future-ready workforce that delivers for farmers and creates goodness for generations.

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.

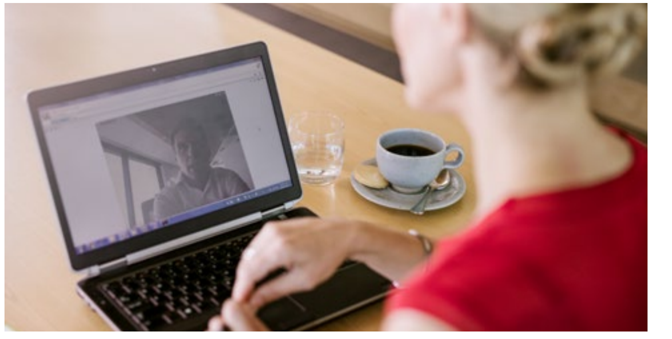
Secondary carers employed for at least 12 months receive two weeks paid leave at 100% of their base salary. Employees returning from parental leave can access Te Hokinga Mai, a programme offering coaching and counselling to support their transition back to work. This year, we also teamed up with Crayon 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 maintained our Short-Term Incentive eligibility provisions for employees returning from a leave of absence, including parental leave. Employees become eligible to participate after working only 30 days during the financial year, helping support their transition back into the workplace, compared with the standard 90 day requirement for other eligible employees.

In FY26, in New Zealand 92 females and 9 males took parental leave as primary caregiver, and 1 female and 78 males took parental leave as secondary caregiver. Of employees who took parental leave, 96% returned to work and 91% were still employed by our Co-op 12 months later.[1]

1 A calculation error led to incorrect numbers relating to parental leave being published in our FY25 Sustainability Reporting. We disclosed that, of employees who took parental leave, 99% returned to work and 87% were employed by our Co-op 12 months later. For FY25, the correct percentage who were still employed by our Co-op 12 months after returning to work following a period of parental leave was 83%.

2 Where a breakdown of information represents a small number of employees we omit this detail to protect the privacy of individuals. Our gender pay gap reporting excludes the small number of employees who did not declare their gender as male or female.



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.[2]

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. 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 remained unchanged at 0.97 on a median basis and narrowed to 0.99 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, as well as changes to the composition of our workforce following the divestment of Mainland Group. 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 5.3% for the June Quarter 2026.

Applying the additional methodology, when we look at like-for-like positions the median gender pay parity overall for salaried positions has widened to 0.97 at the end of FY26. This is a 2.4% gap on a median basis in favour of males. In New Zealand, this has remained unchanged at 0.98, representing a 2.2% gap in favour of males.

Considering gender pay parity across job categories globally, the gap for Senior Leaders has widened in favour of males, the Manager category has remained broadly unchanged, and the gap for Professionals has widened slightly in favour of males.

GENDER PAY GAP BY **JOB CATEGORY**	GENDER PAY GAP – MEDIAN		GENDER PAY **PARITY** GAP – MEDIAN[1]	
	FY26	FY25	FY26	FY25
Senior Leaders	0.87	0.94	0.96	0.99
Managers	0.97	0.96	0.97	0.97
Professionals	0.92	1.04	0.98	0.99
Waged	0.90	0.87		

GENDER PAY GAP BY **LOCATION**	GENDER PAY GAP – MEDIAN		GENDER PAY **PARITY** GAP – MEDIAN[1]	
	FY26	FY25	FY26	FY25
New Zealand	0.97	0.97	0.98	0.98
Greater China	0.95	1.07	1.00	1.00

1 Salaried employees only.

Non-discrimination

Through The Way We Work Hotline, one substantiated disclosure relating to discrimination was made during FY26. In addition, following investigation, four disclosures of harassment were either wholly or partially substantiated, one of which had been raised in FY25.

All reports raised through The Way We Work Hotline are reviewed to determine whether a formal investigation is required. Where an allegation has been substantiated through the investigation process, appropriate remedial action is taken by the relevant manager, with support from an appropriately qualified Fonterra representative. Relevant senior stakeholders are informed of all reports, and where applicable, the actions taken. Substantiated matters are also reported to the Board.

In addition to concerns raised through The Way We Work Hotline, issues relating to discrimination, harassment, and other employment matters are raised through other channels every year. These are reviewed and, where appropriate, formally investigated in a similar manner. During FY26, five New Zealand-based complaints relating to allegations of discrimination or harassment were substantiated, one of which was classified as discrimination and four as harassment. Two cases raised through these other channels that remained open at the time of publication of the 2025 Annual Report were concluded in FY26 and were substantiated as harassment, with appropriate remedial actions taken.

Two harassment complaints are open and under investigation in New Zealand, with none currently active in other countries.

Our FY26 performance

- **40:40:20 Gender Diversity**
  - 39.7% of senior leaders are female.
  - 47% of hires into senior roles were female.
  - 40% of all Early Careers hires were female.
- **Co-op engagement score remains above the global benchmark, obtained via regular employee engagement surveys conducted using Viva Glint.**
- **The Co-op remains a highly attractive employer with ~50,000 applications in FY26 and an offer-to-hire acceptance rate of 95%.**
- **Our candidate experience remains strong with a Net Promoter Score of 87.**

Data Consolidation

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

The reporting period is for the financial year 1 August 2025 – 31 July 2026 (FY26).

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 our targets is 31 July of the applicable financial year. The base years for targets and other KPIs are indicated across our sustainability reporting. When a different reporting period has been adopted, this is clearly stated.

Our approach

Data boundaries

In general, the consolidated sustainability performance in this report covers the activities of Fonterra Co-operative Group Limited (the Group) and its consolidated subsidiaries as at 31 July 2026. For a list of the significant subsidiaries in the Group, see Note 23 of the Financial Statements.

Where possible, we source 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. In some instances, we rely on estimated data due to limitations in availability or reliability of information. Where estimation is required, we have endeavoured to take a conservative approach.

For information about data boundaries relating to GHG emissions, refer to our Group Climate Statements. Information about data boundaries relating to our water metrics and people reporting can be found in the Sustainability Reporting Appendix.

Restatement policy

Our 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.

Significant changes this year

On 31 March 2026, we completed the divestment of Mainland Group, our global consumer and related businesses, to Lactalis. The divestment represents a significant change in the boundary and scope of our sustainability reporting. In light of the divestment, this year we conducted a high-level interim review of our materiality assessment and concluded that sustainable packaging is no longer considered sufficiently significant for disclosure in our sustainability reporting.

To adjust our sustainability performance for the divestment, we have followed the internationally accepted approach to recalculate and restate base year values and subsequent years to report on a like-for-like basis where possible. This approach is consistent with our restatement policy and our treatment of other divestments that we have made in earlier periods.

The effect of the divestment is that Mainland Group has been excluded from some of our sustainability performance reporting in FY26 and base year and comparative periods restated, where possible. Information regarding the nature and effect of the restatement has been disclosed. Due to data availability, in some instances, it has not been possible to adjust the comparative periods to remove Mainland Group. Specifically, our water metrics have been restated to exclude Mainland Group, while our people metrics have not been restated.

To avoid duplication, information on the effect of the divestment on topics relating to GHG emissions and energy use is located in our Group Climate Statements. Further information on the divestment of Mainland Group, including the key changes that have affected our business model, can be found in the Strategy section of our Group Climate Statements.

There have been no other significant changes which have affected our sustainability reporting this year.

Global Reporting Initiative Standards

Our sustainability reporting is prepared with reference to the Global Reporting Initiative Standards (GRI), including the Universal Standards, and those standards within GRI 13, the Agriculture, Aquaculture and Fishing Sector Standards and disclosures deemed material for reporting in our Co-op's materiality assessment.

The GRI 13 topics are mapped to the eight material topics that we consider significant. We have reported on 10 of the 26 GRI 13 topics. To avoid duplication with our Group Climate Statements, topics related to GHG emissions, climate adaptation and energy use are not reported within the sustainability reporting. The GRI 13 topics not reported[1] are considered less significant and are excluded from our reporting.

This is the tenth consecutive year that Bureau Veritas has been engaged to provide limited assurance of our sustainability disclosures, as identified within the GRI Content Index. This assurance confirms that our report has been prepared with reference to the GRI Standards and is a fair representation of our Co-op's sustainability performance. In addition, our GHG emissions have been measured in accordance with the GHG Protocol and are assured by KPMG.

Management team members and the Board receive a copy of the Bureau Veritas assurance statement prior to release of the report. The AFRC reviews the Sustainability Reporting content and recommends it for approval by the Board.

For a comprehensive list of the GRI Standards referenced and the location of the corresponding disclosures see the GRI Content Index.

1 GRI – Sector Standard for Agriculture, Aquaculture, and Fishing: Topics not reported to the GRI framework are: 13.1-13.3, 13.4-13.6, 13.8-13.10, 13.12-13.14, 13.16-13.18, 13.21.

In this section

Governance Disclosures

Fonterra Centre, 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 76.

Information regarding changes to the Board during FY26 can be found on page 73.

Peter McBride

Elected Director (Chairman)

Alison Watters

Elected Director

Alistair Field

Appointed Director

Brent Goldsack

Elected Director

Bruce Hassall

Appointed Director

Cathy Quinn

Elected Director

Holly Kramer

Appointed Director

John Nicholls

Elected Director

Michelle Pye

Elected Director

Jonathan Mason

Appointed Director

Jonathan will join the Fonterra Board on 1 October 2026, replacing Bruce Hassall who has completed his nine-year term and will retire at the end of September.

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 global B2B dairy provider.

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

Richard Allen
Chief Executive Officer

Andrew Murray
Chief Financial Officer

Anna Palairet
Chief Operating Officer

Elisa Giusti
Chief Growth and Strategy Officer

Gaby Amade
President Global Markets

Kate Daly
Managing Director, People and Culture

Matt Bolger
Managing Director, Co-operative Affairs

Teh-han Chow
CEO Greater China

The following changes have been made to the FMT since 1 August 2025:

- On 15 March 2026, it was announced that Miles Hurrell had resigned as Chief Executive Officer (CEO), remaining in an advisory role until September 2026.
- On 31 March 2026, Mike Cronin, Managing Director, M&A and Strategic Divestments, left the Co-op following completion of the divestment of Mainland Group (our global consumer and related businesses).
- On 13 April 2026, Richard Allen was announced as the next CEO, effective 1 May 2026, stepping up from his role as President Global Ingredients.
- On 29 April 2026, Elisa Giusti assumed the role of President Global Ingredients Growth, and on 15 June 2026 was appointed Chief Growth and Strategy Officer, accountable for developing integrated market, product and group strategies, portfolio optimisation, innovation, and global new business development.
- On 29 April 2026, Gaby Amade assumed the role of President Global Ingredients Sales and Operations, and on 3 August 2026 was appointed President Global Markets, accountable for leading our Ingredients and Foodservice businesses in Oceania, Americas, South East Asia, Japan, Middle East and Europe.
- On 2 June 2026, it was announced that Komal Mistry-Mehta, Chief Innovation and Brand Officer, had ceased to be a member of the FMT and would be leaving the Co-op in October 2026.
- On 3 August 2026, Teh-han Chow was appointed CEO Greater China, accountable for leading our Ingredients and Foodservice businesses across Greater China.

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 our 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 March 2026. It is current as at 23 September 2026 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, with integrity and transparency. We have an Ethical Behaviour Global Policy and Global Standard that set out our beliefs, 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 Global Policy and the Board Code of Conduct are available on fonterra.com.

All employees are required to declare actual, potential or perceived conflicts in our Conflict of Interest register, and mitigating actions must be reviewed by their managers. We also maintain a Gift, Hospitality and Entertainment register, where employees must declare all gifts given or received, above a nominal level, including hospitality and entertainment with external 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. The hotline is available to all Fonterra stakeholders globally, including employees, farmers, workers, and suppliers, providing a confidential channel to report concerns about serious wrongdoing or behaviour that does not meet the standards in our Code of Business Conduct. More information regarding this hotline can be found on page 17 of the Modern Slavery Statement.

There are established procedures for whistleblowing, including the legislative requirements that apply to reports that fall within the definition of a Protected Disclosure under the Protected Disclosures (Protection of Whistleblowers) Act 2020. An employee making a Protected Disclosure cannot be subjected to any detrimental or disciplinary action for making such a report.

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

Our 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).

Our 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 2026, all in December 2025:

- Elected Director Andy Macfarlane retired from the Board;
- Elected Director Alison Watters was re-elected to the Board; and
- Elected Director Michelle Pye was elected to the Board.

In June 2026, it was announced that Jonathan Mason will join the Board as an Appointed Director on 1 October 2026 and Appointed Director Bruce Hassall will retire from the Board at the end of September.

In July 2026, it was announced that Elected Director Brent Goldsack will retire from the Board following the 2026 Annual Meeting in November.

Diversity

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 FY26. 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.

Information on how the Co-op creates a supportive and inclusive workplace, including the key diversity, equity and inclusion initiatives for FY26, is available in the Sustainability Reporting section of this report. Our Diversity, Equity and Inclusion Policy is published on fonterra.com.

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

	TOTAL	MALE	FEMALE	GENDER DIVERSE
As at 31 July 2026	9	5 56%	4 44%	– 0%
As at 31 July 2025	9	6 67%	3 33%	– 0%

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

	TOTAL	MALE	FEMALE	GENDER DIVERSE
As at 31 July 2026	8	5 62.5%	3 37.5%	– 0%
As at 31 July 2025	9	6 67%	3 33%	– 0%

1 Fonterra's 'Officers' for the purposes of the NZX Listing Rules.

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 an enduring 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 85.

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 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 NZ RegCo to Fonterra on 17 December 2024 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 on 17 December 2024 by 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 105.

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 2026, 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, of a maximum of nine Board members. 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 February 2026 the Sustainability and Innovation Committee, formed in mid-2023 to assist the Board in fulfilling its corporate governance responsibilities relating to the sustainability and innovation aspects of our strategy, was disestablished. This reflected the increasing maturity of these areas, with oversight transitioning into business-as-usual governance forums including the Board and other Board Committees.

COMMITTEE OR GROUP	MEMBERSHIP AS AT 31 JULY 2026	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-related reporting, sustainability reporting, audit activities, capital markets matters, and funding activities; and – management and monitoring of the Group Risk Management Framework including the Group Risk Appetite Statement, and the Group Risk Appetite and Tolerance position reporting (noting that other Board Committees share oversight of some individual Group Risks).
Co-operative Relations Committee	John Nicholls (Chair) Brent Goldsack Michelle Pye 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 as 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 assist with governance responsibilities relating to the on-farm sustainability aspects of Fonterra's strategy. – To review the Co-operative Principles periodically, and to 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	Cathy Quinn (Chair) Holly Kramer Bruce Hassall[1] Peter McBride John Nicholls	– To oversee Fonterra's compliance with its 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 oversee the disclosure of the quarterly, interim and full year financial results to the NZX.

COMMITTEE OR GROUP	MEMBERSHIP AS AT 31 JULY 2026	PURPOSE
Milk Price Panel	David Pilkington[2,3] (Chair) Andrew Barlass[4,5] 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; – optimising Fonterra's culture to deliver high performance; and – oversight of Fonterra's management of human rights risks including modern slavery.
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.

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 until 1 September 2025, at which point he was appointed as a member.
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		STRATEGIC REVIEW COMMITTEE		SUSTAINABILITY AND INNOVATION COMMITTEE[1]	
	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
		SCHEDULED[2]	ADHOC[3]														
Alistair Field	15	7	5	8	7	–	–	–	–	–	–	10	7	–	–	2[4]	2
Brent Goldsack	15	7	6	8	7	6	6	–	–	–	–	–	–	7	7	3	3
Bruce Hassall	15	8	6	8	8	–	–	7	4	7	6	–	–	7	7	2[4]	1
Holly Kramer	15	8	3	1[4]	1	1[5]	1	3[6]	3	–	–	10	10	7	6	3	3
Andy Macfarlane[7]	6	3	3	1[4]	1	2	2	4	4	–	–	–	–	–	–	2	2
Peter McBride	15	8	7	3[8]	2	–	–	7	5	–	–	10	10	7	7	–	–
John Nicholls	15	8	6	–	–	6	6	7	6	7	7	–	–	–	–	–	–
Michelle Pye[9]	9	5	4	–	–	4	4	–	–	–	–	–	–	–	–	–	–
Cathy Quinn	15	8	7	8	8	–	–	7	6	–	–	10	10	7	7	2[4]	2
Alison Watters	15	8	7	8	8	6	6	–	–	–	–	–	–	–	–	3	3

1 The Sustainability and Innovation Committee was disestablished in February 2026.
2 There were eight regularly scheduled Board meetings in FY26.
3 There were seven adhoc Board meetings in FY26.
4 Eligible to attend the joint Sustainability and Innovation Committee and Audit, Finance and Risk Committee portion of the meeting to discuss Group Climate Statements.
5 Eligible to attend the joint Co-operative Relations Committee and Sustainability and Innovation Committee portion of the meeting to discuss emissions reporting.
6 Became a member of the Disclosure Committee part-way through the year in February 2026.
7 Retired from the Board in December 2025.
8 Eligible to attend as Chair of the Board.
9 Elected to the Board in December 2025.

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

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

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

Fonterra's Constitution provides for a maximum of nine Directors, with up to three independent Appointed Directors. Therefore, with the majority of positions being filled by Elected Directors (and as noted on page 75, the Elected Directors are not considered independent), it is difficult 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 2026 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 nominee;
– John Nicholls, an Elected Director; and
– Bruce Hassall, an independent Appointed Director.

On 26 June 2026, it was announced that incoming independent Appointed Director Jonathan Mason would replace Bruce Hassall on the Panel from 1 October 2026.

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 73.

Control transaction protocols

The Board does not believe that it is necessary to establish control transaction protocols, given our co-operative structure and the thresholds on share ownership in our Constitution. A control transaction is a transaction that may result in a change of control of the company, such as a takeover offer.

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 underpin our commitment to maintaining a well-informed market through timely and effective communication with investors, market participants and other stakeholders. 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 subject to disclosure under the NZX Listing Rules is disclosed simultaneously to the NZX Main Board.

Financial and non-financial reporting

Our Annual Report and supporting material disclose financial performance information in a balanced, clear and objective manner. The Board oversees the Co-op's financial reporting and is responsible for ensuring that the financial statements (included on page 107 of this report) are prepared and fairly presented in accordance with applicable legal requirements and accounting standards. The Audit, Finance and Risk Committee assists the Board in fulfilling these responsibilities.

We also provide updates on financial performance throughout the year at our Interim Results and Quarterly Business Update announcements.

In addition to financial reporting, we disclose non-financial information relevant to the Co-operative's business, strategy and performance, including environmental, social sustainability and governance matters. These disclosures support stakeholder understanding of the factors that may influence the Co-op's performance and long-term value creation, as well as the risks, opportunities and impacts associated with our business. Key disclosures include:

- **Sustainability Reporting:** We have continued to prepare sustainability disclosures (refer to page 37 of this report) with reference to Global Reporting Initiative (GRI) Standards, and we obtain independent assurance in relation to these disclosures. We have adopted this internationally recognised reporting framework to support transparency and comparability of our sustainability performance information.
- **Climate Reporting:** As a climate reporting entity under the New Zealand Financial Markets Conduct Act 2013, we have released our FY26 Group Climate Statements (refer to page 164 of this report), prepared in compliance with the Aotearoa New Zealand Climate Standards.
- **Modern Slavery Reporting:** We have released our seventh Modern Slavery Statement. While Fonterra is no longer required to report under the Australian Modern Slavery Act 2018 following the divestment of Mainland Group (our global consumer and related businesses), this year we have voluntarily prepared and published a Modern Slavery Statement aligned with prior years.

Principle 5: Remuneration

The Remuneration Report on page 87 of this report provides an overview of Fonterra's remuneration strategy and framework, together with key disclosures relating to CEO, employee and Director remuneration.

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 FY26.

KEY RISK	RISK DESCRIPTION	RISK MITIGATIONS
Climate Change	The risk that Fonterra's activities or those of its farmers are disrupted due to an increased frequency and severity of both physical and transitionary climate impacts.	Emissions reduction targets are in place across all scopes of emissions. The Climate Roadmap expresses the key activities across the Co-operative's value chain toward achieving those targets. Our climate risk programme actively identifies climate-related risks and potential mitigations, and these are disclosed annually in our Group Climate Statements.
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 dairy and non-dairy portfolios, and ongoing market exposure assessments.
Cybersecurity	The risk that cyber incidents compromise the security, availability, or resilience of the Co-operative's information systems, manufacturing operations, supply chain, or critical business information, resulting in operational disruption, financial loss, regulatory non-compliance, or reputational damage.	Ongoing investment in cybersecurity and operational resilience capabilities across IT and manufacturing technologies. Regular cyber risk assessments, control testing, vulnerability management, and independent assurance reviews. Continuous enhancement of cyber awareness and security culture across the Co-operative. Active collaboration with industry, government, and strategic partners to strengthen threat intelligence and cyber resilience. Regular exercising of cyber incident response, crisis management, and business continuity capabilities. Risk-based oversight of third party and supply chain cybersecurity risk.
Environmental Sustainability	The risk that the sustainability of the environment is adversely impacted due to Fonterra's activities or those of its farmers.	Setting environmental targets and implementing plans to achieve them. Proactive engagement with industry, iwi, government, non-governmental organisations, and regulators. Farm Environment Plans required under Terms of Supply, which identify and support management of 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, due to policy setting, process failure, or extreme market volatility.	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 maintain, improve and implement an appropriate information technology (IT) and data management framework, to maintain 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 programmes to replace legacy and complex hardware and software systems which are no longer suitable for the Co-operative's needs. Proactive governance and remediation of obsolete and unstructured data across our environments to minimise data sprawl, reduce risk, and improve information management efficiency. 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	The risk that Fonterra is unable to innovate effectively to respond to market and technical trends and disruptions, due to an inappropriate consideration of risk and return across the innovation portfolio.	Relevant insights and outputs guide integrated pan-Fonterra strategy and support science- and technology-enabled business growth. Governance processes to align innovation funding and resources with objectives, risk appetite and expected value creation. Use of differentiated innovation pathways including internal and external R&D, strategic partnerships, research collaborations, venture investments, and IP licensing to identify, develop, or acquire priority products, technologies and innovation 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.	Governance and oversight of regulatory obligations and resource consents, including escalation mechanisms. Achievement of key environmental and other relevant targets. Active stakeholder engagement programme in New Zealand and key international markets, to help identify and respond to emerging regulatory and public policy issues. Proactive communication of our financial performance and contribution to New Zealand. Fonterra's Doing Good Together Programme delivers community programmes across two pillars addressing food insecurity, and mental health and wellbeing in rural communities.
Liquidity and Funding	The risk that Fonterra is unable to meet its financial obligations, including debt and working capital requirements, and/or have 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, with in-market insights capability to inform business decisions and strategy. Scenario planning and modelling, and development of bespoke action plans. Annual reporting on market concentration risk. Centralised portfolio management with product portfolio plans that capture a diverse global demand pool and respond to market dynamics. Maintaining strategic optionality through multimarket, diverse product and channel offerings, supported by key strategic partnerships.
Milk Supply	The risk that Fonterra is unable to maintain and grow 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. Established business continuity processes to respond to and recover from significant operational, biosecurity, climate or geopolitical events.

KEY RISK	RISK DESCRIPTION	RISK MITIGATIONS
People	The risk that Fonterra is unable to identify, attract, and retain the people capability required to deliver its strategy due to gaps in workforce planning, leadership, culture, development, and/or shifts in the external market.	Strategic workforce planning to align workforce size, shape and future capabilities to business priorities. Building leadership capability at all levels to drive high performance, change and people outcomes. Continued delivery of programmes and initiatives to strengthen organisational culture and talent. 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.
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 disruptions or delays materially impact Fonterra's manufacturing operations or supply chain effectiveness.	Reliable and efficient collection, processing 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 seven consecutive years, and the fees paid to KPMG for FY26 are detailed in Note 3 of the Financial Statements (page 129 of this report). The lead external audit partner must be rotated at least every five years, and the most recent 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 Group Director - Corporate 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 and effectiveness 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 adequacy and 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 NZX in accordance with relevant laws and NZX 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 2026, the Council consisted of 25 elected Councillors from each of the 25 wards across New Zealand, and three appointed Councillors.

The Council publishes an annual report, which outlines its activities and 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

The co-operative model is about more than business. It brings a sense of pride, belonging and connection that is central to what we do.

We're always looking for ways to better engage with our farmer shareholders, ensuring they stay well-informed on the topics that matter most, including our current position and future direction as a Co-op.

The teams responsible for developing and delivering our farmer engagement plan manage a broad range of communication channels. The Farm Source website gives farmer shareholders, along with their authorised employees, contractors and business partners, access to information and tools covering key areas such as milk production and quality, online statements and price risk management services.

The My Co-op app keeps farmers up to date with the latest news and information, including Milk Price announcements, upcoming events, Farm Source Rewards balances, and messages from the Chair and Chief Executive Officer. Meanwhile, the On Farm app offers daily milk production and quality data, comparisons with the previous season's volumes, tanker movements, and 30-day summary reports of key milk performance information.

Local Farm Source teams are in regular contact with farmers across their regions, and the Farmer Support Team is available 24/7 on 0800 65 65 68.

We host both in-person and online meetings throughout the year, engaging directly with farmer shareholders and other important groups, including sharemilkers, contract milkers and rural professionals.

We also actively gather feedback through a range of channels, such as surveys and in-person focus groups. We have an annual relationship survey designed to give us deeper insights into what shapes farmers' perceptions of Fonterra. This survey helps inform our initiatives and approach, with the goal of better supporting farmers and strengthening their connection with the Co-op.

Farmers also receive regular emails from the Chair, Chief Executive Officer, Group Director of Farm Source and regional managers, while a monthly Global Dairy Update provides a snapshot of the global dairy market and how the Co-op is performing.

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 shareholder is entitled to vote.

We endeavour to send notices of annual or special meetings to farmer shareholders at least 20 working days prior to the relevant meeting. While logistical requirements and voting processes mean this is not always possible, 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 2025 Annual Meeting held on 11 December 2025, the notice of meeting was made available on 17 November 2025.

During FY26, we also held two Special Meetings, both of which were virtual to support accessibility for our farmer shareholders and enable cost efficiencies:

- On 30 October 2025, shareholders considered and voted on the divestment of Mainland Group (our global consumer and related businesses). The notice of meeting was made available on 29 September 2025.
- On 19 February 2026, shareholders considered and approved the scheme of arrangement relating to the capital return that was expected from the divestment of Mainland Group. The notice of meeting was made available on 23 January 2026.

Our 2026 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, directly or indirectly, 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.

Shareholder approval was required under NZX Listing Rule 5.1.1(b) for the divestment of Mainland Group (our global consumer and related businesses) and was obtained at the Special Meeting held on 30 October 2025.

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 2026.

Appointment of new CEO

A core responsibility of the Committee is to ensure there is management focus on robust succession planning and a strong pipeline of leadership talent, particularly for the role of CEO. Following a comprehensive process, the Board was delighted to appoint Richard Allen as CEO, effective May 2026. Mr Allen has been with the Co-operative since 2008 and has built extensive experience across geographies, business units and channels, positioning him well to lead the next phase of delivery against our strategy.

The Board would like to acknowledge Mr Hurrell's significant contribution to the Co-operative during his tenure as CEO, including his leadership and continued focus on delivering positive outcomes for farmer shareholders.

FY26 performance and remuneration outcomes

Short-term Incentive (STI)

Our STI plan is designed to drive Fonterra's annual priorities and reinforce performance that supports the Co-operative's strategy. In FY26, new Health, Safety and Wellbeing (HSW), Scope 3 on-farm emissions and Product Quality measures were introduced. Group Return on Capital (ROC) and Farmgate Milk Price (FGMP) retained the highest weighting, supporting alignment between remuneration outcomes and outcomes for farmer shareholders.

The FY26 STI outcome reflects strong performance, with seven of the nine measures achieved, including Group ROC. FGMP was below Target for STI purposes; however, excluding the 2024/2025 season, the 2025/2026 FGMP was the highest in the past 10 years. Strong progress was also delivered across Delivered in full, on time (DIFOT), HSW, Milk Supply, Value from Innovation and Greenhouse Gas Emissions. Food Quality was below Threshold and resulted in no payout for this measure. The FY26 STI outcome was 103.3%, reflecting another strong year for the Co-operative.

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 Board-approved FY26 STI outcome for the CEO is provided in the CEO Remuneration section of this Report.

Long-term Incentive (LTI)

The LTI plan introduced in FY23, Alignment Rights, is aimed at rewarding the delivery of sustainable outcomes for all shareholders. The fourth grant was made in FY26 to senior leaders, supporting retention and continued alignment with farmer shareholder outcomes.

Fifty percent of the value of Alignment Rights is linked to the performance of a Co-operative share on the NZX over the six-year performance period (the Co-op Unit).

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

The Co-op Unit was valued at $4.15 as at 31 July 2026 (after adjusting for the capital return of $2.00). The table below sets out the original grant values and the change in value from grant. Participants in the FY23 to FY25 grants received payments aligned to the returns delivered to farmer shareholders for FY26. Together, this resulted in annualised total shareholder returns as set out below, reinforcing alignment between participant outcomes and value created for farmer shareholders.

GRANT	CO-OP UNIT GRANT VALUE	INCREASE/DECREASE IN VALUE FROM GRANT	ANNUALISED TOTAL SHAREHOLDER RETURN
FY23	$2.82	Increase of $1.33	37.3%
FY24	$2.38	Increase of $1.77	56.8%
FY25	$2.66	Increase of $1.49	82.0%
FY26	$4.85	Decrease of $0.70	Not applicable

The Farm Unit was valued at $3,570 as at 31 July 2026. The table below sets out the original grant values and the change in value from grant. No payments are made to participants in respect of the Farm Unit until the end of the performance period (generally six years).

GRANT	FARM UNIT GRANT VALUE	INCREASE/DECREASE IN VALUE FROM GRANT
FY23	$2,700	Increase of $870
FY24	$3,365	Increase of $205
FY25	$3,454	Increase of $116
FY26	$3,337	Increase of $233

Looking ahead

For FY27, the Committee has approved several refinements to the STI plan to ensure the measures remain aligned to our annual strategic priorities and to simplify and reduce the number of measures in the plan. The plan will continue to focus on alignment with our farmer shareholders with Group ROC and FGMP the highest weighted measures. The HSW, DIFOT, Product Quality, and Milk Supply measures remain for FY27.

Additionally, we will continue with our current LTI plan design and make the fifth grant of Alignment Rights to senior leaders. This will support attraction and retention of key talent and reinforce alignment of senior leaders' remuneration outcomes with farmer shareholder outcomes over the longer term.

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 FY26

The details included in this section relate to the remuneration framework in place for FY26.

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). STI is capped at 150% of on-target opportunity. The former CEO's on-target opportunity is 72% of Base Salary. The new CEOs on-target opportunity is 75% 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 NZX 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. The former CEO's grant value is 48% of Base Salary. The new CEO's grant value is 50% 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 FY26

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 FY26 measures include:

- Group Return on Capital
- Farmgate Milk Price
- Delivery in full, on time
- Health and safety
- Milk Supply
- Value from Innovation
- Cost of Quality Failure
- Greenhouse gas emissions

Achievement against these for FY26 is provided in the CEO Remuneration section of this report.

Long-term Incentive FY26

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. The service period is three years, at which point the Alignment Rights are no longer conditional on continued employment (noting no payment is made to participants at this point). 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. Subsequent grants were approved by the PCSC and awarded in FY24, FY25 and FY26.

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 former CEO) have shorter performance periods for the first two grants. These shorter performance periods are no less than four years. The service period for these two grants is three 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 on the NZX. 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.

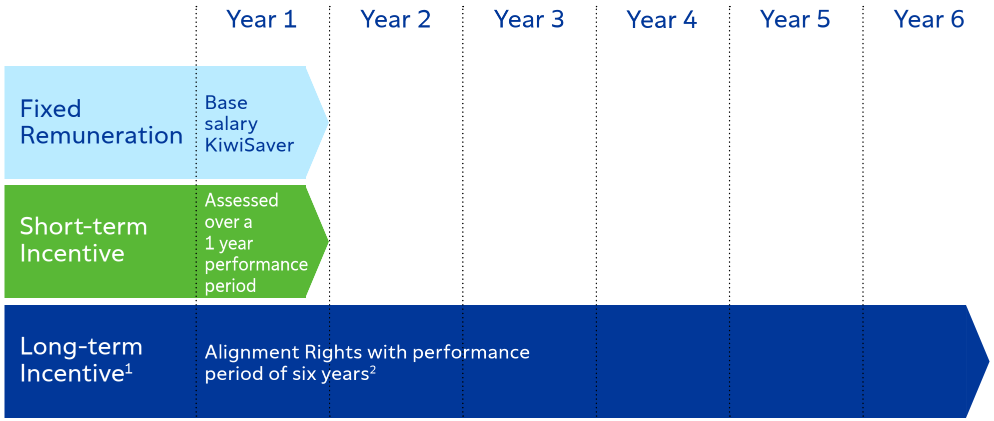
Chief Executive Officer remuneration

The following section of the remuneration report sets out the remuneration structure, pay mix, and remuneration earned and received by the new and former CEO for FY26.

The remuneration package for Mr Allen as the new CEO was approved by the Board in April 2026.

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.

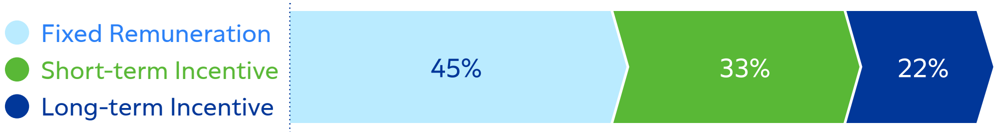


1 Eligible for dividend equivalent payments and other cash distributions during the performance period. These would be paid annually to support alignment through the performance period.

2 Recognising the longer performance period of six years under the Alignment Rights plan, those transitioning from the EIP plan (including the former CEO) have shorter performance periods for the first two grants. The first grant made to the former 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 former 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.

CEO pay-mix

The remuneration pay-mix graph below shows the percentage of each remuneration element that makes up the new CEO's on-target remuneration opportunity for FY26. The former CEO's pay-mix was 46% Fixed Remuneration, 32% Short-term Incentive and 22% Long-term Incentive.



FY26 Group Scorecard achievement

Achievement against the FY26 STI measures is provided in the table below. This Scorecard achievement applies to the new CEO, former CEO, FMT and their senior direct reports.

PILLAR	MEASURES	STI WEIGHTING	WEIGHTED OUTCOME
Financial	Group ROC	30%	37.5%
	FGMP	30%	27.7%
Customer	DIFOT	10%	11.3%
People	Health and Safety	10%	10.5%
Other Strategic Priorities	Milk Supply, Value from Innovation, Cost of Quality Failure, Greenhouse Gas Emissions	20%	16.3%
TOTAL SCORECARD OUTCOME		**100%**	**103.3%**

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

Total remuneration paid to and earned by new CEO

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

Mr Allen has held the role of CEO since May 2026. His annual salary as CEO is $2,000,000. The only remuneration paid in his capacity as CEO in FY26 is Salary and Benefits. FY26 STI, whilst earned in FY26, will not be paid until FY27. For simplicity the table below reflects the remuneration paid to and earned by the new CEO for the period 1 May 2026 to 31 July 2026 in his capacity as CEO.

The FY26 STI achievement for Mr Allen in his capacity as CEO was $464,850, based on a Group Scorecard outcome of 103.3% and an individual multiplier of 1.2. Achievement of the Group Scorecard measures is set out on the prior page.

No Alignment Rights have been granted to the new CEO in his capacity as CEO. The amount accrued relating to Alignment Rights granted in his previous roles during the period 1 May 2026 to 31 July 2026 was $87,413. Annual leave earned during the period 1 May 2026 to 31 July 2026 was $32,466, and includes the growth in untaken annual leave during the period and annual leave entitlements on incentives. These values are in addition to the amounts in the table below.

FIXED REMUNERATION		PAY FOR PERFORMANCE	TOTAL REMUNERATION
Salary[1]	Benefits[2]	Short-term Incentives[3]	
$500,000	$33,770	$464,850	$998,620

1 Salary reflects the period 1 May 2026 to 31 July 2026 in his capacity as CEO.
2 Employer Superannuation contribution on salary and Short-term Incentive.
3 The value of the Short-term Incentive represents the FY26 Short-term Incentive Plan earned (but not paid until FY27) in his capacity as CEO.

Total remuneration paid to former CEO

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

Miles Hurrell held the role of CEO up to 30 April 2026. He remains employed until 15 September 2026 as a Strategic Advisor.

His annual salary as at 30 April 2026 was $2,537,700. The pay for performance component paid in FY26 includes the FY25 STI, the deferred component of the FY22 EIP which was subject to a performance hurdle being met, and dividend equivalent payments made on the Co-op Units of his Alignment Rights grants. The FY22 EIP was the final award under the EIP.

Further information on Alignment Rights can be found on page 90 of this report. The remuneration earned by Mr Hurrell in FY26 for the Alignment Rights plan is set out on the next page.

The total remuneration received by Mr Hurrell in FY26 was $8,158,782 as shown in the table below. Salary reflects the period 1 August 2025 to 30 April 2026 in his capacity as CEO.

FIXED REMUNERATION		PAY FOR PERFORMANCE		TOTAL REMUNERATION PAID IN FY26
Salary	Benefits[1]	Short-term Incentives[2]	Long-term Incentives[3]	
$1,915,848	$254,624	$2,503,396	$3,484,914	$8,158,782

1 Long Service Payment and Employer Superannuation contribution on Salary, Short-term and Long-term Incentive
2 The value of the Short-term Incentive represents the FY25 Short-term Incentive Plan.
3 The value of the Long-term Incentive represents the deferred component of the FY22 EIP which was subject to a performance hurdle being met and the dividend equivalent payments on the Co-op Units of his Alignment Rights grants. The Long-term Incentive outcome demonstrates the link between remuneration and performance, with amounts received reflecting achievement against the plan's performance conditions and value delivered to farmer shareholders.

Total remuneration earned by former CEO

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.

Mr Hurrell's Salary and KiwiSaver on Salary has been partly attributed to remuneration in his capacity as CEO in these disclosures (and partly to his role as Strategic Advisor and excluded from remuneration in his capacity as CEO). Other remuneration elements have been entirely attributed to remuneration in his capacity as CEO.

Salary and KiwiSaver on Salary reflects the period 1 August 2025 to 30 April 2026 in his capacity as CEO. The pay for performance earned by Mr Hurrell during the year, is primarily related to his performance as CEO, and in the interests of transparency has been included in full in the table to the right.

The FY26 STI achievement for Mr Hurrell in his capacity as CEO was $1,887,440, based on a Group Scorecard outcome of 103.3%. Achievement of the Group Scorecard measures is set out on page 91.

Alignment Rights were awarded to Mr Hurrell during FY26 at a total value at allocation of $1,218,096 (48% of Base Salary). When awarded, the required service period was to end on 30 September 2028, and the payment date (and performance period) is 30 September 2031. The Board has exercised its discretion and elected to waive the remaining service period on the FY24, FY25, and FY26 Alignment Rights. Amounts in the table include previously unrecognised FY23, FY24 and FY25 Alignment Rights fair values, and the full fair value of the FY26 Alignment Rights. Noting, the payment dates for these grants remain unchanged and as set out in the table on page 94, with the final payment to be made in FY32. The amounts actually paid to Mr Hurrell are contingent on performance of both the Co-op Unit and Farm Unit at the time of payment. Therefore, supporting alignment of Mr Hurrell's remuneration outcomes with our farmer shareholders' post-employment.

The number of Alignment Rights granted to Mr Hurrell during FY26 is also provided on page 94.

Fonterra believes its reporting approach to total CEO remuneration earned provides the right balance of transparency and disclosure while accurately reflecting the outcomes for FY26.

REMUNERATION PAID DURING OR RELATING TO FY26	
Fixed remuneration	
Salary	$1,915,848
KiwiSaver on salary[1]	$58,789
25 year Long Service Payment	$8,197
Pay for performance	
Short-term Incentive	$1,887,440
Long-term Incentive	
Dividend Equivalent Payments and cash distributions[2]	$2,369,011
KiwiSaver on Incentives[1]	$145,120
Total	**$6,384,404**

REMUNERATION EARNED BUT PAYABLE IN FUTURE PERIODS	
Pay for performance	
Long-term Incentive	
Alignment Rights granted payable as cash in future periods[3]	
FY23 grant payable 50% in FY27 and 50% in FY28	$311,220
FY24 grant payable 50% in FY29 and 50% in FY30	$876,464
FY25 grant payable in FY31	$1,310,838
FY26 grant payable in FY32	$1,176,031
Annual Leave and KiwiSaver on Incentives[1]	$359,061

1 Employer Superannuation contribution on salary, Short-term and Long-term Incentive. Salary reflects the period 1 August 2025 to 30 April 2026 in his capacity as CEO. Annual Leave earned represents the growth in untaken annual leave during the period and annual leave entitlements on incentives.

2 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 Fonterra shareholders. No dividend payments or cash distributions are made on Farm Units. Amount above is exclusive of the final dividend for FY26 which will appear in FY27 earnings.

3 The amounts recognised in the table represent the fair value amounts earned in FY26 for the FY23, FY24, FY25, and FY26 grants, and also the effect of the Board's election to waive the remaining service period on the FY24, FY25, and FY26 grants. Further information on grants – including grant date, number of units and payment dates can be found on page 94.

Alignment Rights held by the former CEO as at 31 July 2026

Mr Hurrell has been awarded four grants under the Alignment Rights Plan. The tables below summarise the number of Co-op Units and Farm Units held at the end of FY25, the number granted during FY26 and the resulting balance at the end of FY26. No payments have been made relating to the Co-op Units and Farm Units included in the table below, 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).

The FY23 Alignment Rights service period has been completed and are no longer conditional on continued employment. The Board has exercised its discretion and elected to waive the remaining service period on the FY24, FY25 and FY26 Alignment Rights. Mr Hurrell's Alignment Rights are therefore no longer conditional on continued employment, however all grants will remain in place through to the payment dates set out in the tables below, supporting alignment of the former CEO's remuneration outcomes with our farmer shareholders' post-employment. No further grants will be made to the former CEO.

Co-op Unit

GRANT DATE[1]	PAYMENT DATE[1]	BALANCE AS AT 31 JULY 2025	UNITS GRANTED DURING FY26	UNITS PAID DURING FY26	BALANCE AS AT 31 JULY 2026	UNIT VALUE[2] AT GRANT	UNIT VALUE[2] AT PAYMENT
FY23 (Tranche 1)	FY27	101,298	–	–	101,298	2.82	–
FY23 (Tranche 2)	FY28	101,298	–	–	101,298	2.82	–
FY24 (Tranche 1)	FY29	124,226	–	–	124,226	2.38	–
FY24 (Tranche 2)	FY30	124,226	–	–	124,226	2.38	–
FY25	FY31	222,299	–	–	222,299	2.66	–
FY26	FY32	–	125,576	–	125,576	4.85	–
TOTAL[3]		**673,346**	**125,576**	**–**	**798,922**		

1 Grant dates are 1 October, and payment dates are as soon as practicable after 30 September of each applicable financial year.
2 Co-op Unit value is based on the 12-month Volume Weighted Average Price of a Co-operative Share.

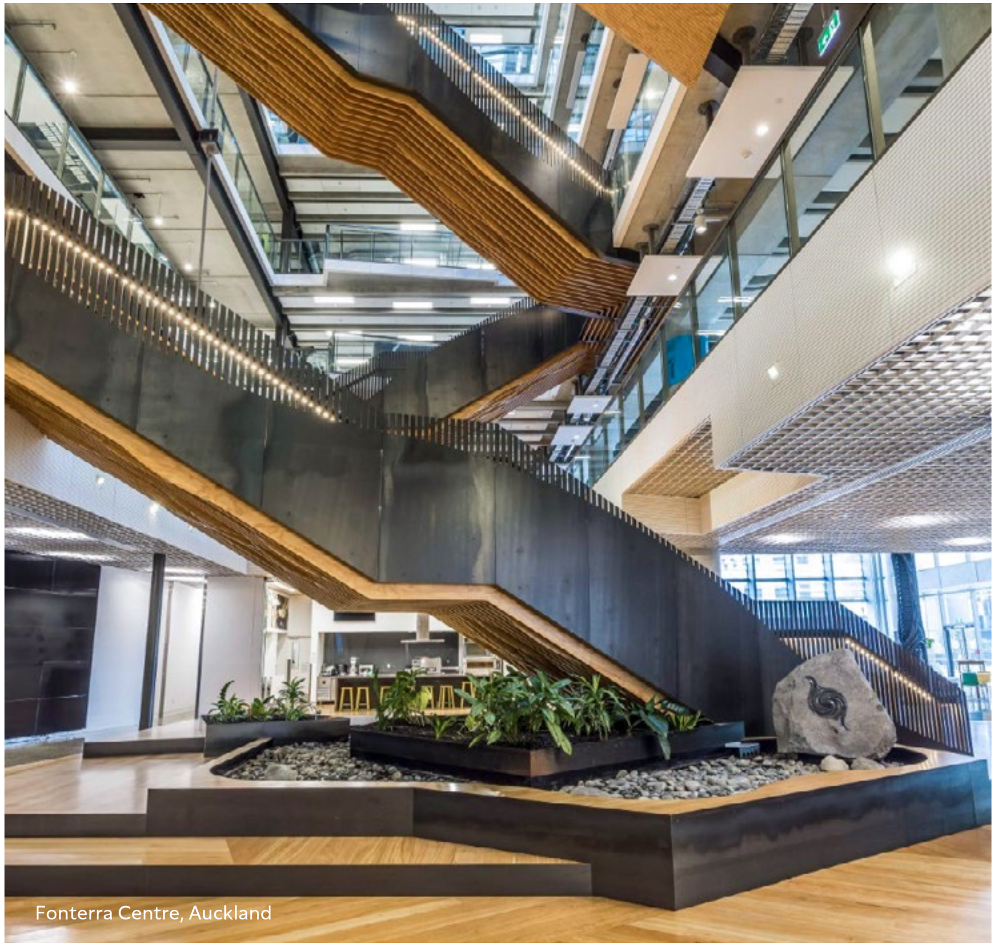
Farm Unit

GRANT DATE[1]	PAYMENT DATE[1]	BALANCE AS AT 31 JULY 2025	UNITS GRANTED DURING FY26	UNITS PAID DURING FY26	BALANCE AS AT 31 JULY 2026	UNIT VALUE[4] AT GRANT	UNIT VALUE[4] AT PAYMENT
FY23 (Tranche 1)	FY27	106	–	–	106	2,700	–
FY23 (Tranche 2)	FY28	106	–	–	106	2,700	–
FY24 (Tranche 1)	FY29	88	–	–	88	3,365	–
FY24 (Tranche 2)	FY30	88	–	–	88	3,365	–
FY25	FY31	171	–	–	171	3,454	–
FY26	FY32	–	183	–	183	3,337	–
TOTAL[3]		**558**	**183**	–	**740**		

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

Employee remuneration over $100,000

Fonterra operates in a number of countries where remuneration market levels differ widely. During the year ended 31 July 2026, 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:


Fonterra Centre, Auckland

REMUNERATION RANGE (NZD)		NEW ZEALAND HEAD OFFICE[1]	NEW ZEALAND REGIONAL[1]	OFFSHORE[2]	CESSATIONS[3]	TOTAL
$100,000	$110,000	52	808	45	342	1,247
$110,000	$120,000	43	1,415	62	351	1,871
$120,000	$130,000	37	1,681	35	259	2,012
$130,000	$140,000	38	1,195	42	217	1,492
$140,000	$150,000	60	672	37	159	928
$150,000	$160,000	46	505	39	99	689
$160,000	$170,000	36	625	38	74	773
$170,000	$180,000	44	283	55	64	446
$180,000	$190,000	33	159	29	52	273
$190,000	$200,000	41	136	23	33	233
$200,000	$210,000	43	101	29	39	212
$210,000	$220,000	21	77	21	29	148
$220,000	$230,000	35	70	17	19	141
$230,000	$240,000	30	49	22	21	122
$240,000	$250,000	30	38	19	13	100
$250,000	$260,000	29	29	19	17	94
$260,000	$270,000	17	20	17	13	67
$270,000	$280,000	15	17	16	14	62
$280,000	$290,000	16	11	16	17	60
$290,000	$300,000	12	14	12	13	51
$300,000	$310,000	13	9	11	9	42
$310,000	$320,000	8	5	16	8	37
$320,000	$330,000	11	9	9	6	35
$330,000	$340,000	10	6	10	8	34
$340,000	$350,000	9	1	7	9	26
$350,000	$360,000	7	4	7	7	25
$360,000	$370,000	4	4	8	8	24
$370,000	$380,000	2	5	4	4	15
$380,000	$390,000	2	9	7	8	26
$390,000	$400,000	10	3	5	1	19
$400,000	$410,000	3	1	5	2	11
$410,000	$420,000	1	3	6	3	13
$420,000	$430,000	3	2	8	1	14
$430,000	$440,000	3	0	7	3	13
$440,000	$450,000	3	1	6	2	12
$450,000	$460,000	1	1	0	3	5
$460,000	$470,000	4	3	0	2	9
$470,000	$480,000	4	0	2	2	8
$480,000	$490,000	1	2	5	2	10
$490,000	$500,000	2	0	2	2	6
$500,000	$510,000	1	0	4	2	7
$510,000	$520,000	1	1	4	2	8

REMUNERATION RANGE (NZD)		NEW ZEALAND HEAD OFFICE[1]	NEW ZEALAND REGIONAL[1]	OFFSHORE[2]	CESSATIONS[3]	TOTAL
$520,000	$530,000	0	0	0	2	2
$530,000	$540,000	1	0	2	4	7
$540,000	$550,000	2	0	2	1	5
$550,000	$560,000	1	0	1	3	5
$560,000	$570,000	1	0	2	1	4
$570,000	$580,000	0	0	2	2	4
$580,000	$590,000	1	0	1	2	4
$590,000	$600,000	1	0	0	2	3
$600,000	$610,000	1	0	1	2	4
$620,000	$630,000	0	0	2	0	2
$630,000	$640,000	0	1	1	0	2
$640,000	$650,000	0	0	0	2	2
$650,000	$660,000	0	0	1	2	3
$660,000	$670,000	1	0	1	2	4
$670,000	$680,000	1	0	2	1	4
$680,000	$690,000	1	0	3	0	4
$690,000	$700,000	0	0	1	1	2
$700,000	$710,000	1	0	1	0	2
$710,000	$720,000	1	0	1	0	2
$720,000	$730,000	0	0	2	1	3
$730,000	$740,000	2	0	2	0	4
$740,000	$750,000	1	0	0	1	2
$750,000	$760,000	0	0	2	1	3
$760,000	$770,000	0	0	2	1	3
$770,000	$780,000	1	0	1	0	2
$780,000	$790,000	0	1	0	0	1
$790,000	$800,000	2	0	1	0	3
$800,000	$810,000	1	0	0	2	3
$810,000	$820,000	1	0	1	1	3
$820,000	$830,000	1	0	1	1	3
$840,000	$850,000	0	0	0	2	2
$850,000	$860,000	0	0	0	1	1
$860,000	$870,000	1	0	0	0	1
$870,000	$880,000	0	1	0	0	1
$880,000	$890,000	0	0	0	1	1
$910,000	$920,000	1	0	0	0	1
$940,000	$950,000	1	0	0	0	1
$950,000	$960,000	0	0	0	1	1
$960,000	$970,000	1	0	0	0	1
$970,000	$980,000	0	0	1	0	1
$980,000	$990,000	1	0	1	0	2
$990,000	$1,000,000	1	0	1	0	2

REMUNERATION RANGE (NZD)		NEW ZEALAND HEAD OFFICE[1]	NEW ZEALAND REGIONAL[1]	OFFSHORE[2]	CESSATIONS[3]	TOTAL
$1,000,000	$1,010,000	1	0	0	0	1
$1,010,000	$1,020,000	0	0	0	1	1
$1,030,000	$1,040,000	0	0	0	1	1
$1,070,000	$1,080,000	0	0	0	1	1
$1,080,000	$1,090,000	1	0	1	0	2
$1,110,000	$1,120,000	0	0	1	2	3
$1,130,000	$1,140,000	1	0	0	0	1
$1,170,000	$1,180,000	1	0	0	0	1
$1,200,000	$1,210,000	0	0	1	1	2
$1,210,000	$1,220,000	1	0	0	0	1
$1,240,000	$1,250,000	0	1	0	0	1
$1,250,000	$1,260,000	0	0	1	0	1
$1,630,000	$1,640,000	0	1	0	0	1
$1,660,000	$1,670,000	0	0	1	0	1
$1,700,000	$1,710,000	0	0	1	0	1
$1,920,000	$1,930,000	0	0	1	0	1
$1,980,000	$1,990,000	1	0	0	0	1
$2,010,000	$2,020,000	0	0	1	0	1
$2,190,000	$2,200,000	1	0	0	0	1
$2,260,000	$2,270,000	1	0	0	0	1
$2,430,000	$2,440,000	0	0	1	0	1
$2,440,000	$2,450,000	1	0	0	0	1
$2,630,000	$2,640,000	1	0	0	0	1
$2,800,000	$2,810,000	0	0	0	1	1
$3,030,000	$3,040,000	0	0	0	1	1
$3,980,000	$3,990,000	0	0	0	1	1
$5,160,000	$5,170,000	0	0	1	0	1
$8,820,000	$8,830,000	1	0	0	0	1
Totals		820	7,979	775	1,988	11,562

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.

Employees included in the Mainland Dairy business divested part way through the financial year are included in the Cessations column.

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	898
Bay of Plenty	347
Canterbury	1,348
Manawatu-Wanganui	568
Northland	426
Rest of New Zealand	207
Southland	602
Taranaki	1,381
Waikato	3,022
Grand Total	**8,799**

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	29
Europe	126
Greater China	334
Latin America	15
New Zealand	8,799
Rest of Asia	170
Rest of World	27
United States	74
Cessations[3]	1,988
Grand Total	**11,562**

Director remuneration

The Directors' Remuneration Committee, comprising six shareholders elected in accordance with the Constitution, considers and recommends the form and amount of Directors' remuneration to shareholders for their approval. Given this arrangement, we do not have a specific policy for remuneration of Directors.

The members of the Directors' Remuneration Committee as at 31 July 2026 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.

Historically, only Elected Director remuneration was approved by shareholders, and the Board remunerated Appointed Directors at the same level as Elected Directors, in line with Directors' Remuneration Committee recommendations. Since Fonterra's move to the NZX Main Board, the remuneration of all Directors is now recommended to shareholders for approval by the Directors' Remuneration Committee. In accordance with the waiver granted by NZ RegCo dated 17 December 2024, shareholders ratified the remuneration of Appointed Directors between the date Fonterra migrated to the NZX Main Board and the date of the 2025 Annual Meeting.

At the Annual Meeting on 11 December 2025, shareholders approved, in accordance with the recommendations of the Directors' Remuneration Committee, the following amounts of remuneration to apply to Directors from that date onwards:

	NZD
Chair	513,000 per annum
Director	208,000 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)	40,000 per annum
Discretionary additional payment to the Chair of the Audit, Finance and Risk Committee	55,000 per annum
Discretionary pool for remuneration of additional duties, workload and responsibilities	200,000 per annum in aggregate

Allocation of the discretionary pool of $200,000 per annum is at the discretion of the People, Culture and Safety Committee and the Chair of the Board and is reported annually to the Directors' Remuneration Committee. In FY26, the People, Culture and Safety Committee and the Chair of the Board approved the following payments from the discretionary pool:

- a payment to John Nicholls to recognise his additional workload as a member of three or more Board Committees (excluding Board Committees for which he collected a Chair fee);
- 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;
- a payment to Alison Watters to recognise her additional workload as Chair of the Governance Development Committee;
- payments to Cathy Quinn, Brent Goldsack, Bruce Hassall and Holly Kramer to recognise the additional workload associated with Committee oversight of the divestment of Mainland Group (our global consumer and related businesses).

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 FY26 are below:

	NZD			
	BOARD FEES	COMMITTEE CHAIR FEES	DISCRETIONARY POOL	TOTAL REMUNERATION
Alistair Field[1]	205,323	0	15,000	220,323
Brent Goldsack	205,823	0	15,000	220,823
Bruce Hassall (Chair of the Audit, Finance and Risk Committee)	205,823	54,274	30,000	290,097
Holly Kramer[1] (Chair of the People, Culture and Safety Committee)	205,323	39,331	30,000	274,654
Andy Macfarlane (Chair of the Disclosure Committee)[2]	75,879	14,462	0	90,342
Peter McBride (Chair of the Board of Directors)	507,558	0	0	507,558
John Nicholls (Chair of the Co-operative Relations Committee)	205,823	39,456	20,000	265,279
Michelle Pye[3]	132,267	0	0	132,267
Cathy Quinn (Chair of the Strategic Review Committee and Disclosure Committee)[4]	205,823	39,456	40,000	285,279
Alison Watters[5]	205,823	22,789	20,000	248,612

1 Mr Field's fees and Ms Kramer's fees vary for this period due to their remuneration being received a month in arrears.
2 Mr Macfarlane ceased to be a Director in December 2025.
3 Ms Pye commenced as a Director in December 2025.
4 Ms Quinn commenced as Chair of the Disclosure Committee in February 2026.
5 Ms Watters ceased to be Chair of the Sustainability and Innovation Committee in February 2026 when the Committee was disestablished.

Directors' Disclosures

Disclosures of Directors' interests

The Directors have made the following general disclosures of interest during FY26. Italicised positions represent interests that were notified to us in FY26 as having ceased.

DIRECTOR	INTEREST
Brent Goldsack	
Foodstuffs South Island Limited	Director
Foodstuffs (South Island) Properties Limited	Director
Institute of Directors, Chapter Zero New Zealand Steering Committee	Member
Murdoch Manufacturing Limited	Director
Waiterra Estate Limited	Indirect Interest
Bruce Hassall	
Oxbury New Zealand Limited	Director
Holly Kramer	
Telstra Group Limited	Independent Non-Executive Director
Norfolk Associates (notified in February 2026 as ceased)	*Member*
Woolworths Group Limited (notified in November 2025 as ceased)	*Independent Non-Executive Director*
Peter McBride	
Ellett Beach Farms Joint Venture (notified in January 2026 as ceased)	*Managing Director*
Sydney Markets Limited (notified in December 2025 as ceased)	*Chair*

DIRECTOR	INTEREST
Michelle Pye	
Barnscroft Dairy Limited	Director and Shareholder
Cloverdene Dairy Limited	Director and Shareholder
Dialan Dairy Limited	Director and Shareholder
FSF Management Company Limited	Director
Grantlea Dairy Limited	Director and Shareholder
Highfield Farm Holdings Limited	Director and Shareholder
Hororata Pastures Limited	Director and Shareholder
L J & M L Pye Trust	Trustee and Beneficiary
Long Lane Farm Limited	Director and Shareholder
Mildara Pastures Limited	Director and Shareholder
Potato Seed Co-operative Limited	Chair and Director
Potato Seed Storage Limited	Director
Potatoes New Zealand	Board Member
Pye Group Limited	Director and Shareholder
Pye Property Trust	Trustee and Beneficiary
Pye Trustees Limited	Director and Shareholder
Riverton Pastures Limited	Indirect Shareholder
South Park Farm Limited	Director and Shareholder
South Stream Dairy Limited	Director and Shareholder
Straven Dairy Limited	Director and Shareholder
Timaru District Council	Councillor and Committee Member
Two Chain Dairy Limited	Director and Shareholder
Cathy Quinn	
Fertility Associates (notified in April 2026 as ceased)	*Chair and Director*
University of Auckland Council (notified in March 2026 as ceased)[1]	*Pro-Chancellor*

1 Cathy Quinn continues to be a member of the University of Auckland Council.

Use of information by Directors

During FY26, 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

The following new disclosures of holdings of Fonterra securities were made by Directors during FY26.

DIRECTOR	TYPE OF SECURITY	TOTAL NUMBER OF SECURITIES	DATE DISCLOSED
Michelle Pye	Co-operative Shares	4,141,445	17/12/2025 (Initial Disclosure)

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 FY26 as follows:

Co-operative Shares transactions

DIRECTOR	NUMBER OF SECURITIES ACQUIRED / (DISPOSED)	CONSIDERATION (NZD)	DATE OF TRANSACTION
Andy Macfarlane	120,000	702,000	19 December 2025
	20,000	117,400	22 December 2025
	20,000	119,000	23 December 2025
	1,000	6,043	21 January 2026
	7,000	42,070	22 January 2026
	6,000	35,760	27 January 2026
	11,000	65,560	30 January 2026
	10,000	60,100	5 February 2026
	13,000	80,600	25 February 2026
	39,000	241,800	3 March 2026
	13,000	81,380	4 March 2026
	13,000	81,380	5 March 2026
	10,000	62,400	6 March 2026
	160	995	19 March 2026
	540	3,359	20 March 2026
	10,000	62,300	26 March 2026
	7,300	45,756	26 March 2026
	50,000	308,500	31 March 2026
	8,209	49,500	2 April 2026
	21,791	132,925	7 April 2026
Peter McBride	101,648	596,674	23 December 2025
	198,352	1,177,080	24 December 2025

Unit transactions

DIRECTOR	NUMBER OF SECURITIES ACQUIRED / (DISPOSED)	CONSIDERATION (NZD)	DATE OF TRANSACTION
Andy Macfarlane[1]	(20,000)	166,400	19 December 2025
	(17,187)	142,155	22 December 2025
	(30)	248	6 January 2026
	(5,000)	40,750	20 January 2026
	(5,000)	40,750	26 January 2026
	(6,545)	53,473	29 January 2026
	(1,455)	11,915	30 January 2026
	(613)	4,965	3 February 2026
	(4,226)	34,526	25 February 2026
	(5,774)	47,289	27 February 2026
	(10,000)	82,000	2 March 2026
	(20,000)	164,000	3 March 2026
	(10,000)	81,900	4 March 2026
	(17,894)	149,415	5 March 2026

1 Andy Macfarlane ceased as a Director in December 2025. Directors remain subject to the disclosure requirements for relevant interests in quoted financial products, and dealings in relevant interests of quoted financial products, for six months after ceasing to hold office.

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 2026:

DIRECTOR	FSF UNITS	CO-OPERATIVE SHARES
Brent Goldsack	3,493	409,843
Peter McBride	129,713	809,730
John Nicholls	–	2,083,000
Michelle Pye	–	4,141,445
Cathy Quinn	–	819,280
Alison Watters	9,317	234,737

To be eligible to be an Elected Director under the Fonterra Constitution, a person must have a direct or indirect interest in a shareholder that supplies milk to the Co-operative, which comprises either a direct or indirect legal or beneficial interest in a shareholder (including as a beneficiary of a trust), or a right or entitlement to participate (directly or indirectly) in the distributions of or made by that shareholder. This includes a supplying shareholder, a shareholder of a company that is a supplying shareholder, or a member of a partnership that is a supplying shareholder.

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 2026[1]

REGISTERED NAME	NUMBER OF SHARES	%
Fonterra Farmer Custodian Limited - Fund	107,410,984	6.67
Fortuna Group Limited	5,073,359	0.31
Fonterra Farmer Custodian Limited - Market Makers[2]	3,158,928	0.20
Premier Dairies Limited	2,131,483	0.13
NZ Rural Property Trust Nominees Limited - Shenstone	1,644,026	0.10
Willara Farm Limited	1,390,791	0.08
Turney Farms Limited	1,340,000	0.08
Trinity Lands Limited	1,320,614	0.08
Lyndhurst Farm Limited	1,309,334	0.08
Align Farms Limited	1,307,622	0.08
Turney Farms Limited	1,281,802	0.07
NZ Rural Property Trust Nominees Limited - Rocklea	1,278,754	0.07
Raymond Ford Seebeck	1,232,978	0.07
Hawken Farm Limited	1,202,563	0.07
Anne Maureen Janson & Carrol Garth Janson	1,200,000	0.07
Hughes-Crowley Company Limited	1,178,525	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
NZ Rural Property Trust Nominees Limited - Penshurst	1,158,524	0.07
Twin Terraces Limited	1,150,667	0.07

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 as at 31 July 2026

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 – 50,000	1,690	17.72	42,035,085	2.61
50,001 – 100,000	2,352	24.66	179,441,199	11.15
100,001 – 200,000	3,025	31.71	430,301,832	26.74
200,001 – 400,000	1,922	20.15	528,470,119	32.84
400,001 and over	549	5.76	428,942,320	26.66
Total	**9,538**	**100**	**1,609,190,555**	**100**

Substantial product holders as at 31 July 2026

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

SUBSTANTIAL PRODUCT HOLDER	NUMBER OF VOTING SECURITIES AS AT 31 JULY 2026	DATE OF MOST RECENT NOTICE
Fonterra Farmer Custodian Limited	110,569,912	30 July 2018
FSF Management Company Limited	107,410,984	30 July 2018

The total number of Co-operative shares on issue as at 31 July 2026 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 FCG060 $300 million retail bonds as at 31 July 2026

REGISTERED NAME	NUMBER OF BONDS	%
New Zealand Central Securities Depository Limited	162,266,000	54.08
Custodial Services Limited	62,708,000	20.90
FNZ Custodians Limited	33,087,000	11.02
Forsyth Barr Custodians Limited	11,678,000	3.89
JBWere (NZ) Nominees Limited	5,099,000	1.69
Dunedin City Council	4,000,000	1.33
NZX WT Nominees Limited	2,881,000	0.96
FNZ Custodians Limited	2,081,000	0.69
Investment Custodial Services Limited	1,844,000	0.61
Forsyth Barr Custodians Limited	1,838,000	0.61
JBWere (NZ) Nominees Limited	849,000	0.28
JBWere (NZ) Nominees Limited	823,000	0.27
Charles Thomas Holbrook Ashworth	700,000	0.23
Custodial Services Limited	658,000	0.21
FNZ Custodians Limited	600,000	0.20
Robert Ernest Poole & Clare Louise Poole	600,000	0.20
McMillan Nominees Limited	500,000	0.16
The Malaghan Institute of Medical Research Trust Board	450,000	0.15
FNZ Custodians Limited	310,000	0.10
Custodial Services Limited	300,000	0.10

Distribution of FCG060 $300 million retail bond holders as at 31 July 2026

SIZE OF HOLDING	NUMBER OF BONDHOLDERS	%	NUMBER OF BONDS	%
1 – 50,000	134	74.04	3,093,000	1.03
50,001 – 100,000	16	8.84	1,365,000	0.46
100,001 – 200,000	7	3.87	1,120,000	0.37
200,001 – 400,000	6	3.31	1,760,000	0.59
400,001 and over	18	9.94	292,662,000	97.55
Total	**181**	**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 20 August 2026 that Fonterra was, for FY26, 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; or
  - 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.

Effective 1 June 2026, Fonterra ceased its engagement with Fitch Ratings, reflecting our continued focus on operating as a simpler business.

The FCG060 retail bond is rated the same as Fonterra's long-term rating by S&P Global Ratings.

Stock exchange listings

Fonterra's Co-operative shares are listed and quoted on the NZX Main Board operated by 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.

Fonterra has one retail bond listed and quoted on the NZX Debt Market (NZDX) under the code 'FCG060'. Fonterra also has a Euro Medium Term Note Programme listed on the Singapore Stock Exchange.

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 2026 are available on our website and on the NZX website.

NZX trading halts

NZ RegCo placed Fonterra's Co-operative shares (FCG) into a halt status for the duration of Friday 20 February 2026, due to an NZX system error. Trading on FCG shares resumed at 10am on Monday 23 February 2026.

Donations

Donations of $1,119,016 were made by Fonterra and its subsidiaries during FY26.

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 35.

Subsidiary company directors

The following companies were subsidiaries of Fonterra as at 31 July 2026. 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, A L Palairet, P D Wynen (R)
Dairy Industry Superannuation Scheme Trustee Limited	M A Apiata-Wade, B J Kerr (R), T P McGuinness, S E Pinny (R), R T Price, E Y M A El Shall, K Shirley, P D Wynen
Fonterra (Delegated Compliance Trading Services) Limited	G A Duncan (R), S J Reid, R T Whiteman
Fonterra (International) Limited	G A Duncan (R), R R Kumar, R T Whiteman
Fonterra (Kotahi) Limited	M R Cronin (R), A B Murray, A L Palairet
Fonterra (Middle East) Limited	G A Duncan (R), D J V Griffiths, R T Whiteman
Fonterra (New Zealand) Limited	G A Duncan (R), D J V Griffiths, R T Whiteman
Fonterra (North Asia) Limited	G A Duncan (R), S J Reid, R T Whiteman
Fonterra Commodities Limited	G A Duncan (R), R R Kumar, D McGowan
Fonterra Equities Limited	G A Duncan (R), S J Reid, R T Whiteman
Fonterra Finance Corporation Limited	G A Duncan (R), S J Reid, R T Whiteman
Fonterra Ingredients Limited	G A Duncan (R), D J V Griffiths, B T L Morar
Fonterra LATAM Brands Limited	G A Duncan (R), J B Nichols, S O'Connor
Fonterra Limited	C K Kane, A L Palairet
Fonterra PGGRC Limited	G A Duncan (R), J P Hill, S J Reid
Fonterra TM Limited	G A Duncan (R), D J V Griffiths, S J Reid
Glencoal Energy Limited	G A Duncan (R), B T L Morar, A L Palairet, P D Wynen (R)
Ki Tua Fund GP Limited	R Barrangou, M R Cronin, W F Liao, K Mistry-Mehta (R), A B Murray
Kotahi GP Limited	D J Courtney (R), M R Cronin (R), N C Johnston, A B Murray, A L Palairet, R T Whiteman
Kowbucha Limited	M J Bolger, J P Hill, K Mistry-Mehta (R)
Lactanol Limited	G A Duncan (R), B T L Morar, S G Nelson
Milktest GP Limited	P G Brown, E D Morrison, C J Rutherford, R G Townshend, P J van Boheemen, A J Wicks, T A Winter (R)
MyMilk Limited	M J Bolger, M R Cronin (R), K F Shaw
NZAgbiz Limited	A Douglas, G A Duncan (R), S J Reid
RD1 Limited	A Douglas, G A Duncan (R), S J Reid
SAITL Limited	E D Morrison, A J Wicks, T A Winter (R)
Whareroa Co-Generation Limited	L Afzal, G A Duncan (R), B T L Morar, P D Wynen (R)

OVERSEAS	
Fonterra (Brasil) Limitada [Brazil]	R F Aracil Filho, B de Luca Zanatta
Fonterra (Canada), Inc. [Canada]	R J Allen (R), G A Duncan (R), A Geraghty, B Johnston, B Kipping (R), S O'Connor
Fonterra (China) Limited [Hong Kong]	A Aggarwal, M R Cronin (R), G A Duncan (R), R T Whiteman
Fonterra (Europe) Coöperatie U.A. [Netherlands]	S L Adams, G Amade, G A Duncan (R), H Hussein, D Krabbe, S O'Connor, M van de Poll
Fonterra (France) SAS [France]	M Bones (R), M van de Poll
Fonterra (Ing.) Limited [Mauritius]	A Aggarwal, R J Allen, G J Lee, K Lee, Y P Lee, M Ping
Fonterra (Japan) Limited [Japan]	R J Allen (R), G Amade, K Kumagai, K Kumagai, T Kunimoto, S O'Connor, A Okuyama, R T Whiteman (R)
Fonterra (Korea) Limited Liability Company [Korea]	G A Duncan (R), T Kunimoto, S O'Connor
Fonterra (Logistics) Limited [United Kingdom]	G A Duncan (R), T J Mackett, S O'Connor, M van de Poll
Fonterra (Malaysia) Sdn Bhd [Malaysia] (previously Anmum (Malaysia) Sdn Bhd)	A Aggarwal, R J Dedoncker (R), P Quah, F Quak (R), G Thiagarajan (R), S W Yeo (R)
Fonterra (Mexico) S.A. de C.V. [Mexico]	L Barona Mariscal (A), F R Camacho (A), J A Del Rio, G A Duncan (R), A Geraghty
Fonterra (SEA) Pte. Limited [Singapore]	B K Connolly (R), R Lawn (R), A Lyall, S O'Connor
Fonterra (Thailand) Limited [Thailand]	L Boonsong, R Lawn, P Prasitvittayakun, K Vunthanadit
Fonterra (USA) Inc. [United States]	N R Christiansen, G A Duncan (R), A Geraghty, B Johnston, S O'Connor
Fonterra Brands (Far East) Limited [Hong Kong]	A Aggarwal, G A Duncan (R), R T Whiteman
Fonterra Brands (Guangzhou) Limited [China] (in liquidation)	T T Lye, P A Turner, K A Wickham
Fonterra Brands (Hong Kong) Limited [Hong Kong]	A Aggarwal, G A Duncan (R), S T Y Lam (R), M Lau, R T Whiteman
Fonterra Brands (New Young) Pte. Ltd. [Singapore]	A Aggarwal, Y Li (R), C Lin, Y Lin, J Ling, S Mantry, A Maude
Fonterra Chile SpA [Chile]	G A Duncan (R), J P Egaña Bertoglia (A), D J V Griffiths, R Lavados McKenzie (A)(R), J B Nichols, A Saffie Vega (A), R Sepúlveda Seminario, G V Varela Alfonso (A)
Fonterra Commercial Trading (Shanghai) Company Limited [China]	A Aggarwal, J Dai, G A Duncan (R), R T Whiteman

OVERSEAS	
Fonterra Dairy Products Philippines Incorporated [Philippines]	K Chong, J M D Concepcion (R), R J Dedoncker (R), C H M Matute, A J T Punongbayan, P S Tan
Fonterra Egypt Limited [Egypt] (in liquidation)	G A Duncan
Fonterra Europe Manufacturing B.V. [Netherlands]	H Hussein, I Jameel, D Krabbe, B T L Morar (R)
Fonterra India Private Limited [India] (in liquidation)	A Aggarwal, H D Gowans, S G Mathews
Fonterra Insurance Pte. Limited [Singapore] (previously Anchor Insurance Pte. Limited)	L G Bird, G A Duncan (R), N S H Elvina (A), H N Toh (A)(R), N Weerasooriya (R), R T Whiteman, A Wicks
Fonterra Investments Pty Limited [Australia]	R J Dedoncker (R), G A Duncan (R), N Graham, D J V Griffiths
Fonterra Microbiome Research Centre (Ireland) Limited [Ireland]	S Allan (R), M A J Birken, D Krabbe, S J Reid
Fonterra Vietnam Company Limited [Vietnam]	D Cao, K Chong, T A Pham
Key Ingredients, Inc. [United States]	N R Christiansen, G A Duncan (R), A Geraghty, B Johnston, S O'Connor
Kotahi Logistics Australia Pty Limited [Australia]	N Graham, R Howell (R), K Paddy (R), E Parsons, D Ross
Milk Products Holdings (North America) Inc. [United States]	N R Christiansen, A Geraghty, B Johnston
New Tai Milk Products Co. Ltd. [Taiwan]	A Aggarwal (R), R J Allen, G Lee, K Lee, Y P Lee, Y Li, S O'Connor
New Zealand Milk (Barbados) Ltd. [Barbados]	N R Christiansen, G A Duncan (R), R T Whiteman
New Zealand Milk Products (Ethiopia) SC [Ethiopia] (in liquidation)	A B Abubeker, M B Abubeker, G Amade, H Hussein
PT Fonterra Brands Indonesia [Indonesia]	R Budiyanti (R), D M Irfani (R), A J T Punongbayan (R), J Sun, Y Wigneswaran (R), A Yusup

In this section

Financial Statements

Waimakariri Gorge Bridge, Canterbury

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 2026;
- 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 112 to 163 present fairly in all material respects:

- the Group's financial position as at 31 July 2026 and its financial performance and cash flows for the year ended on that date; and
- in accordance with New Zealand Equivalents to International Financial Reporting Standards (**NZ IFRS**) issued by the New Zealand Accounting Standards Board and the International Financial Reporting Standards 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 provided other services to the Group in relation to climate related assurance, farmgate milk price assurance, assurance over the compilation of pro forma information in the Notice of Special Meeting of Shareholders relating to the sale of Mainland Group Holdings Limited and its subsidiaries ("the Mainland Group") and a review engagement over certain elements of the completion accounts for the sale of the Mainland Group to B.S.A. SAS ("Lactalis"). 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

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the industry, centralised nature of operations, risk profile of countries where the Group operates, financial reporting processes, and any changes in Group structure. We also considered the financial significance of each business unit together with any local statutory audit requirements.

The materiality levels applied to business units in scope were determined by reference to the risk profile and size of each business unit concerned.

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 $70 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.

Independent Auditor's Report CONTINUED

KPMG

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 revenue recognition from contracts with key customers and distributors to be a key audit matter due to: – the significance of the Group's revenue of $27.4 billion, including $2.0 billion presented within discontinued operations, 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 core ERP system and specific Mainland Group entities prior to the divestment (in total representing 88% 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, including the long-term supply arrangements with the Mainland Group, 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
Divestment of Mainland Group	
Refer to Note 2 to the financial statements. On 31 March 2026 the Group completed divestment of the Mainland Group to Lactalis for $4.5 billion. The transaction resulted in the recognition of a gain on sale of $1.25 billion after disposal of net assets adjusted for completion adjustments and specific items provided for in the sale and purchase agreement. The Mainland Group has been classified as a discontinued operation and its results, cash flows, and gain on disposal have been presented separately from the Group's continuing operations in the consolidated financial statements. We consider the divestment of the Mainland Group to be a key audit matter due to the significance of the transaction and its impact on the financial statements. The accounting for the disposal involved complex and judgemental considerations in determining the gain on sale. In addition, significant judgement was required in determining the appropriate classification and presentation of the Mainland Group as a discontinued operation, including the identification of assets, liabilities, income, expenses and cash flows attributable to the disposed business and the related disclosures required in the financial statements.	Our audit procedures included: – assessing management's technical analysis that the adjustments included in the gain on sale calculation are appropriate and in accordance with NZ IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and NZ IFRS 10 Consolidated Financial Statements; – evaluating whether the assets and liabilities had been appropriately separated to reflect the perimeter of the disposal group prior to divestment; – evaluating the split of income and expenses between continuing and discontinued operations, considering relationships that will continue with the new owner after disposal; – evaluating the presentation of the disposal and discontinued operations in consolidated financial statements of the Group, including the completeness of relevant disclosures and restatement of comparative information relating to discontinued operations. We have completed these procedures and have no matters to report concerning the determination of the gain on sale and presentation of discontinued operations.

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 as part of the engagement to audit the Group's consolidated financial statements.

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 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 the International Financial Reporting 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

23 September 2026

Consolidated Statement of Financial Position

AS AT 31 JULY
($ MILLION)

	NOTES	2026	2025[1]
ASSETS			
Current assets			
Cash and cash equivalents		**947**	309
Trade and other receivables	18b,20	**1,841**	1,462
Inventories	9	**4,074**	4,204
Derivative financial instruments		**256**	294
Mainland Group post completion adjustments receivable	2a	**160**	–
Other assets	13	**113**	73
Assets held for sale	2b	**6**	3,815
Total current assets		**7,397**	10,157
Non-current assets			
Inventories	9	**48**	68
Property, plant and equipment	11	**6,019**	5,595
Intangible assets	12	**827**	818
Deferred tax assets	17b	**58**	113
Derivative financial instruments		**255**	364
Other assets	13	**508**	411
Total non-current assets		**7,715**	7,369
Total assets		**15,112**	17,526

The Board approved and authorised for issue these Consolidated Financial Statements on 23 September 2026.

For and on behalf of the Board:

Peter McBride
Chairman

Bruce Hassall
Director

	NOTES	2026	2025[1]
LIABILITIES			
Current liabilities			
Bank overdraft		**37**	30
Borrowings	6	**564**	470
Trade and other payables	10,18b	**4,820**	4,112
Tax payable		**252**	391
Derivative financial instruments		**144**	157
Provisions	14	**175**	109
Other liabilities	15	**249**	40
Liabilities held for sale	2b	**–**	969
Total current liabilities		**6,241**	6,278
Non-current liabilities			
Borrowings	6	**2,283**	2,668
Trade and other payables	10,18b	**74**	75
Derivative financial instruments		**76**	65
Deferred tax liabilities	17b	**107**	34
Provisions	14	**65**	62
Total non-current liabilities		**2,605**	2,904
Total liabilities		**8,846**	9,182
Net assets		**6,266**	8,344
EQUITY			
Subscribed equity	4	**1,815**	5,064
Retained earnings		**4,364**	3,007
Foreign currency translation reserve	21a	**5**	158
Hedge reserves	21a	**(26)**	11
Other reserves		**24**	11
Non-controlling interests		**84**	93
Total equity		**6,266**	8,344

1 Comparative information includes re-presentations for consistency with the current period.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 JULY
($ MILLION)

	NOTES	2026	2025[1]
Revenue from sale of goods	1	**25,398**	24,052
Cost of goods sold	3a	**(21,619)**	(20,797)
Gross profit		**3,779**	3,255
Other operating income		**86**	104
Foreign exchange (losses)/gains		**(6)**	9
Operating expenses	3a	**(1,861)**	(1,802)
Net finance costs	7	**(166)**	(184)
Profit before tax from continuing operations		**1,832**	1,382
Tax expense	17	**(486)**	(369)
Profit after tax from continuing operations		**1,346**	1,013
Profit after tax from discontinued operations	2c	**1,262**	66
Profit after tax		**2,608**	1,079
Cash flow hedges and other costs of hedging, net of tax	21a	**(37)**	83
Net investment hedges and translation of foreign operations, net of tax	21a	**120**	38
Foreign currency translation reserve losses transferred to profit or loss	2b,21a	**(273)**	(7)
Total items that may be reclassified subsequently to profit or loss		**(190)**	114
Total items that will not be reclassified subsequently to profit or loss		**1**	(4)
Total other comprehensive (expense)/income		**(189)**	110
Total comprehensive income		**2,419**	1,189
Earnings per share attributed to equity holders of the Co-operative			
Basic and diluted earnings per share from continuing operations ($)		**0.81**	0.61
Basic and diluted earnings per share from discontinued operations ($)		**0.79**	0.04
Total basic and diluted earnings per share ($)		**1.60**	0.65
Weighted average number of shares (thousands of shares)		**1,606,584**	1,606,895

1 Comparative information includes re-presentations for consistency with the current period.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 JULY
($ MILLION)

The Statement of Cash Flows presents the total Group cash flows including continuing and discontinued operations.

	NOTES	2026	2025[1]
Cash flows from operating activities			
Profit after tax		**2,608**	1,079
Adjustments for:			
Net finance costs		**166**	184
Tax expense		**648**	467
Depreciation and amortisation		**525**	635
Gain on sale of the Mainland Group	2a	**(1,250)**	–
Gain on sale of other businesses		**(7)**	(8)
Other		**52**	70
Total adjustments		**134**	1,348
Decrease/(increase) in working capital and other operating activities	16	**601**	(376)
Net taxes paid		**(692)**	(91)
Net cash flows from operating activities		**2,651**	1,960
Cash flows from investing activities			
Proceeds relating to the Mainland Group divestment	2c	**4,047**	–
Proceeds relating to other divestments	2c	**40**	8
Other cash inflows		**30**	14
Acquisition of property, plant and equipment		**(884)**	(650)
Acquisition of intangible assets		**(137)**	(50)
Acquisition of investments		**(31)**	(20)
Other cash outflows		**(79)**	–
Net cash flows from investing activities		**2,986**	(698)

	NOTES	2026	2025[1]
Cash flows from financing activities			
Proceeds from borrowings		**4,257**	5,848
Other cash inflows		**–**	28
Repayment of borrowings		**(4,654)**	(6,044)
Capital return paid	4	**(3,213)**	–
Dividends paid		**(1,248)**	(1,026)
Interest paid		**(202)**	(197)
Share buyback	4	**(36)**	–
Net cash flows from financing activities		**(5,096)**	(1,391)
Net increase/(decrease) in cash		**541**	(129)
Opening cash		**373**	498
Effect of exchange rate changes		**(4)**	4
Closing cash		**910**	373
Reconciliation of closing cash to the Statement of Financial Position			
Cash and cash equivalents		**947**	309
Bank overdraft		**(37)**	(30)
Cash balances included in assets and liabilities held for sale	2b	**–**	94
Closing cash		**910**	373

1 Comparative information includes re-presentations for consistency with the current period.

Consolidated 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[1]	FOREIGN CURRENCY TRANSLATION RESERVE	HEDGE RESERVES	OTHER RESERVES	NON-CONTROLLING INTERESTS	TOTAL EQUITY[1]
As at 1 August 2025		**5,064**	**3,007**	**158**	**11**	**11**	**93**	**8,344**
Profit after tax		**–**	**2,568**	**–**	**–**	**–**	**40**	**2,608**
Other comprehensive income/(expense)		**–**	**–**	**(153)**	**(37)**	**10**	**(9)**	**(189)**
Total comprehensive income		**–**	**2,568**	**(153)**	**(37)**	**10**	**31**	**2,419**
Transfer between reserves		**–**	**(3)**	**–**	**–**	**3**	**–**	**–**
Transactions with equity holders:								
Dividends paid	5	**–**	**(1,208)**	**–**	**–**	**–**	**(40)**	**(1,248)**
Capital return paid	4	**(3,213)**	**–**	**–**	**–**	**–**	**–**	**(3,213)**
Additional treasury shares	4	**(36)**	**–**	**–**	**–**	**–**	**–**	**(36)**
As at 31 July 2026		**1,815**	**4,364**	**5**	**(26)**	**24**	**84**	**6,266**
As at 1 August 2024		5,064	2,966	127	(72)	20	76	8,181
Profit after tax		–	1,038	–	–	–	41	1,079
Other comprehensive income/(expense)		–	–	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	3,007	158	11	11	93	8,344

1 Comparative information includes re-presentations for consistency with the current period.

Basis of Preparation

FOR THE YEAR ENDED 31 JULY 2026

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 and Foodservice channels. The Group's Consumer and associated businesses were classified as a disposal group held for sale at 31 July 2025 and the Mainland Group was sold on 31 March 2026 (and has been presented as a discontinued operation in these Financial Statements as described 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 19 *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

There has been a number of re-presentations of comparatives in these Financial Statements for consistency with the current year's treatment, including:

- In the Statement of Profit or Loss and Other Comprehensive Income, discontinued operations for the comparative period has been re-presented to reflect the final perimeter of the Mainland Group sale in March 2026 (with an offsetting impact on continuing operations). Refer to Note 2 *Divestments* and Note 24 *Re-presentations* for further information;
- In the Statement of Financial Position (and Statement of Changes in Equity) opening retained earnings at 1 August 2024 has increased by $6 million, and trade and other payables at 31 July 2025 has decreased by $6 million (to release an overstated prior period accrual);
- In the Statement of Cash Flows and Note 6 *Borrowings* 'proceeds' and 'repayments' in the year ended 31 July 2025 have each increased by $300 million (to include movements on a facility within the year);
- In Note 3 *Profit before tax from continuing operations*, the 31 July 2025 amounts for the 'increase in inventories' and 'other ingredients and manufacturing costs' in the year ended 31 July 2025 have increased/decreased by $71 million respectively (to correct an error); and
- Within Note 17 *Taxation*, the deferred tax assets in relation to lease liabilities have been disaggregated from the deferred tax assets relating to right-of-use asset presented within deferred tax assets relating to property, plant and equipment (31 July 2025: $104 million).

In addition, at each balance date the Group reassesses the aggregation and disaggregation of individual line items (and comparative information is re-presented for consistency with the current period):

- In the Statement of Financial Position:
  - Current and non-current provisions has been disaggregated from current other liabilities and non-current other liabilities (31 July 2025: $109 million and $62 million respectively); and
  - Non-current trade and other payables has been disaggregated from current trade and other payables (31 July 2025: $75 million);
- Within Note 3 *Profit before tax from continuing operations*, 'non-New Zealand sourced cost of milk' related to domestic third party milk purchases and has been aggregated into 'New Zealand cost of milk' (31 July 2025: $40 million);
- Within Note 16 *Net movement in working capital and other operating activities*, derivatives movements has been disaggregated from trade and other receivables movements (31 July 2025: $177 million).

Basis of Preparation CONTINUED

FOR THE YEAR ENDED 31 JULY 2026

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.

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 2026 have had a material impact to the Group.

Adoption of Contracts Referencing Nature-dependent Electricity – Amendments to NZ IFRS 9 Financial Instruments and NZ IFRS 7 Financial Instruments: Disclosures

The amendments increase the eligibility of contracts referencing nature-dependent electricity to be designated as hedging instruments where the amount of electricity varies due to uncontrollable natural conditions (typically wind or solar). The amendments also introduce new disclosure requirements.

The Group elected to early adopt the amendments from 1 August 2025 to enable hedge accounting for nature-dependent virtual power purchase agreements (VPPAs) entered into during the year. These agreements, as well as additional potential VPPAs, may have a material impact to the Group in future periods.

New and amended accounting standards issued but not yet effective

New and amended standards which could be expected to have a material impact on the Group's financial statements (and have not been early adopted) are outlined below.

Classification and Measurement of Financial Instruments (electronic settlements) – Amendments to NZ IFRS 9 and NZ IFRS 7, effective 1 August 2026

The amendments clarify that the timing of the derecognition of financial liabilities is aligned with the 'settlement date' i.e. when the cash is actually received by the counterparty. However, the amendments also introduce a derecognition exemption under which a financial liability settled using an electronic payment system may be deemed discharged and derecognised before this settlement date, once the Group has initiated the payment instruction and has no practical ability to cancel the payment or access the cash, provided the settlement risk is insignificant.

The Group expects to apply the exemption, resulting in no change to when financial liabilities are derecognised.

NZ IFRS 18 Presentation and Disclosure in Financial Statements, effective 1 August 2027

NZ IFRS 18 will replace NZ IAS 1 *Presentation of Financial Statements*. The new standard:

- Changes the presentation of the Statement of Profit or Loss and Other Comprehensive Income, including an allocation of income and expenses between operating, investing and financing categories, and new subtotals such as operating profit;
- Requires financial performance measures that are used to explain the Group's financial performance in public communications outside the financial statements, referred to as management-defined performance measures (MPMs), to be disclosed in a single note; and
- Provides enhanced guidance on the aggregation and disaggregation of information, including for items currently labelled as 'other'.

In addition, the operating profit subtotal will be the starting point for presenting cash flows from operating activities in the Statement of Cash Flows.

The Group is continuing to assess the effect of applying NZ IFRS 18.

IFRS 20 Regulatory Assets and Regulatory Liabilities, effective 1 August 2029

In May 2026, the International Accounting Standards Board issued IFRS 20, which is yet to be issued in New Zealand. The new standard requires entities subject to a regulatory agreement to account for the effects of timing differences between when regulated goods are supplied and when customers are charged for those goods.

The Group has not yet assessed the effect of applying IFRS 20 on Dairy Industry Restructuring Act (DIRA)-related arrangements.

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

Basis of Preparation CONTINUED

FOR THE YEAR ENDED 31 JULY 2026

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 the gain on sale and discontinued operations
Note 11	*Property, plant and equipment*	Determining residual values and useful lives
Note 17	*Taxation*	Uncertain tax positions

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.

In light of the scale of the Mainland Group divestment, the Group is currently reassessing these targets, and expects to provide an update in the 2027 Group Climate Statements.

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 2026.

Judgements and estimates

The Group has specifically considered the following areas of uncertainty:

Estimated useful lives of property, plant and equipment

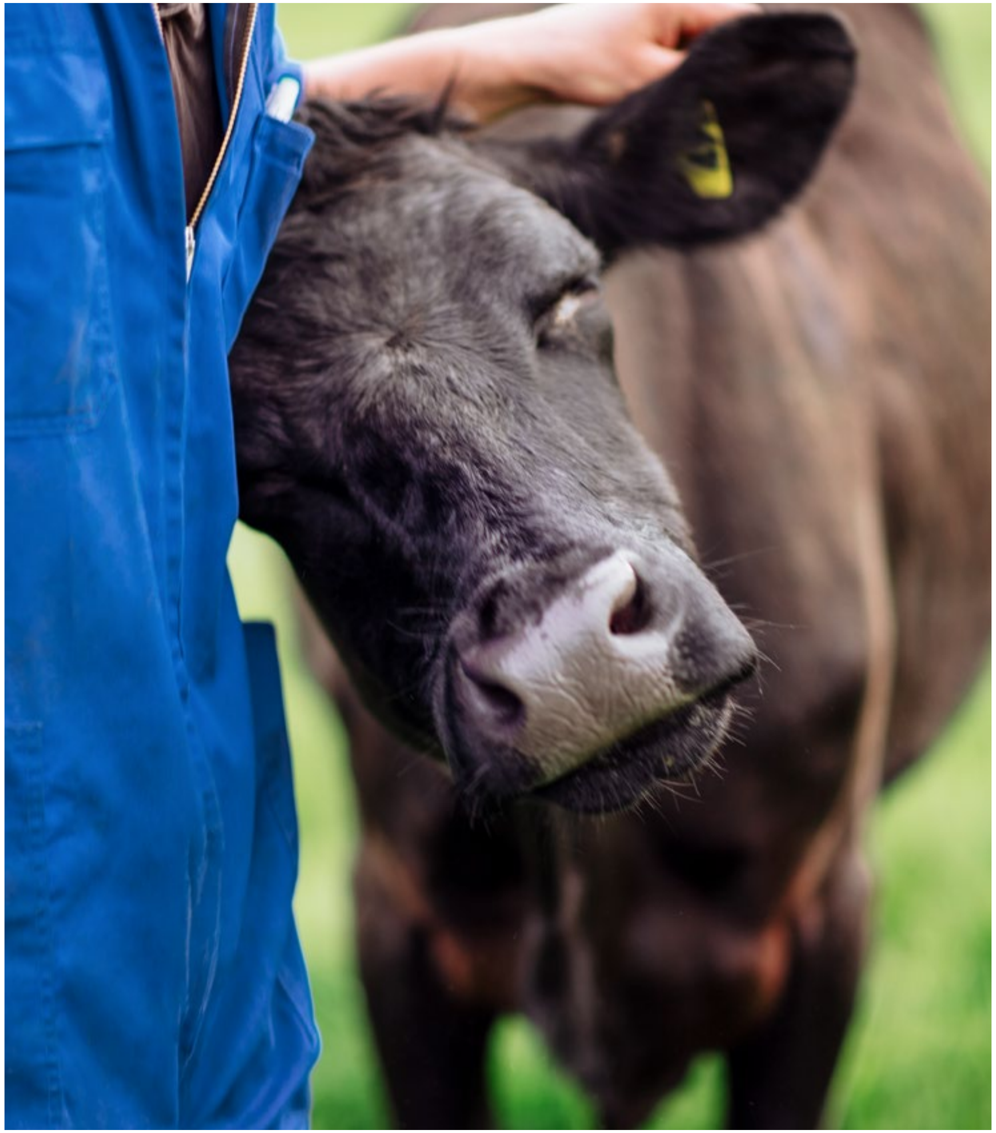
The Group revisits the appropriateness of useful life estimates annually as described in Note 11 *Property, plant and equipment*, and has taken into account decarbonisation plans, for example coal boiler assets that will no longer be used following decarbonisation are expected to be fully depreciated by 2037.

Recoverable amounts of assets – impairment assumptions

The Group performs impairment reviews as described in Note 12 *Intangible assets*, and there have been no impairments explicitly related to climate change in the current year (31 July 2025: nil). The estimates and assumptions for each cash generating unit are described in Note 12 *Intangible assets*.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 JULY 2026



Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ 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 the Ingredients and Foodservice channels and Core Operations. The Mainland Group is excluded.

Segment information provided in this note reflects the Group's performance from continuing operations only. The Mainland Group is considered a discontinued operation at 31 July 2026 and 31 July 2025 and has been excluded from the disclosures in this note. Please see Note 2 *Divestments* for further information about the Group's discontinued operations.

a) Reportable segments

REPORTABLE SEGMENTS	DESCRIPTION
Ingredients	Represents the global Ingredients channel.
Foodservice	Represents the global Foodservice channel, and residual Consumer channel.
Core Operations	Represents core operating functions, Fonterra Farm Source™ retail stores and Central Portfolio Management function (CPM).

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).

During the year Fonterra implemented a number of changes to the FMT, aligned with a channel-led structure. A new FMT role to lead the Group's Foodservice businesses (the President Global Foodservice) became effective, and with the previous President Global Ingredients assuming Fonterra's Chief Executive Officer (CEO) role, two interim FMT roles were created to jointly lead the Group's global Ingredients businesses (the President Global Ingredients Growth and the President Global Ingredients Sales and Operations). In addition, the Managing Director M&A and Strategic Divestments retired following completion of the Mainland Group sale (and was not replaced).

In June 2026, Fonterra then announced it was evolving to a market-led leadership structure to accelerate progress on strategic delivery and value growth, and also announced the following changes within the FMT:

- Effective 15 June 2026, the previous interim President Global Ingredients Growth assumed a new Chief Growth and Strategy Officer role; and
- Effective 3 August 2026, the previous interim President Global Ingredients Sales and Operations will assume a new President Global Markets role and the previous President Global Foodservice (who is also the CEO Greater China) will revert to a stand-alone role of CEO Greater China.

As the majority of these changes take effect after 31 July 2026, the FMT is channel-led at 31 July 2026 and consists of the Group's CEO, Chief Financial Officer, Chief Operating Officer, the interim President Global Ingredients Sales and Operations, the President Global Foodservice (who is also the CEO Greater China), the Chief Innovation and Brand Officer, the Managing Director People and Culture, the Managing Director Co-operative Affairs and the Chief Growth and Strategy Officer.

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).

The Group's operating model and the way financial information is presented to the FMT (and used to make decisions about resource allocations and assess performance) forms the basis for the Group's operating segments. This continues to evolve, and at 31 July 2026 was based around the two channels, Ingredients and Foodservice. At 31 July 2026, the Group has determined that its reportable segments are the Ingredients and Foodservice channels, and Core Operations separately. The previous Global Markets and Greater China business units (as presented in the 31 July 2025 Financial Statements) have been re-presented into the Ingredients and Foodservice channels excluding the Mainland Group, and comparative information within this note has been restated to reflect the change in the Group's reportable segments.

Core Operations comprises:

- Core operating functions which includes New Zealand milk collection, processing operations and assets, and Supply Chain;
- Fonterra Farm Source™ retail stores; and
- The CPM function which manages the physical and financial commodity portfolios including 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.

Corporate Services costs including Innovation and Brand, Group IT and Co-operative Affairs are allocated to Ingredients, Foodservice and Core Operations.

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ MILLION)

1 Segment reporting and revenue CONTINUED

a) Reportable segments CONTINUED

The performance of the Group's reportable 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 2026				
CONTINUING OPERATIONS	INGREDIENTS	FOODSERVICE	CORE OPERATIONS	ELIMINATIONS	TOTAL
Revenue from sale of goods	20,498	5,016	21,535	(21,829)	25,220
Cost of goods sold	(19,004)	(4,223)	(20,221)	21,829	(21,619)
Gross profit	1,494	793	1,314	–	3,601
Operating expenses	(487)	(391)	(983)	–	(1,861)
Other[1]	60	10	10	–	80
Normalised segment EBIT	1,067	412	341	–	1,820
Add normalisation adjustment[2]					178
Continuing operations EBIT	1,067	412	341	–	1,998
Other segment information:					
Segment revenue from sale of goods	20,498	5,016	21,535	(21,829)	25,220
Add normalisation adjustment[2]	178	–	–	–	178
Continuing operations revenue	20,676	5,016	21,535	(21,829)	25,398
Comprised of:					
– External revenue	18,965	4,856	(31)	–	23,790
– Inter-segment revenue	339	160	21,330	(21,829)	–
– Revenue from discontinued operations	1,372	–	236	–	1,608
Continuing operations revenue	20,676	5,016	21,535	(21,829)	25,398
– Depreciation and amortisation	(46)	(26)	(453)	–	(525)
– Share of profit of equity accounted investees	22	–	6	–	28

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 Fonterra and the Mainland Group changed during the year ended 31 July 2026. The pricing elements relating to changed trade terms have been normalised, and excluded from segment results in this table.

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ MILLION)

1 Segment reporting and revenue CONTINUED

a) Reportable segments CONTINUED

	YEAR ENDED 31 JULY 2025[1]				
CONTINUING OPERATIONS	INGREDIENTS	FOODSERVICE	CORE OPERATIONS	ELIMINATIONS	TOTAL
Revenue from sale of goods	19,326	4,723	20,324	(20,477)	23,896
Cost of goods sold	(18,063)	(4,048)	(19,163)	20,477	(20,797)
Gross profit	1,263	675	1,161	–	3,099
Operating expenses	(467)	(423)	(912)	–	(1,802)
Other[2]	49	4	60	–	113
Normalised segment EBIT	845	256	309	–	1,410
Add normalisation adjustment[3]					156
Continuing operations EBIT	845	256	309	–	1,566
Other segment information:					
Segment revenue from sale of goods	19,326	4,723	20,324	(20,477)	23,896
Add normalisation adjustment[3]	156	–	–	–	156
Continuing operations revenue	19,482	4,723	20,324	(20,477)	24,052
Comprised of:					
– External revenue	17,137	4,509	(166)	–	21,480
– Inter-segment revenue	273	214	19,990	(20,477)	–
– Revenue from discontinued operations	2,072	–	500	–	2,572
Continuing operations revenue	19,482	4,723	20,324	(20,477)	24,052
– Depreciation and amortisation	(45)	(28)	(455)	–	(528)
– Share of profit/(loss) of equity accounted investees	11	–	(1)	–	10

1 Comparative information includes re-presentations for consistency with the current period.
2 Comprises other operating income (inclusive of the share of profit of equity accounted investees) and foreign exchange gains/(losses).
3 Trade terms for sales and purchases between Fonterra and the Mainland Group changed during the year ended 31 July 2026. The pricing elements relating to changed trade terms have been normalised, and excluded from segment results in this table.

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ 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.
- 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.

1 Segment reporting and revenue CONTINUED

b) Revenue CONTINUED

Revenue is presented by geography on the basis of the destination of the goods sold in the following table.

GEOGRAPHICAL EXTERNAL REVENUE	ASIA (EXCLUDING CHINA)	CHINA	AMERICAS	NEW ZEALAND	REST OF WORLD	TOTAL
Year ended 31 July 2026	**9,424**	**7,407**	**2,388**	**2,358**	**2,213**	**23,790**
Year ended 31 July 2025[1]	8,591	7,137	2,639	1,604	1,509	21,480

1 Comparative information includes re-presentations for consistency with the current period.

c) Geographical analysis of non-current assets

GEOGRAPHICAL NON-CURRENT ASSETS	ASIA (EXCLUDING CHINA)	CHINA	AMERICAS	NEW ZEALAND	REST OF WORLD	TOTAL
As at 31 July 2026	**18**	**36**	**6**	**6,743**	**154**	**6,957**
As at 31 July 2025	422	33	5	5,891	155	6,506

RECONCILIATION OF GEOGRAPHICAL NON-CURRENT ASSETS TO TOTAL NON-CURRENT ASSETS	2026	2025
Geographical non-current assets	**6,957**	6,506
Deferred tax assets	**58**	113
Derivative financial instruments	**255**	364
Other financial instruments	**445**	386
Total non-current assets	**7,715**	7,369

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ MILLION)

2 Divestments

AT A GLANCE

This note provides information on components of the Group that have been divested, and discontinued operations.

The Group completed the sale of the Mainland Group during the year ended 31 July 2026.

a) Mainland Group divestment

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.

Significant judgement and estimation has been applied in determining the gain on sale, including in measuring the related receivables and obligations.

In August 2025, the Group announced it had agreed to sell the Mainland Group to B.S.A. SAS (Lactalis). The divestment was comprised of the sale of shares in Mainland Group Holdings Limited, a New Zealand incorporated holding company, and the transaction included:

- 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; and
- Bega licences held by Fonterra's Australian business.

The divestment was completed on 31 March 2026. Total proceeds amount to $4.6 billion.

Sales proceeds of $4,457 million were received on 31 March 2026 and the Group has recognised a post completion adjustments receivable of $160 million to align with the Completion Statement provided to Lactalis. This remains subject to Lactalis review.

A non-taxable gain on sale of $1,250 million has been recognised in Profit after tax from discontinued operations in the Statement of Profit or Loss and Other Comprehensive Income, comprised of the following:

	2026
Sales proceeds received in cash	**4,457**
Add: Estimated customary post completion adjustments receivable	**160**
Total proceeds	**4,617**
Less: Proceeds attributed to the Group's obligation to develop and deliver a stand-alone replicated information technology system, to enable operational separation	**(147)**
Proceeds attributed to the divestment	**4,470**
Less: Net assets disposed of	**(3,598)**
Add: Intercompany balances recognised as external balances upon sale[1]	**220**
Less: Directly attributable transaction costs	**(123)**
Add: Reclassification of foreign currency translation reserve[2]	**281**
Gain on sale	**1,250**

1 Trade and other receivables of $367 million, less trade and other payables of $147 million.
2 Includes the reclassification of foreign currency translation reserves in respect of net investment hedges ($30 million).

In association with the sale, a capital return of $3.2 billion was paid to shareholders on 14 April 2026, as described in Note 4 *Subscribed equity instruments.*

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ MILLION)

2 Divestments CONTINUED

a) Mainland Group divestment CONTINUED

A breakdown of net assets disposed of is presented in the following table.

ASSETS AND LIABILITIES DISPOSED OF	2026
Cash and cash equivalents	410
Trade and other receivables	639
Inventories	1,284
Property, plant and equipment	1,156
Intangible assets	994
Deferred tax assets	126
Other assets	37
Borrowings	(99)
Trade and other payables	(704)
Deferred tax liabilities	(146)
Other liabilities	(99)
Net assets disposed	3,598

b) Disposal groups held for sale

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.

At 31 July 2025, Fonterra's global Consumer brands and businesses (excluding Greater China), and the integrated businesses in Oceania and Sri Lanka (the Consumer and associated businesses) met the criteria to be classified as held for sale.

The major classes of assets and liabilities held for sale are presented in the following table.

	2026	2025
Cash and cash equivalents	–	94
Trade receivables	–	599
Inventory	–	986
Property, plant and equipment	6	1,071
Intangible assets	–	916
Deferred tax assets	–	87
Other assets	–	62
Total assets held for sale	6	3,815
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	6	2,846

In August 2025, the Group agreed to include additional net assets within the perimeter of the Mainland Group sale. These net assets had a carrying value of $145 million and form part of Mainland Group net assets disposed of in a) above.

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ MILLION)

2 Divestments CONTINUED

c) 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 Mainland Group was recognised in profit after tax from discontinued operations up until the sale on 31 March 2026 (31 July 2025: the Mainland Group was recognised in profit after tax from discontinued operations for the full financial year).

The summarised financial performance recognised in profit after tax from discontinued operations and net cash flows generated by discontinued operations is presented in the following table.

DISCONTINUED OPERATIONS	2026	2025[1]
Revenue from discontinued operations	4,126	5,759
Elimination of intra-group revenue:		
– Ongoing sales to continuing operations	(484)	(789)
– Ongoing sales to discontinued operations	(1,608)	(2,572)
Revenue presented in discontinued operations	2,034	2,398
Cost of goods sold of discontinued operations	(3,498)	(4,823)
Elimination of intra-group purchases:		
– Ongoing purchases from continuing operations	1,608	2,572
– Ongoing purchases from discontinued operations	484	789
Cost of goods sold presented in discontinued operations	(1,406)	(1,462)
Gross profit	628	936
Gain on sale	1,250	–
Other operating income	33	15
Operating expenses	(487)	(785)
Net finance costs	–	(2)
Profit before tax from discontinued operations	1,424	164
Tax expense	(162)	(98)
Profit after tax from discontinued operations	1,262	66
Net cash inflow from operating activities	117	159
Net cash outflow from investing activities	(34)	(65)
Net cash inflow/(outflow) from financing activities	159	(82)
Net increase in cash generated by discontinued operations	242	12

1 Comparative information includes re-presentations for consistency with the current period as described in Note 24 *Re-presentations.*

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ MILLION)

2 Divestments CONTINUED

c) Discontinued operations CONTINUED

The profit after tax from discontinued operations is attributable to equity holders of the Co-operative.

The Group will continue to sell and purchase product to and from the Mainland Group 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 within investing activities in the Statement of Cash Flows, amounts relating to divestments include the following.

	2026	2025
Mainland Group – sale of equity interest	4,310	–
Mainland Group – prepayment for replicated information technology system	147	–
Less: Mainland Group – cash and cash equivalents disposed of	(410)	–
Total Mainland Group proceeds received	**4,047**	–
Proceeds received from other divestments	40	8
Total proceeds	**4,087**	8

The Mainland Group customary post completion adjustments are expected to be received in the year ending 31 July 2027.

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 Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ MILLION)

3 Profit before tax from continuing operations CONTINUED

a) Expenses by function

	2026	2025[1]
Cost of goods sold	**21,619**	20,797
Administrative expenses	**989**	894
Selling and marketing expenses	**327**	351
Distribution expenses	**276**	276
Other operating expenses	**269**	281
Operating expenses	**1,861**	**1,802**

1 Comparative information includes re-presentations for consistency with the current period.

b) Expenses by nature

COST OF GOODS SOLD	2026	2025[1]
New Zealand sourced cost of milk	**15,396**	15,366
Other ingredient purchases and manufacturing costs	**3,401**	3,485
Employee benefits expense	**1,086**	1,078
Energy costs	**543**	583
Packaging	**340**	354
Storage and distribution	**335**	281
Depreciation and amortisation	**368**	364
Total other collection and manufacturing costs	**6,073**	**6,145**
Decrease/(increase) in inventories	**150**	(714)
Total cost of goods sold	**21,619**	**20,797**

1 Comparative information includes re-presentations for consistency with the current period.

OPERATING EXPENSES	2026	2025[1]
Employee benefits expense	**827**	818
Storage and distribution	**146**	127
Advertising and promotion	**85**	92
Information technology	**239**	177
Professional fees	**197**	185
Depreciation and amortisation	**157**	164
Enterprise Resource Planning system replacement	**135**	123
Other	**75**	116
Total operating expenses	**1,861**	**1,802**

1 Comparative information includes re-presentations for consistency with the current period.

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.

	2026	2025[1]
Total employee benefits expense	**1,913**	1,896
Total depreciation and amortisation expense	**525**	528
Total research and development costs	**116**	112

1 Comparative information includes re-presentations for consistency with the current period.

c) Fees paid to the auditor and network firms

KPMG has been appointed the Group's external auditor for seven consecutive years and the lead audit partner has served for two consecutive years. 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. The fees presented are for the total Group including continuing and discontinued operations, and fees are inclusive of any disbursements.

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ MILLION)

3 Profit before tax from continuing operations CONTINUED

c) Fees paid to the auditor and network firms CONTINUED

	$ THOUSANDS	
	2026	2025
Audit and review services		
Audit and review of the Financial Statements of the Group and its subsidiaries:		
– New Zealand	6,031	8,021
– Network firms of the auditor	1,091	1,463
Audit of Financial Statements relating to the divestment:		
– New Zealand	–	3,924
– Network firms of the auditor	–	54
Review of Completion Statement elements relating to the divestment:		
– New Zealand	550	–
Total fees for audit and review services	7,672	13,462
Audit and review related services performed by the New Zealand auditor:		
Assurance engagements		
– Farmgate Milk Price Statement	398	513
– Group Climate Statements	280	479
– Notice of Special Meeting relating to the divestment	217	–
Agreed upon procedures engagements		
– Compliance with banking arrangements	–	16
– Stocktake procedures relating to the divestment	61	–
Total fees for audit and review related services	956	1,008
Other services performed by the auditor:		
Divestment related vendor due diligence		
– New Zealand	–	3,667
– Network firms of the auditor	–	3,438
Total fees for other services	–	7,105
Total fees paid to auditor	8,628	21,575

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 2026/2027 season by the Compliance Date of 1 December 2026.

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 New Zealand Stock Exchange (NZX). 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 Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ 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	
	2026	2025	**2026**	2025
Co-operative shares				
Co-operative shares on issue at beginning of period	**1,609,190,555**	1,609,190,555	**5,078**	5,078
Capital return paid	**–**	–	**(3,213)**	–
Co-operative shares on issue at end of period	**1,609,190,555**	1,609,190,555	**1,865**	5,078
Treasury shares				
Treasury shares at beginning of period	**(5,000,000)**	(5,000,000)	**(14)**	(14)
Additional treasury shares	**(8,602,993)**	–	**(36)**	–
Treasury shares at end of period	**(13,602,993)**	(5,000,000)	**(50)**	(14)
Co-operative shares on issue, excluding treasury shares	1,595,587,562	1,604,190,555	1,815	5,064

Capital return

On 14 April 2026 a tax free capital return of $2 per share totalling $3.2 billion was paid to shareholders. 536,396,836 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.

The capital return on shares held by Fonterra Farmer Custodian Limited (as Custodian for the Fund) was paid directly to unit holders on the same date.

Treasury shares

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 2026, the Group has agreed to fund Market Makers for the lesser of i) up to 20 million shares; or ii) shares of up to $54 million (31 July 2025: up to 5 million shares). At 31 July 2026, the Market Makers had acquired and the Group had funded 2,260,652 shares (31 July 2025: 2,863,481 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 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 2025: 10%). The current Fund size is 6.7% (31 July 2025: 6.7%).

The rights attaching to units are set out in the Fonterra Shareholders' Fund 2026 Annual Report, available in the 'Investors/Fonterra Shareholders' Fund' section of Fonterra's website.

At 31 July 2026, there were 107,410,984 units on issue (31 July 2025: 107,410,984 units).

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ 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.

	2026	2025
2026 Interim dividend – 24 cents per share (fully imputed)	**387**	–
2026 Special dividend – 16 cents per share (fully imputed)	**257**	–
2025 Final dividend – 35 cents per share (fully imputed)	**564**	–
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

Dividend declared after balance date

On 23 September 2026, the Board declared a fully imputed final dividend of 33 cents per share to be paid on 15 October 2026 to all holders of Co-operative shares on issue at 1 October 2026.

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 Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ MILLION)

6 Borrowings CONTINUED

	2026	2025
Total current borrowings	**564**	470
Total non-current borrowings	**2,283**	2,668
Total borrowings[1]	**2,847**	3,138
Bank loans	**97**	125
Lease liabilities	**265**	282
NZX-listed bonds	**299**	403
Medium-term notes	**2,186**	2,328
Total borrowings[1]	**2,847**	3,138

1 All borrowings other than lease liabilities are unsecured and unsubordinated.

A breakdown of movements in total borrowings is presented in the following table.

	2026	2025[1]
Opening balance	**3,138**	3,388
Proceeds	**4,240**	5,849
New lease liabilities	**62**	85
Repayments[2]	**(4,629)**	(6,128)
Foreign exchange movement	**81**	(17)
Changes in fair values	**(17)**	48
Other	**(28)**	17
Transferred to liabilities held for sale	**–**	(104)
Closing balance	**2,847**	3,138

1 Comparative information includes re-presentations for consistency with the current period.
2 During the year ended 31 July 2026 total cash payments for leases (including lease liability repayments above, and also short-term and low value leases) were $112 million (31 July 2025: $116 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 is included in Note 21 *Hedge accounting*.

	2026	2025
Finance income	**18**	13
Interest expense[1]	**(185)**	(198)
Changes in fair value relating to:		
– Borrowings designated in a hedge relationship	**17**	(51)
– Derivatives designated in a hedge relationship	**(16)**	52
Total fair value movements	**1**	1
Finance costs	**(184)**	(197)
Net finance costs	**(166)**	(184)

1 Includes interest expense of $13 million (31 July 2025: $9 million) relating to lease liabilities.

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ 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 2026, 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 2025: 3.5x), with a long-term target of less than 3.0x (31 July 2025: 2.0x to 3.0x).

The Adjusted net debt gearing ratio and Debt to EBITDA ratio are presented in the following tables.

	2026	2025[1]
Total borrowings	**2,847**	3,138
Add: Bank overdraft	**37**	30
Less: Cash and cash equivalents	**(947)**	(309)
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)	**29**	49
Less: Derivatives used to manage changes in hedged risks on debt instruments	**(313)**	(298)
Adjusted net debt	**1,653**	2,620
Equity excluding hedge reserves	**6,292**	8,333
Total capital	**7,945**	10,953
Adjusted net debt gearing ratio	**20.8%**	23.9%

1 Comparative information includes re-presentations for consistency with the current period.

	2026	2025[1]
Adjusted net debt	**1,653**	2,620
Profit after tax	**2,608**	1,079
Add: Net finance costs from continuing operations	**166**	184
Add: Net finance costs from discontinued operations	**–**	2
Add: Tax expense from continuing operations	**486**	369
Add: Tax expense from discontinued operations	**162**	98
Total Group EBIT	**3,422**	1,732
Less: EBIT from discontinued operations divested	**(1,424)**	–
Add: Depreciation and amortisation from continuing operations	**525**	528
Add: Depreciation and amortisation from discontinued operations	**–**	107
Add: Normalisation adjustments[2]	**–**	106
Less: Share of profit of equity accounted investees	**(28)**	(10)
Add/(less): Net foreign exchange losses/(gains) from continuing operations	**6**	(9)
Add/(less): Net foreign exchange losses/(gains) from discontinued operations	**–**	(7)
Total Group normalised EBITDA excluding divestments, share of profit of equity accounted investees and net foreign exchange gains/losses	**2,501**	2,447
Debt to EBITDA ratio	**0.7x**	1.1x

1 Comparative information includes re-presentations for consistency with the current period.
2 Comprised of the Mainland Group divestment benefit EBIT, including transaction costs (31 July 2025: Mainland Group divestment transaction costs).

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
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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.

	2026	2025[1]
Adjusted net debt	**1,653**	2,620
Less: Cash adjustment	**(29)**	(49)
Add: Cash and cash equivalents held by subsidiaries for operational purposes	**110**	161
Add: Equity excluding hedge reserves	**6,292**	8,333
Add/(less): Net deferred tax assets	**49**	(79)
Capital employed (at 31 July)	**8,075**	10,986
Impact of seasonal variation in capital employed, and inclusion of the Mainland Group until 31 March 2026	**3,604**	1,362
Average capital employed (13 month rolling average)	**11,679**	12,348
Total Group EBIT	**3,422**	1,732
(Less)/add: Normalisation adjustments[2]	**(1,251)**	106
Total Group normalised EBIT	**2,171**	1,838
Add: Finance income on long-term advances	**11**	8
Less: Notional tax charge[3]	**(589)**	(498)
Total Group normalised EBIT including finance income on long-term advances less notional tax charge	**1,593**	1,348
Return on capital	**13.6%**	10.9%

1 Comparative information includes re-presentations for consistency with the current period.
2 Comprised of the Mainland Group divestment benefit EBIT, including transaction costs (31 July 2025: Mainland Group divestment transaction costs).
3 Consistent with Note 17 *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.

	2026	2025
Raw materials	**607**	545
Finished goods	**3,457**	3,642
Less: Provision for impairment of raw materials and finished goods	**(82)**	(86)
Emissions units	**140**	171
Total inventories	**4,122**	4,272

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ 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.

	2026	2025[1]
Current		
Owing to suppliers	**2,356**	1,745
Trade payables	**2,076**	1,879
Employee entitlements	**289**	290
Other	**99**	198
Total current trade and other payables	**4,820**	4,112
Non-current		
Owing to suppliers	**74**	75
Total non-current trade and other payables	**74**	75

1 Comparative information includes re-presentations for consistency with the current period.

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 2026 season, amounts advanced during the financial year as a percentage of the Farmgate Milk Price (per kgMS) were 85% (31 July 2025: 89%). 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.

	2026	2025
Property, plant and equipment – owned	**5,759**	5,370
Right-of-use assets – leased	**260**	225
Total property, plant and equipment	**6,019**	5,595

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 2025: 2 to 35 years)
– Plant, vehicles and equipment	2 to 35 years (31 July 2025: 2 to 35 years)

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
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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 2025	**338**	**1,153**	**3,305**	**574**	**5,370**
Additions	**–**	**3**	**–**	**809**	**812**
Transferred from capital work in progress	**6**	**120**	**421**	**(547)**	**–**
Depreciation charge	**–**	**(84)**	**(308)**	**–**	**(392)**
Transferred to assets held for sale	**(8)**	**–**	**(57)**	**(8)**	**(73)**
Other	**2**	**11**	**26**	**3**	**42**
As at 31 July 2026	**338**	**1,203**	**3,387**	**831**	**5,759**
Represented by:					
Cost	**338**	**2,492**	**8,235**	**831**	**11,896**
Accumulated depreciation and impairment	**–**	**(1,289)**	**(4,848)**	**–**	**(6,137)**
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)

Capital commitments

As at 31 July 2026 the Group was committed to spend $260 million (31 July 2025: $325 million), primarily related to buildings, plant, vehicles and equipment.

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ 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 2025: 3 to 10 years), however some property leases can run up to a period of 35 years (31 July 2025: 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 2025: 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	
	2026	2025	**2026**	2025
Land	**25**	26	**2**	3
Buildings	**198**	182	**44**	43
Plant, vehicles and equipment	**37**	17	**6**	6
Total	**260**	225	**52**	52

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 brands and software assets.

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 2025: 3 to 10 years). Software assets are tested for impairment when an indicator of impairment exists.

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.

Notes to the Consolidated Financial Statements CONTINUED

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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 for the purposes of calculating the recoverable amount for impairment testing.

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 (for the purposes of impairment testing), 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 2025	**514**	**66**	**158**	**50**	**30**	**818**
Additions	**–**	**–**	**–**	**121**	**–**	**121**
Transferred from work in progress	**–**	**–**	**63**	**(63)**	**–**	**–**
Amortisation	**–**	**–**	**(76)**	**–**	**(5)**	**(81)**
Transferred to assets held for sale	**(46)**	**–**	**–**	**–**	**–**	**(46)**
Other	**11**	**(1)**	**5**	**–**	**–**	**15**
As at 31 July 2026	**479**	**65**	**150**	**108**	**25**	**827**
Represented by:						
Cost	**479**	**70**	**1,394**	**108**	**61**	**2,112**
Accumulated amortisation and impairment	**–**	**(5)**	**(1,244)**	**–**	**(36)**	**(1,285)**
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 amortisation and impairment	–	(5)	(1,230)	–	(31)	(1,266)

Notes to the Consolidated Financial Statements CONTINUED

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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.

	2026			2025		
	BRANDS	GOODWILL	TOTAL	BRANDS	GOODWILL	TOTAL
Anchor and other Asia brands	**359**	**–**	**359**	394	–	394
NZMP™ brand	**120**	**–**	**120**	120	–	120
Other CGUs	**–**	**65**	**65**	–	66	66
Total	**479**	**65**	**544**	514	66	580

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. In addition, CGUs and assets of the Group are also assessed for indicators of impairment (or reversal) at 31 July each year. At 31 July 2026, no indicators of impairment were identified at the reporting date.

Further information on significant goodwill or indefinite life brands is provided below.

Anchor and other 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 2026, the carrying value of Anchor (which includes Anchor™ and Anchor Food Professionals™) is $344 million (31 July 2025: $350 million). The carrying value of Anchor represents both Anchor™ and Anchor Food Professionals™ in Greater China, and Anchor Food Professionals™ in Southeast Asia territories.

Anchor brand

At 31 March 2026, the relief from royalty method was used to calculate the recoverable amount of Anchor. The relief from royalty methodology is a value in use (VIU) calculation which determines the recoverable amount by calculating the present value of what a licensee would theoretically pay as a royalty to use the brands, calculated by brand, country and channel.

At 31 July 2025, an independent external valuation was obtained to support the attribution of Anchor 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, were based on fair value less costs of disposal (FVLCD) using unobservable inputs, and would be categorised under Level 3 of the fair value hierarchy. FVLCD at 31 July 2025 was appropriate in light of the planned Consumer and associated businesses divestment. In the year ended 31 July 2025 the annual impairment tests at 31 March 2025 were based on VIU, however the FVLCD valuation at 31 July 2025 was more recent than the annual impairment tests and forms the basis of comparative disclosures in these Financial Statements.

Both VIU and the FVLCD 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.

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 2025: 2% to 6%). As the brand is sold across a number of markets, all with different characteristics, the range of post-tax discount rates applied was 7.1% to 17.0% (31 July 2025: 6.2% to 17.6%). The range of pre-tax discount rates was 8.6% to 21.3% (31 July 2025: 7.2% to 21.5%). The long-term growth rates applied range from 1.5% to 3.3% (31 July 2025: 1.1% to 5.0%).

No impairment has been recognised (31 July 2025: nil) and no reasonably possible change in key assumptions would cause the carrying value of the brand to exceed its recoverable amount.

NZMP™ "New Zealand Milk Products" brand

NZMP™ "New Zealand Milk Products" is Fonterra's global brand of dairy ingredients and solutions. At 31 July 2026, the carrying value of NZMP™ is $120 million (31 July 2025: $120 million).

At 31 March 2026 (and 31 March 2025), the VIU relief from royalty method was also used to calculate the recoverable amount of NZMP™.

The key assumption used in the relief from royalty method is the Board approved forecast sales growth over the next year.

Growth assumptions for FY27-FY30 reflect long-term inflation expectations on a country-specific basis. The royalty rate of 3% applied in the calculation is determined based on comparable market data (31 July 2025: 3%). As the brand is sold across a number of markets, all with different characteristics, the range of post-tax discount rates applied was 7.1% to 17.0% (31 July 2025: 7.5% to 18.4%). The range of pre-tax discount rates was 8.6% to 21.3% (31 July 2025: 10.1% to 23.0%). The long-term growth rates applied range from 1.5% to 3.3% (31 July 2025: 1.5% to 3.4%).

The recoverable amount exceeded the carrying value by a substantial margin. No impairment has been recognised (31 July 2025: nil) and no reasonably possible change in key assumptions would cause the carrying value of the brand to exceed its recoverable amount.

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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.

	2026	2025
Current		
Tax receivable	**44**	21
Other	**69**	52
Total other current assets	**113**	73
Non-current		
Equity accounted investments	**139**	108
Long-term advances	**171**	153
Ki Tua Fund investments	**68**	64
Other investments, and other items	**130**	86
Total other non-current assets	**508**	411

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. 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 2026 is $137 million (31 July 2025: $124 million).

14 Provisions and contingencies

AT A GLANCE

This note provides a summary of provisions in the Statement of Financial Position and provides disclosures about any contingent liabilities or contingent assets.

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. Items that do not meet the recognition criteria are contingent liabilities.

Proceeds from insurance and other claims are only recognised in the Statement of Financial Position when they are received or are virtually certain to be received. Items that do not meet the recognition criteria are contingent assets.

Estimates and assumptions are made in determining the likelihood, amount and timing of cash outflows (or inflows) 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 (or a contingent asset).

a) Provisions

In the normal course of business, the Group is exposed to claims and legal proceedings that may in some cases result in costs.

Other 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 including warranties and indemnities, 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.

Notes to the Consolidated Financial Statements CONTINUED

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14 Provisions and contingencies CONTINUED

a) Provisions CONTINUED

Employee benefit provisions total $56 million (31 July 2025: $59 million). A breakdown of provision movements is presented in the following table.

	2026
As at 1 August 2025	**171**
Additional provisions	**230**
Unused amounts reversed	**(22)**
Utilised during the year	**(128)**
Liabilities transferred to held for sale	**(12)**
Other	**1**
As at 31 July 2026	**240**

b) Contingent assets

In April 2025, the U.S. Government began imposing tariffs under the International Emergency Economic Powers Act on imported goods into the United States of America (the U.S.). These tariffs have been declared unlawful by the U.S. Supreme Court and in March 2026 the U.S. Court of International Trade ordered the U.S. Government to refund these tariffs. The Group lodged a number of refund claims in June 2026.

The outstanding refund claims of $64 million (31 July 2025: nil) have not been recognised in these Financial Statements as at 31 July 2026, the receipt was dependent on the outcome of the claims process. The refund was subsequently received, in September 2026.

15 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.

	2026	2025
Current		
Prepayment received in relation to the Group's obligation to develop and deliver a stand-alone replicated information technology system (refer Note 2 *Divestments*)	**147**	–
Other	**102**	40
Total other current liabilities	**249**	40

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
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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.

16 Net movement in working capital and other operating activities

A breakdown of the decrease/(increase) in working capital and other operating activities from the Statement of Cash Flows is presented in the following table.

	2026	2025[1]
Trade and other receivables	**(591)**	55
Inventories	**(146)**	(798)
Trade and other payables	**1,250**	589
Derivatives	**77**	(177)
Other movements	**11**	(45)
Total decrease/(increase) in working capital and other operating activities	**601**	(376)

1 Comparative information includes re-presentations for consistency with the current period.

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.

17 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 Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
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17 Taxation CONTINUED

In determining the amount of current and deferred tax, the Group takes into account the effect of uncertain tax positions and whether additional taxes, refunds, penalties and interest may be due. The Group operates in several different tax jurisdictions. This leads to complex tax issues. The ultimate decision regarding these complex tax issues is often outside the control of the Group and depends on the efficiency of the legal processes in the relevant tax jurisdiction. The Group believes that its estimation of accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions about future events. New information may become available that causes the Group to change its estimate of uncertain tax positions. Such changes to tax liabilities will affect tax expense in the period that such determination is made.

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.

	2026	2025[1]
Current tax expense	357	375
Prior period adjustments to current tax	5	(12)
Deferred tax movements: Origination and reversal of temporary differences	124	6
Tax expense	**486**	369

1 Comparative information includes re-presentations for consistency with the current period.

The taxation charge that would arise at the standard rate of corporation tax in New Zealand is reconciled to the tax expense as follows:

	2026	2025[1]
Profit before tax from continuing operations	**1,832**	1,382
Prima facie tax expense at 28%	513	387
Less: Tax effect of other items	(27)	(18)
Tax expense from continuing operations	**486**	369
Effective tax rate	**27%**	27%
Imputation credits available for use in subsequent reporting periods	**306**	259

1 Comparative information includes re-presentations for consistency with the current period.

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.

	2026			2025		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX	DEFERRED TAX ASSETS[1]	DEFERRED TAX LIABILITIES	NET DEFERRED TAX
Property, plant and equipment	19	(214)	(195)	24	(244)	(220)
Intangible assets	–	(218)	(218)	–	(89)	(89)
Derivative financial instruments	10	–	10	–	(8)	(8)
Inventories	124	–	124	140	–	140
Lease liabilities	71	–	71	104	–	104
Other	160	(1)	159	161	(9)	152
Total before offsetting	**384**	**(433)**	**(49)**	429	(350)	79
Offset adjustment	(326)	326	–	(316)	316	–
Total	**58**	**(107)**	**(49)**	113	(34)	79

1 Comparative information includes re-presentations for consistency with the current period.

	2026	2025
Movements for the year		
Opening balance	**79**	73
Recognised in profit after tax	(152)	(38)
Recognised in other comprehensive income	14	(32)
Transferred to assets and liabilities held for sale	–	77
Foreign currency translation	10	(1)
Closing balance	**(49)**	79

Notes to the Consolidated Financial Statements CONTINUED

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17 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 2026, unremitted earnings that are considered indefinitely reinvested in foreign subsidiaries amount to $72 million (31 July 2025: $68 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.

Uncertain tax positions

During the year, the Group received a tax assessment of $380 million from the Chilean tax authority in respect of the 2023 sale of the Soprole business in Chile. The final tax outcome is likely to take many years to resolve, and could result in a refund of tax already paid or the payment of additional tax. The Group considers that it is able to strongly defend the current position and continues to monitor the situation closely.

18 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.

	2026	2025
Transactions with key management personnel		
Short-term employee benefits	**22**	23
Long-term employee benefits	**3**	1
Share-based payments	**11**	3
Directors' remuneration	**3**	3
Total key management personnel remuneration	**39**	30
Purchases of goods, primarily milk supplied by farmer shareholder Directors	**168**	165
Sale of goods, primarily sales through Farm Source™ retail stores	**6**	6
Dividends paid to farmer shareholder Directors	**13**	10
Capital return paid to farmer shareholder Directors	**35**	–
Balances with key management personnel		
Total payables and provisions arising from remuneration	**26**	21
Total payables arising from the purchase of goods or services, primarily relating to milk supplied by farmer shareholder Directors	**23**	19
Total receivables arising from the sale of goods or services	**1**	1

Notes to the Consolidated Financial Statements CONTINUED

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18 Related party transactions CONTINUED

a) Key management personnel CONTINUED

During the year ended 31 July 2026 (and the year ended 31 July 2025) 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

	2026	2025
Transactions with equity accounted investees		
Revenue from the sale of goods and services, primarily for commodity products sold	**21**	35
Other income, primarily dividends and royalties	**22**	15
Purchases of goods, primarily commodity products	**125**	111
Purchases of services, primarily freight services	**121**	117
Contributions paid	**21**	5
Balances with equity accounted investees		
Total receivables arising from the sale of goods or services	**5**	7
Total payables arising from the purchase of goods or services	**10**	6

Balances with equity accounted investees are unsecured.

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 $50 million had been contributed by 31 July 2026 (31 July 2025: $31 million).

In addition, the Group has provided a guarantee on equity accounted investees borrowings of $14 million (31 July 2025: $14 million).

19 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.

Notes to the Consolidated Financial Statements CONTINUED

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19 Fair value measurement CONTINUED

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	
	2026	2025	**2026**	2025	**2026**	2025
Measured at fair value on a recurring basis						
Derivative assets	**19**	141	**492**	517	**–**	–
Derivative liabilities	**(45)**	(28)	**(175)**	(194)	**–**	–
Investments and other items	**62**	50	**–**	–	**93**	93
Measured at fair value on a non-recurring basis						
Net assets held for sale	**–**	–	**–**	(2)	**–**	–
Fair value	**36**	163	**317**	321	**93**	93

The fair value of financial assets and financial 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 $2,186 million (31 July 2025: $2,328 million), their fair value is $2,226 million (31 July 2025: $2,387 million), and they are categorised as at level 2 of the fair value hierarchy.

20 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 21 *Hedge accounting* for further information.

Notes to the Consolidated Financial Statements CONTINUED

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20 Financial risk management CONTINUED

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 $1,109 million (31 July 2025: $1,581 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 $2,319 million (31 July 2025: $2,514 million); and
- Foreign currency receivables of $1,475 million (31 July 2025: $1,106 million) and payables of $726 million (31 July 2025: $528 million).

The concentration of borrowings by currency is presented in the following table.

	2026	2025
United States Dollar	**1,499**	1,487
Australian Dollar	**693**	844
New Zealand Dollar	**528**	624
Other	**127**	183
Total borrowings	**2,847**	3,138

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.

	2026		2025	
	EQUITY	PROFIT	EQUITY	PROFIT
10% strengthening of the NZD	**839**	**(4)**	802	(1)
10% weakening of the NZD	**(973)**	**5**	(914)	7

Notes to the Consolidated Financial Statements CONTINUED

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20 Financial risk management CONTINUED

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 $1,766 million (31 July 2025: $2,706 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.

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.

	2026		2025	
	EQUITY	PROFIT	EQUITY	PROFIT
100 basis point increase	**36**	**1**	40	1
100 basis point decrease	**(34)**	**(1)**	(41)	(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 the cost of electricity, diesel, and emissions units (i.e. price risk) through the use of derivative contracts (including nature-dependent VPPAs) and the pre-purchase 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.

	2026		2025	
	EQUITY	PROFIT	EQUITY	PROFIT
10% increase in commodity prices	**51**	**(23)**	56	(31)
10% decrease in commodity prices	**(52)**	**26**	(55)	31

Notes to the Consolidated Financial Statements CONTINUED

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20 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.

	2026					
	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	(97)	(99)	(23)	(76)	–	–
– Lease liabilities	(265)	(399)	(17)	(46)	(180)	(156)
– NZX-listed bonds	(299)	(349)	–	(14)	(335)	–
– Medium-term notes	(2,186)	(2,500)	(446)	(61)	(1,616)	(377)
Bank overdraft	(37)	(37)	(37)	–	–	–
Trade and other payables (excluding employee entitlements)	(4,605)	(4,605)	(4,521)	(10)	(74)	–
Other	(213)	(228)	(30)	(198)	–	–
Total non-derivative financial liabilities	**(7,702)**	**(8,217)**	**(5,074)**	**(405)**	**(2,205)**	**(533)**
Derivative financial instruments						
Gross settled derivatives						
Inflow		27,614	11,606	11,636	3,995	377
Outflow		(27,166)	(11,453)	(11,610)	(3,757)	(346)
Total gross settled derivative financial instruments	**387**	**448**	**153**	**26**	**238**	**31**
Net settled derivatives	(96)	(101)	(38)	(42)	(19)	(2)
Total financial liabilities and derivatives	**(7,411)**	**(7,870)**	**(4,959)**	**(421)**	**(1,986)**	**(504)**

Notes to the Consolidated Financial Statements CONTINUED

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20 Financial risk management CONTINUED

Liquidity risk CONTINUED

	2025[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	(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)	(3,897)	(3,897)	(3,817)	(5)	(75)	–
Other	(12)	(26)	(25)	–	(1)	–
Total non-derivative financial liabilities	(7,077)	(7,614)	(3,912)	(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	(6,641)	(7,141)	(3,840)	(539)	(2,274)	(488)

1 Comparative information includes re-presentations for consistency with the current period.

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
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20 Financial risk management CONTINUED

Liquidity risk 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 2025: $3,700 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 2026 the Group posted $99 million (31 July 2025: received $44 million) of margin as collateral for derivative financial instruments transacted on exchanges. This collateral is included in other receivables within trade and other receivables (31 July 2025: other payables within trade and other payables).

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 $1,752 million (31 July 2025: $1,372 million) are largely current or less than one month past due (31 July 2026: $1,727 million, 31 July 2025: $1,327 million). Expected credit losses of $9 million have been recognised (31 July 2025: $6 million) on a trade receivables balance of $1,632 million (31 July 2025: $1,322 million).

Trade and other receivables includes other receivables of $124 million (31 July 2025: $49 million) and prepayments of $89 million (31 July 2025: $90 million).

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ MILLION)

21 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.

Derivatives are measured at fair value. Refer to Note 19 *Fair value measurement* for information on how fair value is determined.

The resulting gain or loss on re-measurement is recognised immediately in the 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 the 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 the 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 the 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 the profit or loss when the underlying transactions are recognised in the profit or loss.

The ineffective portion of changes in the fair value of the hedging instruments are recognised immediately in the 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 the 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 the 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 the 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 the profit or loss at the same time as hedged item impacts the profit or loss.

The Group's risk management activities described in Note 20 *Financial risk management* result in volatility to the 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 the 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 Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ MILLION)

21 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 are 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 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 Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ MILLION)

21 Hedge accounting CONTINUED

a) Impact to reserves in equity

Foreign currency translation reserve	2026	2025
Opening balance	**158**	127
Movements attributable to net investments in foreign operations and net investment hedges		
Net translation profit/(loss) on:		
– Borrowings and derivative hedging instruments	**1**	7
– Net investments in foreign operations	**125**	31
Reclassifications to profit or loss:		
– Disposals of foreign operations	**(273)**	(7)
– Tax credit	**(6)**	–
Total movement	**(153)**	31
Closing balance	**5**	158

Hedge reserves	2026	2025
Opening balance	**11**	(72)
Movements attributable to cash flow hedges		
Change in value of effective derivative hedging instruments	**(311)**	(115)
Reclassifications to profit or loss:		
– As hedged transactions occurred	**265**	207
Net change in the cost of hedging reserve	**(5)**	23
Tax credit/(expense)	**14**	(32)
Total movement	**(37)**	83
Closing balance	**(26)**	11

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ MILLION)

21 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.

	2026				
				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
Foreign exchange risk – Forecast foreign currency transactions					
Cash flow hedges					
NZD:USD forwards and options (sales)	1 – 18	0.593	15,787	137	(79)
USD:CNY forwards (sales)	1 – 12	6.760	1,134	2	(11)
Total			16,921	139	(90)
Foreign exchange risk and interest rate risk – Foreign currency denominated borrowings					
Cash flow and fair value hedges					
NZD:USD CCIRS	2 – 49	0.760 / Floating	1,184	306	–
NZD:AUD CCIRS	16 – 70	0.876 / Floating	685	17	–
Total			1,869	323	–
Interest rate risk – Borrowings					
Cash flow hedges					
NZD IRS	1 – 60	3.88%	2,479	8	(14)
Total			2,479	8	(14)
Fair value hedges					
NZD IRS	40	Floating	300	–	(1)
AUD IRS	16	Floating	359	–	(8)
Total			659	–	(9)
Commodity price risk – Forecast transactions					
Cash flow hedges[2]					
Fuel swaps	1 – 18	$100.32	35	10	–
Milk Price futures and options	3 – 27	$9.60	1,271	11	(7)
Electricity futures and swaps	1 – 39	$139.28	187	–	(61)
Nature-dependent VPPAs	18 – 222	$131.33	117	–	–
Total			1,610	21	(68)

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, swaps and nature-dependent VPPAs.

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ MILLION)

21 Hedge accounting CONTINUED

b) Hedging instruments designated in a hedge accounting relationship CONTINUED

	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 (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 Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ MILLION)

21 Hedge accounting CONTINUED

b) Hedging instruments designated in a hedge accounting relationship CONTINUED

	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
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 swaps	1 – 16	$85.97	15	–	–	–
Milk Price futures and options	3 – 27	$9.26	1,445	136	–	–
Electricity futures and swaps	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 and swaps.

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ MILLION)

21 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.

	2026				
		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	**(18)**	**28**	**(217)**	**227**	**–**
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	**(1)**	**325**	**32**	**(31)**	**(7)**
Interest rate risk – Borrowings					
Cash flow hedges	**–**	**(6)**	**12**	**14**	**–**
Fair value hedges	**–**	**(6)**	**–**	**–**	**(7)**
Commodity price risk – Forecast transactions					
Cash flow hedges	**–**	**(42)**	**(138)**	**55**	**–**
Total	**(19)**	**N/A**	**(311)**	**263**	**(14)**

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ MILLION)

21 Hedge accounting CONTINUED

c) Impact of hedge accounting CONTINUED

	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

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 $25 million (31 July 2025: a loss of $52 million). This was predominantly related to unfavourable movements of $31 million (31 July 2025: $68 million) on commodity contracts hedging forecast transactions, which were offset within cost of goods sold as those transactions occurred.

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ MILLION)

22 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 the Statement of Financial Position (and additional financial assets and financial liabilities with offset rights that are conditional, and have not been presented net).

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 only 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 2026					
Cash and cash equivalents	**947**	**–**	**947**	**(1)**	**946**
Derivative financial assets	**666**	**(155)**	**511**	**(83)**	**428**
Trade and other receivables (excluding prepayments)	**1,896**	**(144)**	**1,752**	**(49)**	**1,703**
	3,509	**(299)**	**3,210**	**(133)**	**3,077**
Derivative financial liabilities	**(375)**	**155**	**(220)**	**133**	**(87)**
Total trade and other payables (excluding employee entitlements)	**(4,749)**	**144**	**(4,605)**	**–**	**(4,605)**
	(5,124)	**299**	**(4,825)**	**133**	**(4,692)**
As at 31 July 2025[1]					
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)	(4,025)	128	(3,897)	82	(3,815)
	(4,404)	285	(4,119)	210	(3,909)

1 Comparative information includes re-presentations for consistency with the current period.

Notes to the Consolidated Financial Statements CONTINUED

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($ MILLION)

23 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 were 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 (%) 2026	2025
– Fonterra Commercial Trading (Shanghai) Company Limited[1]	China	**100**	100
– Fonterra (Japan) Limited[2]	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 Ingredients Limited	New Zealand	**100**	100
– Fonterra Limited	New Zealand	**100**	100
– RD1 Limited	New Zealand	**100**	100
– Kotahi Logistics LP	New Zealand	**91**	91
– Fonterra (USA) Inc.	United States	**100**	100
– Fonterra Brands Indonesia, PT	Indonesia	**100**	100
Subsidiaries sold during the period (Refer Note 2 Divestments):			
– Fonterra Brands (Malaysia) Sdn Bhd	Malaysia	**–**	100
– New Zealand Milk Brands Limited	New Zealand	**–**	100
– Fonterra Brands (Singapore) Pte Limited	Singapore	**–**	100
– New Zealand Milk (Australasia) Pty Limited	Australia	**–**	100
– Fonterra Australia Pty Limited	Australia	**–**	100
– Fonterra Brands (Australia) Pty Limited	Australia	**–**	100
– Fonterra Brands (New Zealand) Limited	New Zealand	**–**	100
– Mainland Group Holdings Limited[3]	New Zealand	**–**	100
– Fonterra Brands Lanka (Private) Limited	Sri Lanka	**–**	100
– Fonterra Brands (Middle East) L.L.C.[2]	UAE	**–**	49
– Saudi NZ Milk Products Company Ltd	Saudi Arabia	**–**	100

1 Balance date 31 December.
2 Consolidated on the basis that the Group controlled through its exposure or rights to variable returns and the power to affect those returns.
3 Parent entity of the Mainland Group at the divestment date.

In addition to the entities presented above, the Group controls the Fonterra Shareholders' Fund and Fonterra Farmer Custodian Limited and consolidated these two entities. 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.

Notes to the Consolidated Financial Statements CONTINUED

FOR THE YEAR ENDED 31 JULY 2026
($ MILLION)

24 Re-presentations

AT A GLANCE

This note provides a summary of the effect of excluding the Mainland Group operations 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.

Discontinued operations for the comparative period has been re-presented to reflect the final perimeter of the Mainland Group sale in March 2026. 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 Mainland Group operations from continuing operations into discontinued operations (i.e. to reflect changes between the final sale perimeter and the 31 July 2025 held for sale perimeter).

	2025 CONTINUING OPERATIONS	TRANSFERRED TO DISCONTINUED OPERATIONS	2025 CONTINUING OPERATIONS RE-PRESENTED
Revenue	24,111	(59)	**24,052**
Cost of goods sold	(20,826)	29	**(20,797)**
Gross profit	3,285	(30)	**3,255**
Other operating income	104	–	**104**
Foreign exchange gains	9	–	**9**
Operating expenses	(1,838)	36	**(1,802)**
Net finance costs	(184)	–	**(184)**
Profit before tax	1,376	6	**1,382**
Tax expense	(372)	3	**(369)**
Profit after tax	1,004	9	**1,013**

The following table shows the offsetting financial effect on discontinued operations, presented in Note 2 *Divestments*.

DISCONTINUED OPERATIONS	2025 DISCONTINUED OPERATIONS	TRANSFERRED FROM CONTINUING OPERATIONS	2025 DISCONTINUED OPERATIONS RE-PRESENTED
Revenue from discontinued operations	5,403	356	**5,759**
Elimination of intra-group revenue:			
– Ongoing sales to continuing operations	(723)	(66)	**(789)**
– Ongoing sales to discontinued operations	(2,341)	(231)	**(2,572)**
Revenue presented in discontinued operations	2,339	59	**2,398**
Cost of goods sold of discontinued operations	(4,497)	(326)	**(4,823)**
Elimination of intra-group purchases:			
– Ongoing purchases from continuing operations	2,341	231	**2,572**
– Ongoing purchases from discontinued operations	723	66	**789**
Cost of goods sold presented in discontinued operations	(1,433)	(29)	**(1,462)**
Gross profit	906	30	**936**
Other operating income	15	–	**15**
Operating expenses	(749)	(36)	**(785)**
Net finance costs	(2)	–	**(2)**
Profit before tax from discontinued operations	170	(6)	**164**
Tax expense	(95)	(3)	**(98)**
Profit after tax from discontinued operations	75	(9)	**66**

In this section

Group Climate Statements

Brown family farm, Bay of Plenty

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 2025 – 31 July 2026.

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 247.
The report was approved on behalf of Fonterra on 23 September 2026.

Peter McBride
Chairman
23 September 2026

Bruce Hassall
Director
23 September 2026

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 our existing and potential investors (including unitholders 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 23 September 2026, in respect of our financial year ending 31 July 2026.

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 these Group Climate Statements. 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 our Co-op[1]

Board	Fonterra Board			
	Audit, Finance & Risk Committee	Co-operative Relations Committee	People, Culture & Safety Committee	Sustainability & Innovation Committee[1]
↕				
Management	Fonterra Management Team			
↕				
Steering committees	Sustainability Steering Committee (Group)	Sustainability Steering Committee (COO)	Climate Risk Steering Committee[1]	Sustainability Activation Steering Committee[1]
↕				
Working groups	Climate-related working groups and teams			

1 In FY26, the Climate Risk Steering Committee and the Sustainability Activation Steering Committee were amalgamated into a new committee, the group-wide Sustainability Steering Committee, which held its first meeting in November 2025. The Sustainability & Innovation Committee was disestablished during FY26, with its last meeting being held in February 2026. Further information about these changes is provided in Tables 1 and 3.

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 (including climate) strategy, initiatives, investments, frameworks, targets, metrics and policies.

The Board monitors progress against and oversees delivery of sustainability metrics and targets, including those related to climate. 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.

In FY26, the Board considered climate-related matters at 8 of its 15 meetings. The Board considers climate-related risks and opportunities where they are relevant in its strategic decision-making processes. For example, at its February 2026 meeting, the Board endorsed the outcomes of a review of our sustainability strategy and the associated need to increase activity to reduce on-farm emissions intensity.

Various Board Committees have 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 meeting minutes for 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.

Table 1 – Relevant Board Committees

Audit, Finance and Risk Committee (AFRC)	The AFRC is responsible for overseeing and monitoring climate risk and other sustainability-related risks, as well as the preparation of our Group Climate Statements. Group risk reporting is an agenda item at each meeting of the AFRC and includes climate change as a group risk. The AFRC met eight times in FY26. In addition, the AFRC joined two Sustainability and Innovation Committee meetings in FY26 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 (e.g., adoption of novel emissions reduction technologies) and regional community initiatives. 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 FY26.
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. The PCSC considered climate in incentive discussions at six meetings in FY26. More information on climate-related remuneration is provided on page 199.
Sustainability and Innovation Committee (SIC; disestablished February 2026)	The SIC was responsible for overseeing the sustainability and innovation aspects of our strategy and, jointly with the AFRC, for the preparation of our Group Climate Statements. The SIC was established in August 2023 and disestablished following its February 2026 meeting, recognising our Co-op's increasing maturity around sustainability and innovation as these topic areas shift into "business as usual" governance forums. Items relating to climate strategy, risk, opportunity, and reporting that would have been discussed at the SIC are now discussed at the CRC (if related to on-farm emissions), the AFRC (if related to risk or reporting) or at the full Board. Periodic reporting on sustainability and climate metrics and market insights has been transitioned from the SIC to the full Board. The SIC met three times in FY26. In addition, the SIC joined one AFRC meeting in FY26 to discuss our Group Climate Statements and one CRC meeting in FY26 to discuss on-farm emissions.

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; and
- 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 FY26 had effective leadership and financial acumen as their top aggregate skills, closely followed by sustainability and risk management. We consider effective leadership, sustainability, and risk management skills to be particularly relevant for the effective governance of climate-related risks and opportunities.

The Board continues to expand its climate capability, including through:

- engagement with internal subject matter experts on specific climate topics during Board and Committee meetings;
- relevant readings provided by the Sustainability team as part of the monthly Board reading pack; and
- a discussion with a panel of external speakers on the topic of global trends in climate and sustainability at the May 2026 Board meeting.

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 the Board at monthly meetings. For example, at their December 2025 meeting, the FMT discussed the findings of our sustainability strategy review, including the recommendation to introduce climate adaptation as a strategic focus area. There were 16 FMT meetings held in FY26. The members identified in Table 2 have specific responsibilities relevant to climate-related risks and opportunities. The FMT reviews performance against climate-related targets as part of integrated monthly reporting. Eight such reports were provided to the FMT in FY26, with a verbal update given in a further three meetings.

In June 2026, we moved from a channel-led to a market-led leadership structure. One element of this change was the creation of a new FMT role, Chief Growth and Strategy Officer. This new role has specific climate responsibilities as described in Table 2.

Table 2 – FMT members with specific climate responsibilities

CEO	– Responsible for managing and delivering our Co-op's strategy and performance, including the strategic choice to build on our sustainability position. – Responsible for management of climate-related risks and opportunities, and ultimately for climate target achievement. – 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 development of our on-farm emissions reduction acceleration programme, farmer engagement, and the delivery of tools and services that support emissions reductions. – Responsible for assessing and monitoring climate-related performance as part of integrated monthly reporting and external quarterly reporting. – Responsible for seeking third party assurance of GHG emissions measurement and reporting. – Attends CRC meetings. – Attended SIC meetings until that Committee's disestablishment.
Chief Financial Officer	– Responsible for considering the financial implications of climate-related risks and opportunities in financial planning, capital allocation and financial reporting. – Responsible for oversight of strategy until mid June 2026, with climate mitigation and adaptation being key focus areas within the strategic choice to build on our sustainability position. – Responsible for ensuring our Co-op meets its New Zealand Emissions Trading Scheme (ETS) requirements. – Responsible for oversight of Procurement function, including climate-related requirements placed on suppliers. – Attends AFRC meetings.

Table 2 – FMT members with specific climate responsibilities CONTINUED

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. – Holds the relationship with, and is responsible for 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 the PCSC for approval. – Attends PCSC meetings.
Chief Growth and Strategy Officer	– This new FMT role was established in June 2026, and is responsible for our Co-op's strategy.

Group climate leaders

Our management-level climate-related steering committees are comprised of key senior leaders. These 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

Sustainability Steering Committee (Group)	This Sustainability Steering Committee was established in November 2025 through the amalgamation of the Climate Risk Steering Committee and the Sustainability Activation Steering Committee. Chaired by the Director of Sustainability and involving senior leaders from across the value chain, this new committee manages the implementation of our sustainability strategy, including the climate mitigation and adaptation focus areas (including scope 3 emissions reduction and engagement activities), and the preparation of external sustainability reporting (including our Group Climate Statements). This committee reports to the FMT, Board Committees, and the full Board. It typically meets monthly, with eight meetings in FY26 (in addition to two meetings of the now-discontinued Climate Risk Steering Committee).
Sustainability Steering Committee (Operations)	This Sustainability Steering Committee focuses on sustainability and environmental licence to operate requirements at our direct operations in New Zealand. It provides support, challenge, and direction for strategic portfolios and projects, and gating for projects to move into the Enterprise Investment Committee. Its remit includes scope 1 and 2 emissions reductions. This committee typically meets every four to six weeks, with eight meetings in FY26.

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 199.

Strategy

Current business model and strategy

Our Co-op is owned by New Zealand dairy farmers. We create value by collecting milk, processing it into a wide range of dairy products (with our primary operations located across New Zealand), and selling those products to customers globally. In FY26, we sold Mainland Group, our global consumer and associated businesses, to Lactalis. This was a strategic decision to enable us to focus on business-to-business sales of dairy ingredients and foodservice products.

Key changes to our business model relating to this divestment include:

- We no longer collect milk in Australia or Sri Lanka; we are focused on New Zealand milk (which was always our largest milk pool).
- Our global manufacturing footprint has reduced, with three manufacturing sites in New Zealand and 13 offshore manufacturing sites being divested. Following divestment, all of our manufacturing sites are in New Zealand except for the Heerenveen site in the Netherlands.[1]
- We no longer sell dairy products via the Consumer channel (except for limited brands, in limited markets of Greater China). We now focus on dairy ingredients and foodservice products, with our key brands being NZMP and Anchor Food Professionals.

Our vision continues to be the source of the world's most valued dairy, and since September 2024 we've been focused on six strategic choices:

- Deliver the 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 marketing 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.

Transition plan elements of strategy

In FY26, we undertook a project to review 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. This process involved further analysis of global and domestic sustainability trends and requirements, policy and regulations, farmer and global customer needs, and competitor benchmarking.

The process was jointly led by our Sustainability and Group Strategy teams, governed by a temporary steering committee representing the COO business unit, Global Markets, and Co-operative Affairs. Key discussion and decision items were raised with the Sustainability Steering Committee, FMT, and ultimately endorsed by the Board in February 2026.

At the time of the review, it was clear that customer interest in sustainability persists, global competitors (particularly in Europe) are continuing to make progress toward their science-based emissions reduction targets, and climate reporting obligations continue to emerge globally. Although the United States has withdrawn from the Paris Agreement, other key export markets remain committed to addressing climate change. With this strategic context in mind, the importance of sustainability, and particularly climate, for our Co-op was reaffirmed as a strategic choice.

Near-term emissions reduction targets remain a key part of our climate mitigation approach, and our desire to access high-value markets and customers. These were developed in line with the Paris Agreement goal of limiting global temperature increase to 1.5°C above pre-industrial levels, and were validated by the Science Based Targets initiative (SBTi) in 2024. The scale of the Mainland Group divestment has triggered SBTi re-validation requirements, which require us to reassess our targets so they remain credible and representative of our post-divestment business. We are currently reassessing our targets and expect to provide an update in our FY27 Group Climate Statements. In the meantime, our existing targets remain in place.

The review acknowledged that progress on our scope 1 and 3 forest, land and agriculture (FLAG) emissions intensity reduction target has been challenging to date. This reflects both the complexity of reducing on-farm emissions and the range of external factors that influence outcomes, including the inherent uncertainty with breakthrough technologies. In response, we have adjusted our sustainability strategic positioning, including to direct more focus and resource ($10 million budgeted for FY27) to on-farm emissions intensity performance. This on-farm emissions intensity programme has been designed to be flexible, with optionality for initiatives to be scaled up or down as information about their effectiveness and/or new technologies come to market. Key indicators along with an annual progress review process will be established to manage the effectiveness of the programme. This programme will be governed by the Sustainability Steering Committee, with escalation to the FMT, CRC, and Board as necessary.

1 We also engage third party manufacturers to manufacture products for us in various countries.

The strategic review also considered the impact of climate change on our business. Recognising the need to build long-term resilience to climate change, we elevated climate adaptation as a strategic focus area in FY26, alongside climate mitigation, nature, animal wellbeing, and sustainable value. This recognises the importance of understanding our climate-related risks and opportunities and exploring how we can take action to support the development of a more resilient Co-op for the long term.

Long-term resilience is a key priority underpinning our strategic focus on sustainability. Our approach to long-term resilience involves building our understanding of potential climate-related risks and taking actions that we believe will help us better prepare for the anticipated impacts of climate change. We continue to explore resilience-related opportunities, support emissions reductions, and recognise the role of nature in helping us achieve our sustainability ambitions.

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]
- 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]
- 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.
- To no deforestation across our primary deforestation-linked commodities, with a target date of no later than 31 December 2025.[3]

Climate mitigation: Reducing emissions

Our Sustainability Roadmap outlines activities underway across our value chain to help us towards our near-term emissions reduction targets and our broader ambition to be net zero by 2050, informed by what science indicates is required to limit warming to 1.5°C above pre-industrial levels. Table 8 outlines our capital deployed towards activities intended to support our transition to a lower emissions, more climate resilient future.

Our decarbonisation programme is intended to contribute to progress towards our scope 1 and 2 energy & industrial (E&I) emissions reduction target, and improve energy security and efficiency at our New Zealand manufacturing sites. We are moving away from fossil fuel sources and switching to alternative energy sources, and have committed to removing coal from our operations by 2037. Since achieving coal-free operations across our North Island sites in 2024,[4] we have been focused on transitioning our remaining South Island sites out of coal and reviewing our use of natural gas at our North Island sites. More information on FY26 action on our decarbonisation programme can be found on page 190.

In FY26 we signed two Power Purchase Agreements to support the construction of a 42-megawatt solar farm near Rakaia and the development of a 129-megawatt solar and energy storage project in Darfield. These agreements help bring new generation to market while supporting our access to reliable, cost-effective, renewable electricity for our operations. We also continue to explore opportunities to electrify our vehicle fleet, with a pilot of six additional electric milk tankers and associated infrastructure commencing in FY26.

We are also supporting farmers to reduce on-farm emissions intensity, recognising the need to increase efforts to progress towards our scope 1 and 3 FLAG target. Given that progress on this target has been challenging to date, we continue to communicate with farmers on the importance of reducing emissions to help our Co-op protect and create value long-term. Our approach to on-farm emissions intensity reduction considers five key areas: encouraging uptake of on-farm efficiency practices, novel technology, mapping and increasing on-farm vegetation for carbon removals, land use change, and data improvements. An internal implementation framework is in place to monitor progress on activities related to on-farm emissions intensity reductions as well as to support and incentivise on-farm change.

1 The target boundary includes land-related emissions and removals from bioenergy feedstocks.
2 Target includes FLAG emissions and removals.
3 This target was not achieved by the target date; see page 192 for more information.
4 These operations are coal-free in the usual course of business. In the unlikely event that biomass is unavailable as an energy source, our converted biomass boilers retain the ability to use coal as an alternative.

Our on-farm emissions intensity reduction programme builds on foundational components like one-on-one on-farm efficiency visits and provision of farm-level data to help inform decision making. It also aims to increase the adoption of tools and technologies available today that support better pasture and effluent management, whilst remaining flexible to incorporating novel technologies as they become available. The programme is also intended to support carbon removals through co-funded planting projects and initiatives to help improve data quality for emissions reporting.

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. In FY26, we agreed to extend our engagement with AgriZero^{NZ}.

Furthermore, this year the New Zealand Government announced that it would jointly back a new AgriZero^{NZ} programme, the Early Adoption Accelerator (EAA), to help roll out new technologies that support productivity, profitability, and emissions efficiency on-farm. The EAA will match project investment from industry partners dollar for dollar up to a maximum of $51 million over three years, with individual projects capped at $5 million of EAA contribution per year.

Climate adaptation: Building long-term resilience

We are now in our fourth year of undertaking climate scenario analysis, and we continue to build maturity in our understanding of climate-related risks and opportunities. This includes the activities available to build resilience and help deliver on our Co-op's strategic priorities.

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 an annual review of current strategic mitigations and their relationship to our climate-related risks and opportunities.

In FY26, we improved our understanding of physical climate-related risks to our milk supply and manufacturing sites through projects with ClimSystems and Beca (see page 188 for details). These projects provided additional insight to enhance our understanding of our climate vulnerability whilst providing an opportunity to engage our people on risk mitigation and adaptation activities.

This year we also reviewed our operational water use target. In September 2026 we replaced our absolute water reduction target with a new public target, to reduce water intensity by 1% per year to support secure and resilient water supplies across all sites. Recognising that our Co-op depends on access to water for many of its manufacturing processes, reducing our water intensity can help build resilience to potential future water scarcity exacerbated by climate change. We have also established a process to assess and monitor water security at each of our New Zealand manufacturing sites. This will enable targeted actions to support sites with water security risk factors.

We continue to participate in 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, including in changing climate conditions.

We are continuing to develop our climate adaptation programme across four key areas to help us improve long-term resilience alongside reducing emissions, with the following actions currently underway:

SUPPORT ON-FARM EFFICIENCY AND RESILIENCE	OPTIMISE OPERATIONS AND SUPPLY-CHAIN	MAINTAIN CUSTOMER AND STAKEHOLDER VALUE	RECOGNISE THE ROLE OF NATURE
Support farmers to understand 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. Example of this is the Growing Farm Efficiency and Profit farmer events presented collaboratively by DairyNZ and our Co-op. More than 20 events were held between November 2025 and February 2026. – Review emergency response procedures to enhance network resilience and preparedness for climate-related events. – 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 flood and drought risk assessments for manufacturing assets. – Monitor energy security risk to inform prioritisation of decarbonisation efforts, such as supporting the development of a 129-megawatt solar and energy storage project at our Darfield site. – Monitor technology and innovation opportunities to reduce reliance on natural resources where feasible. An example of this is the long-term virtual Power Purchase Agreement signed with ANZ to underpin the construction of a solar farm, with our Co-op contracting 80% of the project's output. – Use business continuity plans and partnerships with logistics companies to maintain supply chain resilience.	– Support existing customer partnership opportunities to deliver low emission and climate resilient outcomes. – Collaborate with industry and government where feasible to identify and explore climate adaptation opportunities, such as the Resilient Pastures Programme with DairyNZ and the Ministry for Primary Industries.	– Encourage plantings on-farm to support carbon removals, shade and shelter, erosion control, and biodiversity, such as an on-farm solutions initiative where farmers can receive funding toward on-farm planting. – Identify and implement nature-based solutions to support operational resilience where feasible, such as the Restoring Wetlands Fund, a joint project with NZ Landcare Trust to support wetland restoration across rural New Zealand.

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 participate in domestic and global policy development processes, advocating for settings that support a sustainable and productive 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 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 dairy 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 on and investing in possible options, there is risk around the timely development and availability of new solutions. For example, feed additives that inhibit methane production in dairy cows are already available overseas, but will need to be adapted to work in a pasture-based farming system and meet regulatory approvals before they can be used on New Zealand dairy farms. Our transition will require significant action and coordination from across our Co-op, including our farmer shareholders, as well as Government, industry bodies, and partners.

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. These include (but are not limited to) affordable access to low emission energy sources at the scale required, appropriate regulatory settings and approvals, availability of commercially viable emissions reduction solutions, development and application of novel technology, widespread adoption of on-farm practice changes, supportive domestic and international policy settings, and access to appropriate funding support such as co-funding from the Energy Efficiency and Conservation Authority (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.

We monitor signals and data that help inform decisions related to our climate goals and activities, the climate-related risks and opportunities summarised in Tables 5 and 6, and our wider strategic choice to build on our sustainability position. This includes the choices we might have and what might need to change to help deliver on our strategy and targets.

This information helps to inform tracking of key workstreams and metrics that support delivery of our sustainability goals and targets through our sustainability governance structure (set out in the Governance section). This process, in combination with annual preparation of our Sustainability Report and Group Climate Statements, provides opportunity for us to assess our strategic positioning in response to any signals that could influence our ability to meet our objectives or respond to climate-related risks. This may include changes in regulations, standards and methodologies, stakeholder needs, or operating conditions that might need to be considered.

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 FY25, we developed new climate-related scenarios in collaboration with Livestock Improvement Corporation Limited and Silver Fern Farms Limited. 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 sources 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) provided global and socio-economic context for our scenarios, including 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.

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, strategic choices around sustainability, global market access and demand for dairy. The temperature end points selected meet the NZ CS requirement to consider a 1.5°C scenario, a 3°C or greater scenario, and one other scenario.

We used the same scenario narratives in FY26 as FY25, but updated some underlying data to reflect more recent modelling by the Ministry for Environment and other information providers. Our scenario architecture is detailed in Appendix 1. 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 Sustainability Steering Committee and approved by the AFRC and SIC. They are presented in Table 4.

Both our scenarios and our climate-related risks and opportunities consider the following time horizons:

- Short term (2027 – 2029): Aligned to our three-year budget and business planning cycle.
- Medium term (2030 – 2036): End point aligned to our ten-year milk supply forecast.
- Long term (2037 – 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 FY26 involving a wide range of business stakeholders, including senior members of our Group Strategy team. To explore our strategic resilience to climate change, members of our Sustainability and Risk teams facilitated workshops with colleagues from across the value chain. Each workshop:

- Explored how our business model and strategy might be impacted in each of the three scenarios;
- Identified potential risks and opportunities emerging (using the FY25 risks and opportunities as a starting point); and
- Considered adaptation activities that could build resilience to climate change.

The outputs of these workshops were used as inputs into a similar workshop conducted with the Sustainability Steering Committee and the Director Strategy & Implementation. Finally, a summary of the outputs of the scenario analysis process was shared with the AFRC. Our scenario analysis process did not involve external stakeholders in FY26, nor did it involve modelling.

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 (2027 – 29)	– Severe acute weather events become more common.	– Severe acute weather events become more common.	– Severe acute weather events become more common.
	Medium term (2030 – 36)	– 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 (2037 – 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 (2027 – 29)	– 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)
Transition risk factors	Medium term (2030 – 36)	– 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)
Transition risk factors	Long and very long term (2037 – 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-related scenarios, see Appendix 1.

Climate-related risks and opportunities

Anticipated impacts[1]

The Aotearoa New Zealand Climate Standards (NZ CS) 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	Changing milk supply[2]	**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 changes to pasture availability and the productivity of land. **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 considered across animal stress, changing pasture growth, severe events (flooding), increased pests and diseases, limited availability of water, and farmer wellbeing. Any one or a combination of these factors could result in changes to milk supply; for example, heat stress may result in reduced productivity per cow or drought could limit homegrown feed availability. A reduction in milk volumes could impact utilisation of manufacturing plants and could ultimately result in plant closures. In contrast, increasing temperatures and rainfall may have a net positive impact on pasture growth and milk supply, which could be beneficial or challenging for operations depending on the volume of milk relative to local manufacturing capacity. Further work is required to understand the anticipated impacts of chronic climate changes on milk supply. **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 our Co-op's milk supply.	– 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 offering 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. – Continue to participate in policy consultations. – Continue to engage in policy development through sector collaboration. – Continue to work towards our emissions reduction targets. – Regularly update the milk supply forecasts that underpin our Co-op's long-term asset planning.

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).

2 This risk has been updated since FY25, when we disclosed "reduced milk supply" as a physical and transition risk. As we build our understanding of climate-related risks, we have recognised that climate change may have a positive impact on some drivers of milk supply and a negative impact on others, and that increasingly frequent severe weather events could drive increasing volatility in milk volumes. "Changing milk supply" better reflects our current understanding of this risk.

Table 5 – Climate-related risks CONTINUED

TYPE	RISK	RISK DESCRIPTION	LOCATION	TIME HORIZONS	ANTICIPATED IMPACTS	SPECIFIC MITIGATIONS
Physical and transition	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 and/or physical water availability in times of drought.	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 or physical 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 work towards 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.
Physical	Manufacturing disruption[2]	Increasing frequency and severity of extreme weather events (flooding, cyclones, droughts) disrupting and/or causing damage to manufacturing sites.[1]	New Zealand	Short, medium, long	We anticipate that 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 local councils and other stakeholders. – Continue to use insurance products aligned to Board appetite for such climate-related risks. – Maintain Operational Business Continuity Plans. – Maintain our geographically diverse plant network and, where practical, maintain sufficient manufacturing capacity to support business continuity across the network even if certain sites are disrupted.
	Supply chain disruption[2]	Increasing frequency and severity of extreme weather events (flooding, cyclones, droughts) disrupting our supply chain.[1]	New Zealand Global	Short, medium, long	We anticipate that 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.	– Continue to partner with freight and logistics providers (e.g., Kotahi) and local councils/other stakeholders. – Maintain Operational Business Continuity Plans.

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.
2 In FY25, we presented a consolidated "manufacturing and supply chain disruption" risk. We have split these into two risks in FY26 following scenario analysis and risk identification workshops, noting that while both manufacturing sites and elements of our supply chain are exposed to similar climate hazards, our response may differ as our supply chain involves infrastructure owned by third parties.

Table 5 – Climate-related risks CONTINUED

TYPE	RISK	RISK DESCRIPTION	LOCATION	TIME HORIZONS	ANTICIPATED IMPACTS	SPECIFIC MITIGATIONS
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 our sustainability performance.
	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. Our exposure to this risk is driven in part by strategic ingredient customers and key accounts who prioritise sustainability and may view dairy as 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 of our 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.

Table 5 – Climate-related risks CONTINUED

TYPE	RISK	RISK DESCRIPTION	LOCATION	TIME HORIZONS	ANTICIPATED IMPACTS	SPECIFIC MITIGATIONS
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. – Continue to deliver on-farm support. – Continue to work towards our emissions reduction targets.
	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 progress emissions reductions initiatives, we expect a decrease in our 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.
	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 reduction targets. – Continue to review products, customer-facing tools and initiatives, marketing and communications for accuracy and substantiation.

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.

Current impacts

We are required to disclose any material current climate-related impacts (physical or transition). In FY26, we experienced material climate-related transition and physical impacts, which are detailed in the table below. None of these were determined to have a current material financial impact in FY26.

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 FY26 we received a premium for our lowest carbon dairy, supplied via a virtual milk pool based on mass balance chain of custody principles. The agreements we have with customers are EBIT-neutral for Fonterra (i.e., they have no material financial impact). The additional revenue is passed on to farmers directly (for those farmers who have the lowest on-farm emissions footprints in our Co-op) and via access to subsidised on-farm solutions designed to improve emissions efficiency.
Transition	Climate litigation	Proceedings were ongoing in *Smith v Fonterra and Others* throughout FY26. Whilst the relief sought in that case would have been significant, the proceedings themselves did not have a material impact on our business in FY26. Following the end of FY26, the Climate Change Response (Tort Liability) Amendment Act was passed, creating a statutory bar on tort liability for emissions-related climate change effects. As a result, the Smith proceedings have been discontinued.
Transition	Constraints to non-milk manufacturing inputs	The New Zealand natural gas market continues to signal a significant decline in upstream revenue 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. It has not resulted in any material incremental operating costs in FY26 (i.e., it has had no material financial impact).
Physical	Manufacturing and supply chain disruption	During FY26, we experienced a number of weather events which caused damage at our manufacturing sites and disruption to both milk collection and our finished goods supply chain. Despite significant localised impacts, our geographic diversity and scale enabled us to manage the impact and none of these weather events resulted in a material financial impact in FY26.

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 this report, 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 in FY26. This list is not exhaustive; only activities that are considered material 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	Working towards 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 FY26 we deployed approximately $169 million of our own capital on energy efficiency and fuel switching costs, after deducting contributions received from EECA.[1] In FY25, we deployed our own capital of approximately $104 million (FY24: $40 million) after deducting contributions from EECA on energy efficiency and fuel switching costs. Our total capital deployed since this programme commenced in 2020 is $523 million. Our year-on-year capital deployment towards decarbonisation of our operations does not follow a linear trend; in-year spend varies significantly depending on what programme elements are to be delivered in that year.
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, predominantly through the AgriZero^NZ joint venture. In FY26 we contributed $19 million to AgriZero^NZ, taking our total spend-to-date to $50 million. In FY25 we did not make any contributions to AgriZero^NZ (FY24: $19 million). Our FY24 and FY26 contributions were recognised as an equity accounted investment. Our commitment to fund AgriZero^NZ is included in Note 18 (Related party transactions) of the Group Financial Statements. We intend to extend our engagement with AgriZero^NZ. 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.

1 In July 2023 we entered into an agreement with EECA to receive up to $90 million through the Government Investment Decarbonising Industry fund to support delivery of this target. This funding is allocated to transitioning off coal via energy efficiency and fuel switching to renewable energy such as wood biomass and electricity. In FY26 we accessed $36 million of EECA funding, this has been offset against capital deployment costs across qualifying projects, leaving $169 million of our own capital deployed in FY26.

Risk Management

Our approach to climate-related risk considers the long-term investments we are making in our manufacturing facilities, 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. Climate is considered in various strategic and business processes across our Co-op.

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 help assess and prioritise risk management activities, with specialist functions supporting a consistent cross-functional approach.

Our Risk Management Global Integrated Standard 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.

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. We periodically review our Co-op's risk appetite statement, and the FY26 review reconfirmed climate change as one of our group-level risks.

Specific consideration of climate-related risk aligns with the time horizons of our strategic planning cycles and beyond. 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' risk management activities. Refer to the Strategy section for specific detail on the time horizons and their duration, and our approach to scenario analysis.

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, our approach focused on re-validating the set of climate-related risks identified through our FY25 process, and building on these as required. We reviewed our FY25 risks with internal subject matter experts during our scenario analysis process to assess whether changes in our internal or external environment warranted updates.

As in FY25, the FY26 risk identification process included both climate-related risks and opportunities. For physical risks, the scope was limited to our New Zealand milk pool and manufacturing facilities. Following the divestment of Mainland Group (including milk collections in Australia and Sri Lanka), this scope represents 100% of our milk supply and most of our production footprint, and is therefore considered most relevant to the primary users of this report. For transition risks and opportunities, a global scope was considered across our channels and markets reflecting our multinational business model.

Impact pathways

In FY26, we relied on the impact pathways developed in prior years to help understand the causal relationships between climate drivers and business impacts. These pathways articulate how climate risks and drivers translate into business impacts and remain a core tool to support consistent interpretation of how risks may materialise.

Risk impact assessment

The assessment of risk impacts this year was anchored in the structured analysis undertaken in FY25, including scenario analysis and supporting modelling. For most climate-related risks, we adopted a targeted update approach, with subject matter experts reviewing previously assessed impacts across scenarios and confirming whether any material changes were required.

In FY26 we undertook additional analysis to deepen our understanding of potential impacts of physical climate-related risks to our milk supply and New Zealand manufacturing sites. This included targeted modelling of key hazards and sensitivities to complement our existing scenario-based assessment. External partners were engaged to support this work, including Beca to assess the potential impacts of flood and drought on manufacturing sites, and ClimSystems to model impacts on milk supply, including heat stress, pasture growth, and acute severe events such as flooding.

Risk reporting and outputs

The outputs of the FY26 process provide an updated and validated view of our climate-related risks and their potential impacts across the scenarios and time horizons considered.

Targeted analysis of physical climate-related risks generated new insights into the potential impacts of key hazards on our manufacturing operations and milk supply in late FY26. While these outputs have not yet been integrated into our scenario-based impact assessments, we intend to use them for future risk assessments and adaptation planning.

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 and Agriculture (FLAG) sector as outlined by SBTi.

Our approach and targets

Approach

We measure our GHG emissions in accordance with the GHG Protocol, namely the GHG Protocol: A Corporate Accounting and Reporting Standard (revised edition) (the Corporate Standard), the GHG Protocol: GHG Protocol Scope 2 Guidance: An amendment to the GHG Protocol Corporate Standard and the GHG Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard. We acknowledge the release of the GHG Protocol's Land Sector and Removals Standard in January 2026, which comes into force on 1 January 2027, and we are working towards implementation of this standard for our FY27 reporting period. We anticipate that changes to our GHG emissions methodology associated with adopting this new standard may result in changes to our reported emissions.

We began voluntarily measuring and managing our GHG emissions in 2014 and have consistently applied the operational control consolidation approach outlined in the Corporate Standard to determine the organisational boundary of our GHG emissions. This enables us to understand and manage the emissions sources that we have authority over and areas where we could influence our value chain to reduce emissions. In FY26 we continued to use this approach to consolidate our GHG emissions.

The divestment of Mainland Group to Lactalis on 31 March 2026 resulted in a change to our organisational boundary during FY26. From 1 April 2026 we ceased to have operational control of the entities within the perimeter of the divestment; they are now outside of our organisational boundary. Consistent with the GHG Protocol, this change requires consideration of when emissions fall within our organisational boundary and emissions value chain. Our commercial relationship with Lactalis, including the supply of raw milk, influences the extent to which emissions associated with Mainland Group are included within our scope 3 value chain. Further information on the treatment of this boundary change in our emissions inventory and target performance is provided in the section "Divestment of Mainland Group and our continuing operations".

The calculation of GHG emissions continues to be an evolving science and is subject to a number of methodology choices, assumptions and uncertainties which result in the calculation of our GHG emissions inventory, including our performance against targets outlined below, representing an estimate. Beyond changes to our emissions profile which result from divestment activity, we have expanded our inventory to include reporting on downstream leased assets (scope 3, category 13). Our methods, assumptions and uncertainties are presented in Appendix 3.

Divestment of Mainland Group and our continuing operations

This section provides information on how the divestment of Mainland Group has affected our GHG emissions.

GHG emissions performance reporting

Our GHG emissions performance reporting in FY26 is based on our continuing operations. To achieve like-for-like reporting, we have restated the FY18 base year and the FY24 and FY25 comparative periods to reflect emissions relating to our continuing operations. In most instances, the effect of the restatement is that historical emissions relating to Mainland Group have been excluded from the restated periods. The exception to this is Mainland Group scope 1 and 2 emissions which arose from the sourcing of milk from our New Zealand milk pool. As this milk was sourced from our continuing operations, we have reclassified the scope 1 and 2 emissions to scope 3. This treats Mainland Group as an historical customer and achieves reporting on a like-for-like basis across periods.

Our restatement approach aligns to the GHG Protocol, NZ CS 3 and our own restatement policy.

Emissions relating to our performance reporting are presented in Table 13 and further information on our FY26 restatements is in Appendix 3.

Our performance reporting is used to measure the progress we are making on our SBTi targets of reducing absolute scope 1 and 2 E&I GHG emissions and reducing the intensity of scope 1 and 3 FLAG GHG emissions from dairy. Comparative performance against these targets has been restated to reflect our continuing operations.

GHG emissions inventory

In FY26, Mainland Group was within our organisational boundary for the period to 31 March 2026. To provide a complete view of the emissions that we were responsible for this year, we have presented emissions relating to Mainland Group as 'discontinued operations' within Table 13. This approach presents emissions for our period of operational control, and incorporates raw milk production by the Australian and Sri Lankan milk pools, along with global manufacturing of Mainland Group brands and sales.

Our GHG emissions inventory reflects our continuing operations (used for performance reporting as described), and emissions relating to our discontinued operations. This information is presented in Table 13. Our GHG emissions inventory is not used for measuring performance towards our SBTi targets.

Continuing operations

The significant sources of GHG emissions within our continuing operations are: milk collected from our suppliers in New Zealand; manufacturing at sites in New Zealand and the Netherlands; other purchased goods and services; and the sale of our goods around the world (including transportation and distribution).

Targets

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 emissions in relation to the scopes set out in the GHG Protocol and by E&I and FLAG sources of emissions. Performance on emissions reduction targets is measured against our FY18 base year, being 1 August 2017 – 31 July 2018.

Target performance is assessed on a continuing operations basis by recalculating and restating the base year and comparative periods to exclude emissions relating to the divested entities, enabling like-for-like measurement across our periods of reporting. This is consistent with the GHG Protocol, our restatement policy and treatment of previous divestments. Accordingly, emissions related to Mainland Group that fall outside of our organisational boundary have been excluded from our FY26 target performance reporting and the corresponding restated comparative and base year periods.

Further information on our restatement policy and its application to the divestment of Mainland Group is presented in Appendix 3.

As noted on page 170, the scale of the recent divestment of the Mainland Group requires us to review our SBTi targets so they remain credible and representative of our post-divestment business. We are currently reassessing our targets and expect to provide an update in our FY27 Group Climate Statements. In the meantime, our existing targets remain in place.

Energy and Industrial (E&I) GHG emissions are GHG emissions associated with energy use and industrial processes or activities.

FLAG GHG emissions are GHG emissions that are within the SBTi definition of Forest, Land and Agriculture activities, sectors, methodologies, and targets. FLAG GHG emissions dominate our inventory with the majority being within scope 3 and associated with the supply of raw milk to us. The division between FLAG and E&I emissions has remained relatively constant over time.

Progress on our science-based targets

Absolute reduction in scope 1 and 2 E&I GHG emissions

This year we have achieved a 28.7% absolute reduction in scope 1 and 2 E&I GHG emissions relative to our FY18 base year. This is a further 8.5% reduction (a saving of 150,000 tCO_2e) on the prior year, and was delivered while processing more raw milk this year. This demonstrates the progress we are making in decoupling emissions from production growth.

In FY26, we completed two coal-to-wood pellet boiler conversions at our Clandeboye site. This has provided the greatest contribution to reducing scope 1 and 2 E&I emissions in FY26, removing over 135,000 tCO_2e of emissions from coal this year.

Two resistive element boilers were installed at our Waitoa site at the end of FY25 to meet the process heat requirements of increased production. This reduced the site's emissions by approximately 9,000 tCO_2e. The Waitoa project team and this new compact electrification technology were recognised as finalists in the 2026 New Zealand Energy Excellence Awards.

We are also progressing other projects aimed at contributing to our 50.4% reduction target of scope 1 and 2 E&I emissions. This year progress has been made on:

- Installing two electrode boilers at Whareroa and one at Edgecumbe. These investments provide a step towards transitioning away from co-generation of steam and electricity supply for these sites. Future emissions reductions from these projects are dependent on the phasing of other project elements.
- Our project to install an additional 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 site. Once complete, the site is expected to reduce annual emissions by around 100,000 tCO_2e.
- The electrification trial of our tanker fleet in the Waikato region. The initial pilot project was expanded last year to six electric tankers and charging infrastructure across our Te Rapa, Waitoa and Hautapu sites. The findings from this trial will provide insight into our future decarbonisation options for liquid fossil fuels.

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	FY26	FY25	FY24
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]	28.7%	20.2%	17.3%

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 in 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 for the year. This Integrated Scorecard provides an early signal of performance for this SBTi target across the year, with updates released as part of our Interim, Quarter 3 and Annual Results announcements.

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. Following the divestment of overseas milk pools, measured performance for this target now reflects the emissions and productivity associated with our New Zealand milk pool.

Our reported scope 1 and 3 FLAG emissions intensity for FY25 and FY26 has remained steady at 6.2% below FY18 levels, noting that both of these reported figures are based on 2024/25 milk season emissions factors. In our FY25 Group Climate Statements, we reported a 3.8% reduction towards our FLAG on-farm emissions intensity target for FY24, which has been restated as a 5.0% reduction (the FY24 result in Table 10). This reflects the impact of removing the divestment from our target boundary and adopting updated land use change data, and was applied to all years, including our FY18 base year.

Examples of actions we have taken this year to help reduce on-farm emissions intensity include:

- Launching the Carbon Removals Programme, which will allow on-farm vegetation to be accounted for.
- 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.
- Continued investment in the EcoPond™ pilot, an effluent pond mobile dosing service aimed at reducing methane on-farm, with 177 farms dosed in FY26.

More information about our work to enhance our support for on-farm emissions reductions is available in the transition planning section of this report. Refer to Table 8 for details of our capital deployed towards research into the development of novel technology solutions for agricultural emissions.

For the 2025/26 milk season beginning 1 June 2025, a payment parameter for farms that achieve certain emissions-related criteria was included in our Co-operative Difference framework. For the 2026/27 season, the Co-operative Difference has been streamlined while a review is undertaken. On-farm emissions remain a priority, with farmers rewarded for performance that contributes to our Co-op's 2030 emissions pathway through carbon removals, the emissions payment parameter, and the customer-funded Emissions Incentive.

Farmers who achieve the Co-operative Difference criteria are eligible to access on-farm tools and services designed to further improve emissions efficiency supported by Mars and Nestlé. In FY26, 94% of farmers achieved the Co-operative Difference criteria. An additional customer-funded payment is available to farmers who have the lowest emissions footprint in our Co-op. In FY26 this was 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[1]		
TARGET	FY26	FY25	FY24
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.[2]	6.2%[3]	6.2%	5.0%

1 The percentage indicates the reduction achieved between the base year and the named financial year. Prior years' performance has been restated to align with the most recent carbon footprint assessment.
2 The target includes FLAG emissions and removals.
3 The performance calculation is based on FY26 milk collection volumes and the most recent milk carbon footprint intensity factors (which is 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.

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 same emissions intensity factor (being the latest raw milk carbon footprint for the 2024/25 dairy season) was used for the emissions calculation in FY26 as FY25, and we have a stable volume of supplying farms with peat soil. Variable weather conditions across the country (and consequently pasture growth and use of supplementary feeds) have impacted milk volumes, with the total volume of milk collected being higher than FY25 and FY24. Overall, FLAG emissions intensity was consistent between FY25 and FY26, following a decrease in intensity between FY24 and FY25.

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 E&I emissions outside of our direct control, but within our indirect value chain. The target includes two-thirds of our scope 3 E&I emissions. The boundary of this target is 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.

This target has been set in relation to our FY23 emissions inventory and is measured against the FY26 E&I emissions of our continuing operations. Our performance is based on estimated emissions associated with activities undertaken by suppliers and customers within the target boundary. We measure performance by gaining an understanding of whether the supplier or customer associated with the emissions has their own science-based target(s).

To provide the most accurate indication of our performance against this target we have reported on our continuing operations, which means the GHG emissions associated with the divested Mainland Group have been excluded from the boundary of the target in FY26. Due to data availability, our reported performance in the comparative periods has not been restated.

In FY26, our focus was on engagement with suppliers that, based on our desktop assessment, do not currently have science-based targets. We have prioritised our engagement activities by estimating the significance of those suppliers' emissions within our target boundary. Our engagement this year has allowed us to obtain an understanding of the target setting journey that suppliers are on and to prioritise our approach for follow-up engagement in FY27.

From a customer perspective, the progress we make on our targets helps to support many of our customers in achieving progress on their own climate targets. In FY26, we have had formal regular structured engagements with customers such as Mars and Nestlé who have executed commercial contracts for the supply of low carbon dairy ingredients. This is complemented with informal sales activity and engagement about sustainability, and the sharing of sustainability related information via the Sustainable Dairying Partnership or the continued use of the NZMP Carbon Footprinter. We incorporate climate and other sustainability topics as part of our engagements with our customers where appropriate.

The year-on-year increase in the percentage of our suppliers and customers that have science-based targets reflects our continued work in understanding and monitoring those suppliers and customers that have science-based targets. We recognise that achievement of this target is outside of our Co-op's direct control, and is highly reliant on the ability of our suppliers and customers to set science-based targets. We acknowledge that this target is ambitious. We are continuing to work towards its achievement and will regularly review our progress.

Table 11 – Performance towards our supplier and customer engagement target on scope 3 E&I emissions

	PERFORMANCE TO DATE[1]		
TARGET	FY26	FY25	FY24
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.	34.4%	21.2%	<5.0%

1 Performance in FY26 reflects GHG emissions associated with our continuing operations. Performance in FY25 and FY24 includes GHG emissions associated with the divested Mainland Group.

No deforestation

In 2023, we committed to no deforestation across our primary deforestation-linked commodities by a target date of no later than 31 December 2025. While we have not achieved full compliance with our 31 December 2025 target, we have made substantial progress since implementation in FY24. Progress toward our no deforestation target is supported by processes which identify and manage risk in relation to the primary deforestation-linked commodities that we directly procure. We are continuing these processes as we work toward achieving the target.

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. Neither palm crop by-products nor indirect procurement, such as parties supplying products to farms from where we source milk, are 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. This standard is currently under review.

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 is based on a 2026 risk assessment of direct suppliers within the target boundary in the 2025 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:

- Working with suppliers where we identified potential risk of deforestation in our previous assessment and developing time bound action plans to mitigate deforestation risk associated with procuring high-risk primary-linked commodities. Our time-bound exemption process and transition action plans address situations where our sourcing and procurement do not meet the requirements of the Standard. In CY25, our action plans included reviewing supply arrangements for alternative procurement opportunities and plans to exit procurement of non-conforming product.
- Internal reassessment of the supplier risk and impact assessment from FY25. This self-assessment approach allowed us to satisfy ourselves that there were no additional risks from changes in supply, spend, certification and harvest region.

As a result of our assessment this year, we have determined that, as at 31 December 2025, we had achieved over 93% of our no deforestation target (96% if recalculated to exclude Mainland Group). This year, a higher proportion of our spend on primary deforestation-linked commodities was procured from suppliers that meet the requirements of the Standard and satisfy our 2026 risk assessment. This has resulted in the improvement in performance reported between last year and this year.

Table 12 – Performance towards our no deforestation target

	PERFORMANCE TO DATE		
TARGET	CY25[1]	CY24	CY23
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.	93%	91%	>80%

Assumptions and uncertainties

Our assessment is based on engagement with external suppliers 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 periods due to the data sets applied. A calendar year was used in CY25 and CY24, whereas CY23 covers 1 August 2022 to 31 December 2023.

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 emissions 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.[2] 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.

Our climate-related metrics

GHG emissions

This section provides our GHG emissions performance to-date, GHG emissions inventory for FY26, GHG emission intensities and other metrics. Our total scope 1 and 2 emissions have reduced over time. Absolute scope 3 emissions, including on-farm emissions, remain lower than FY18 but have increased over the current and comparative years as milk volumes have grown. At the same time, on-farm emissions have reduced in intensity since FY18.

Table 13 presents our total GHG emissions by scope and sector proportion allocation, which reflects the FY26 inventory and historical values. The FY26 inventory includes emissions from our continuing operations, along with the emissions relating to Mainland Group for the period where we maintained operational control (the discontinued operations column). This information is presented to provide a complete view of the emissions we were responsible for in the current reporting period. The FY26 performance column reflects our continuing operations and we have restated the comparative and base-year columns to also reflect our post-divestment continuing operations. This achieves reporting on a like-for-like basis across our current, comparative and base-year periods. Our performance is used to measure progress on our SBTi emissions reduction targets.

Absolute on-farm emissions account for around 81% of our Co-op's emissions across all scopes. In FY26, we processed increased volumes of milk, with a corresponding increase in scope 3 absolute emissions compared to FY25 and FY24.

Scope 1 and 2 emissions have continued to trend downward over time. The energy sources underpinning national grid electricity can influence our performance. This has had a positive impact over FY26. Refer to our scope 1 and 2 E&I target section for more information on reduction projects.

Continuing to make greater use of biofuels as a source of energy through our decarbonisation programme strengthens our emissions reduction progress and increases the percentage of renewable energy we consume (refer Table 15). For transparency, we report the CO_2 emissions from the consumption of biofuels (such as wood pellets and biomass) separately as emissions from biogenic material – outside of scopes 1, 2 and 3, consistent with the GHG Protocol.

Our basis of preparation (including the changes to our base year emissions, calculation methodology, GWP rates, emission factors, excluded emissions, and assumptions and uncertainties) are provided in Appendix 3.

1 Includes entities divested during FY26 but after 31 December 2025. CY25 performance reflecting our continuing operations was 96%.
2 Following the GHG Protocol scope 2 guidance we report these emissions on location- and market-based approaches. See Appendix 3 for further information.

Table 13 – Total GHG emissions by scope[1]

				INVENTORY[2]	DISCONTINUED OPERATIONS[3]	CONTINUING OPERATIONS[4]			
						PERFORMANCE			
			UNIT	FY26	FY26	FY26	FY25	FY24	BASE YEAR (FY18)
	Scope 1 and 2								
	Scope 1	Direct emissions from owned or controlled operations	'000 tCO_2e	1,100	91	1,009	1,114	1,193	1,331
	Scope 2[5]	Indirect emissions from the use of purchased electricity, steam, heating and cooling - location based approach	'000 tCO_2e	350	82	269	314	282	452
	Scope 1 by sector[6]	FLAG allocation	%			2%	2%	1%	1%
		E&I allocation	%			98%	98%	99%	99%
	Scope 2 by sector	E&I allocation	%			100%	100%	100%	100%
	Total Scope 1 and 2[7]		**'000 tCO_2e**	**1,450**	**173**	**1,277**	**1,428**	**1,475**	**1,783**
Upstream	**Scope 3**								
	Scope 3, Category 1	Purchased goods and services		23,165	1,176	21,989	21,101	20,763	22,704
		Category 1: On-farm related emissions		*21,451*	*1,010*	*20,440*	*19,622*	*19,362*	*21,008*
		Category 1: Manufacturing related emissions		*1,714*	*166*	*1,548*	*1,479*	*1,401*	*1,695*
	Scope 3, Category 2	Capital purchases		152	4	148	114	132	174
	Scope 3, Category 3	Fuel-and-energy-related activities (not included in S1 or S2)		160	22	138	132	129	110
	Scope 3, Category 4	Upstream transportation and distribution		639	36	603	600	614	696
	Scope 3, Category 5	Waste and wastewater		8	2	7	5	5	6
	Scope 3, Category 6	Business travel		6	<1	6	6	9	11
	Scope 3, Category 7	Employee commuting		41	8	33	38	39	54
	Scope 3, Category 8	Upstream leased assets		2	–	2	2	2	2

1 Numbers in this table may not sum due to rounding.
2 "Inventory" reflects the total GHG emissions footprint of our business for the reported year. It represents the full year of performance data and the period during FY26 in which the divested entity (Mainland Group) was under our operational control.
3 "Discontinued operations" reflects the estimated emissions allocated to Mainland Group activities for the eight months during FY26 in which they were under our operational control. The results of discontinued operations do not reflect the emissions that would be presented in a standalone GHG inventory of those businesses. Some FY26 pre-divestment emissions associated with Mainland Group may require reclassification in future reporting periods to reflect GHG Protocol boundary requirements.
4 "Continuing operations" reflects the total GHG emissions footprint of our Co-op, excluding those associated with Mainland Group.
5 Location-based approach. Information on market-based reporting is available in Appendix 3.
6 Definitions of the FLAG and E&I sector terms are available on page 190.
7 Total GHG emissions for scope 1 and 2 includes both FLAG and E&I allocations. This is a different boundary to our Co-op's SBTi scope 1 and 2 absolute 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 our scope 1 and 2 E&I target.

Table 13 – Total GHG emissions by scope CONTINUED

				INVENTORY[1]	DISCONTINUED OPERATIONS[2]	CONTINUING OPERATIONS[3]			
						PERFORMANCE			
			UNIT	FY26	FY26	FY26	FY25	FY24	BASE YEAR (FY18)
Downstream	Scope 3, Category 9	Downstream transportation and distribution		806	83	723	743	730	741
	Scope 3, Category 10	Processing of sold products		320	–	320	345	310	388
	Scope 3, Category 11	Use of sold products[4]		–	–	–	–	–	–
	Scope 3, Category 12	End-of-life treatment of sold products		63	12	51	49	54	55
	Scope 3, Category 13	Downstream leased assets		2	–	2	2	2	2
	Scope 3, Category 14	Franchisees		<1	<1	–	–	–	–
	Scope 3, Category 15	Investments[4]		–	–	–	–	–	–
	Total Scope 3		**‘000 tCO_2e**	**25,365**	**1,342**	**24,022**	**23,137**	**22,788**	**24,943**
	Scope 3 by sector[5]	FLAG allocation	%			87%	87%	87%	87%
		E&I allocation	%			13%	13%	13%	13%
	Total Scope 1, 2 and 3		**‘000 tCO_2e**	**26,815**	**1,515**	**25,300**	**24,564**	**24,263**	**26,726**
	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**	324	<1	324	184	162	<1

1 “Inventory” reflects the total GHG emissions footprint of our business for the reported year. It represents the full year of performance data and the period during FY26 in which the divested entity (Mainland Group) was under our operational control.
2 “Discontinued operations” reflects the estimated emissions allocated to Mainland Group activities for the eight months during FY26 in which they were under our operational control. The results of discontinued operations do not reflect the emissions that would be presented in a standalone GHG inventory of those businesses. Some FY26 pre-divestment emissions associated with Mainland Group may require reclassification in future reporting periods to reflect GHG Protocol boundary requirements.
3 “Continuing operations” reflects the total GHG emissions footprint of our Co-op, excluding those associated with Mainland Group.
4 As part of our reporting process we have assessed these categories and determined there are no material emissions to report. Refer to Table 23 for additional information.
5 Definitions of the FLAG and E&I sector terms are available on page 190.

Emissions intensities

In addition to our inventory, we report on two intensity metrics that are representative of our emissions profile. We report scope 1 and 2 emissions intensity per tonne of finished goods and on-farm emissions intensity per kilogram of milk solids collected.

Our scope 1 and 2 emissions intensity has improved on the prior two reporting periods. This improvement reflects both our decarbonisation journey and increased output in manufacturing.

Scope 3 category 1 on-farm emissions intensity when considered by kilograms of milk solids has been relatively stable over the last three years, and has reduced since our base year of FY18. This is a new metric for FY26, replacing a previously reported metric of average on-farm raw milk carbon footprint intensity by country (New Zealand, Australia, Sri Lanka). We ceased reporting on that intensity metric in FY26 as international comparisons are no longer material: following the divestment of Mainland Group, we only source raw milk in New Zealand.

Table 14 – GHG emissions intensities[1]

	UNIT	FY26	FY25	FY24	BASE YEAR (FY18)
Scope 1 and 2 emissions by finished goods	tCO_2e/t FG	0.45	0.53	0.56	0.66
Scope 3 category 1 on-farm emissions by milk solids collected[2]	$kgCO_2e$/kgMS	13.0	13.0	13.1	13.9

1 On a continuing operations basis.
2 The boundary of this metric is different to the boundary of our on-farm emissions intensity target. This new metric covers all scope 3 on-farm emissions from the purchase of raw milk by supplying farms (both FLAG and E&I). Our SBTi target covers FLAG emissions across scopes 1 and 3, and excludes E&I emissions. The unit kilograms of milk solids (kgMS) is used for this intensity metric to align to the most commonly used unit of milk supply in our Co-op. The unit kgMS reflects milk collected during the financial year.

To meet the needs of 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. We use these in our NZMP Carbon Footprinter tool.

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 190 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 32% of our total energy used comes from renewable sources. The increase from 24% in FY25 and 22% in FY24 reflects our decarbonisation programme, which includes transitioning from solid and liquid fossil fuel to electricity. A breakdown of energy by fuel source is provided in Appendix 2.

Over recent years, our Netherlands manufacturing site has reduced reliance on natural gas through a heat recovery system and the phased installation of solar. The site generated over one million kilowatt-hours per annum from solar energy in FY25 and FY26.

This year our total energy consumption increased compared to FY24 and FY25, but remains lower than base year, reflecting the energy requirements to process additional milk volumes in FY26.

When planning for future needs and negotiating energy contracts in New Zealand we review a wide range of options. Over the past two years we have adopted new technology such as resistive element and electrode boilers and transitioned to regenerative biofuels. In FY26 we signed two Power Purchase Agreements for future solar and energy storage solutions.

Efficient use of energy also delivers emissions reductions and contributes to cost savings. In FY26, we achieved a further 1% improvement in energy efficiency (GJ per tonne of finished goods), reducing total energy used by 3% since FY18.

Table 15 – Energy used in manufacturing[3]

	UNIT	FY26	FY25	FY24	BASE YEAR (FY18)
Total energy used	pJ	23.9	23.1	23.6	24.6
Energy intensity by finished goods	GJ/t FG	8.49	8.58	8.93	9.12
Renewable energy as a percentage of total energy used	%	32%	24%	22%	13%

3 On a continuing operations basis.

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 FY26 our price forecasts ranged from $60 to $100 per New Zealand Emissions Units (NZUs). The forecasted price paths are similar to FY25 and higher than FY24, reflecting the market and regulatory settings.

These price paths show increased price forecasts for 2030 and use market-informed assumptions, which are assumed to increase over time, consistent with Emissions Trading Scheme settings. 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

	UNIT	FY26	FY25	FY24
Forecast carbon price path range	NZ$ per NZU	60-100	61-103	36-83

Metrics on vulnerability to climate-related risks

In FY26, we considered the vulnerability of our business activities and/or assets against each of the climate-related risks that we identified (see Table 5 for list of risks). We drew on physical climate risk analysis projects completed in FY26 to explore the potential to increase the granularity of some of our vulnerability metrics. Through this process, we have updated our concept of vulnerability to include exposure. We have not quantified adaptive capacity or risk mitigation measures that may reduce exposure ratings. Given the complexity and scale of our organisation, it is difficult to accurately determine vulnerability percentages or amounts. Our approach to these metrics may continue to evolve, as our data and understanding improves.

Table 17 reflects our view on the vulnerability of our assets or business activities to climate-related risks. We have not presented metrics on constraints to non-milk manufacturing inputs, cost of carbon, restricted access to financial and insurance products, changing regulations, or climate litigation, as we are not yet able to meaningfully quantify vulnerability to these risks given current data and methodological constraints.

Table 17 – Vulnerability metrics

RISK TYPE	RISK	POTENTIAL BUSINESS IMPACT	FY26 VULNERABILITY ASSESSMENT
Physical	Manufacturing disruption	Damage to manufacturing asset(s) leading to repair or replacement costs, and/or disruption of manufacturing site operations potentially resulting in business continuity issues, product quality failure, increased operating costs, and/or an inability to fulfil customer orders or meet wider customer requirements.	Flood: We consider that 9% of our total New Zealand manufacturing footprint could be expected to be exposed to a 1 in 100 year flood of depth greater than 0.5 metres, assuming 2°C of warming above pre-industrial levels (aligned to conditions about 2050 in our Slow Followers climate scenario). This is a new metric for FY26, drawing on new analysis, and uses exposure as a proxy for vulnerability. The percentage of manufacturing assets that are vulnerable to flood may differ. For example, some highly exposed sites may have sufficient flood mitigations in place such that they are not considered vulnerable, while other sites may not be exposed to greater than 0.5 metre flood depth but may be highly sensitive to flooding and therefore vulnerable even in a less severe flood scenario. Drought, high winds: We consider that 100% of our New Zealand manufacturing assets could be vulnerable to disruption from other climate hazards such as drought and high winds. This is consistent with the "100% vulnerable" disclosure made in FY25 and FY24. Our adaptive capacity will differ according to the climate hazard and the time of the year (with disruption during peak milk being more challenging to manage than at other points in the season). We operate a geographically and technologically diverse network of manufacturing plants in New Zealand, and so we would expect to minimise the disruption caused by climate hazards by redirecting milk within our network.
	Supply chain disruption	Damage or disruption to components of our supply chain, such as roads or railways, which could result in limitations to transporting finished goods, increased operating costs, increased supply chain emissions (e.g., from a switch from rail to road), and/or an inability to fulfil customer requirements.	We consider that 100% of our supply chain could be vulnerable to disruption from climate-related physical risks, with potential hazards including flood, sea level rise, high wind events, and landslides associated with storms. This is likely a conservative estimate, drawing on published risk reporting by key supply chain partners that shows widespread exposure to a range of climate hazards.[1] This is a new disclosure for FY26, noting that this risk was consolidated with the manufacturing disruption risk in FY25. That consolidated risk had an associated vulnerability metric of 100% in FY25 and FY24, consistent with this new FY26 metric. Our adaptive capacity will differ according to the nature, location, and duration of the disruption. We would expect to minimise the disruption caused by damage or disruption to components of our supply chain by switching to alternatives (e.g., transporting finished goods by road instead of rail).

1 For example, in their Climate Adaptation Plan 2025-2028, KiwiRail notes that 7% of their tracks are likely to be exposed to coastal inundation and/or coastal erosion risk by 2100, 31% of their tracks are exposed to river and surface flooding, and that land instability associated with slip risk due to heavy rainfall is common across much of their network. Further, Port of Tauranga (a key part of our export network) reported in their FY25 Climate-related Disclosures Report that 90% of Port activities are vulnerable to risk of disruption to road and rail access due to sea level rise and increased extreme weather events and that 90% of all business activities are prima facie vulnerable to being impacted by risk of flood-related damage and disruption.

Table 17 – Vulnerability metrics CONTINUED

RISK TYPE	RISK	POTENTIAL BUSINESS IMPACT	FY26 VULNERABILITY ASSESSMENT
Physical and transition	Changing milk supply	The potential for dairy farming to be temporarily disrupted by acute physical hazards (e.g., severe storms, flooding, or drought) and/or the viability of dairy farming to change over time connected with chronic physical risks (e.g., rising temperatures) or changes in regulatory settings that impact farming.	Flood: We consider that six regions (representing ~21% of milk supply) are highly vulnerable to flood risk, five regions (representing ~36% of milk supply) are moderately vulnerable to flood risk, and six regions (representing ~43%) of milk supply have low vulnerability to flood risk.[1] This is a new metric for FY26. Drought: We consider that seven regions (representing ~61% of milk supply) are highly vulnerable to drought risk, five regions (representing ~13% of milk supply) are moderately vulnerable to drought risk, and five regions (representing ~26% of milk supply) have low vulnerability to drought risk.[2] This is a new metric for FY26. Other hazards: We consider that 100% of New Zealand milk supply could be vulnerable to other potential climate hazards, including chronic temperature rises and the outbreak of disease, and to transition risks like changes to regulation. This element is consistent with the vulnerability disclosed in FY25 and FY24. Despite this vulnerability, we expect the diversified portfolio of our manufacturing operations and the geographic spread of our milk supply to enable us to minimise disruption and adapt to acute climate hazards such as floods. Likewise, we do not anticipate that all of our milk supply would be exposed to chronic climatic changes as regions may experience varied impacts over different time periods. We recognise that there is uncertainty around the extent of disruption caused by acute climate hazards, 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. – The sensitivity of different regions and individual farms to events or to chronic climate changes. – On-farm adaptive capacity and mitigations already in place.
Transition	Changing customer and consumer preferences	The potential for reduced demand from our customers over time, if our climate credentials fall behind those of our competitors and/or demand moving away from dairy products.	Some of our customers require support from us to deliver their climate goals (e.g., their scope 3 emissions targets), and we anticipate that there may be increased consumer interest in plant-based or lab-grown alternatives to dairy over time (particularly in a Sharp Corrections scenario). We consider that up to 70% of our sales value could be vulnerable to this risk (unchanged vs FY25 and FY24) at the 2050 horizon. This vulnerability reflects the potential for customers to seek dairy or non-dairy alternatives to our products, should our climate credentials fall behind those of our competitors.

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 since FY24. We anticipate that our approach to calculating these metrics may evolve over time.

1 For flood risk to milk supply, high risk is defined as a regional mean flood depth of above 1m or more than 20% of a region exposed. Medium risk is defined as a regional mean flood depth of 0.5 to 1m or 10-20% of the region exposed. Low risk is defined as a regional mean flood depth of less than 0.5m or less than 10% of the region exposed. All of the above are calculated with reference to a 1 in 100 year flood. These metrics draw on analysis completed by ClimSystems in FY26.

2 For drought risk to milk supply, high risk is defined as annual potential evapotranspiration deficit (PED) above 200mm and at least 10 dry months, or PED above 65mm. Moderate risk is defined as annual PED of 100-200mm and 8-10 dry months, or maximum monthly PED of 45-65mm. These metrics draw on analysis completed by ClimSystems in FY26.

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 5% was allocated in FY26 to farms achieving emissions excellence.[1] This incentive is strategically aligned to our scope 1 and 3 FLAG emissions intensity target. In FY25, 10% of the Group STI Scorecard was allocated to the reduction of scope 1 and 2 GHG emission intensity.[2] The shift from incentivising operational to on-farm emissions reductions reflects the progress we have made toward our scope 1 and 2 E&I emissions reduction target, and our need to accelerate progress toward our scope 1 and 3 FLAG emissions intensity target.

Table 18 – Group remuneration linked to climate risks and opportunities

GROUP STI SCORECARD PERFORMANCE WEIGHTING	FY26	FY25	FY24
Farms achieving emissions excellence	5% of Scorecard	N/A	N/A
Reduction in scope 1 and 2 emissions intensity relative to FY18 base year	N/A	10% of Scorecard	10% of Scorecard

Some areas of our business also have business unit level scorecards which incentivise certain actions or outcomes. For example, in FY26 30% of the Farm Source STI Scorecard was allocated to the delivery of sustainability services (including services relating to on-farm emissions intensity reduction).

Table 19 – Farm Source business unit remuneration linked to climate risks and opportunities

FARM SOURCE STI SCORECARD PERFORMANCE WEIGHTING	FY26	FY25	FY24
Sustainability services delivered[3]	30% of Scorecard	12.5% of Scorecard	25% of Scorecard

In FY27, the Farms Achieving Emissions Excellence measure will be retired from the Group STI Scorecard as part of the broader intent to reduce the number of Group measures. A measure relating to Farms Achieving Emissions Excellence will instead be included in the Farm Source business unit scorecard, where there is stronger line of sight to the actions and outcomes required to influence performance.

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 those reported above.

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.[4] 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 near-term 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 (disclosed in our Sustainability Reporting Appendix), progress against our Group STI Scorecard, and on-farm metrics such as how many farms have engaged with emissions tools and services and how many of our supplying farmers have achieved levels of the Co-operative Difference framework.

Independent assurance

This is our tenth year of seeking independent limited assurance over our Co-op's GHG emissions. Prior to 2025, 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, consistent with our approach in 2025, we have obtained 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 meets the mandatory assurance requirements of NZ CS and includes testing of source documentation and a review of our process for identification, aggregation and analysis of relevant information, presentation of performance for scope 1, 2 and 3 GHG emissions, and how we describe the methods and assumptions we apply to our GHG emissions calculations and associated estimation uncertainties.

See page 243 for the Limited Assurance Report provided by KPMG.

1 This measure assesses progress in increasing the number of farms achieving Emissions Excellence, based on participation in the Co-operative Difference and delivering improved emissions performance compared with our Co-op's emissions baseline (less than 901 kgCO_2e/tFPCM), exclusive of the impact of peat soils and land use change.
2 This measure is calculated as the total scope 1 & 2 absolute emissions (tCO_2e) divided by finished goods produced (tonnes) at our manufacturing sites.
3 The primary driver of this metric in FY26 was delivery of Efficiency Plan Visits, which support farmers to understand how they can reduce emissions intensity on their farm.
4 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 20 – Further detail on climate-related scenarios

		SHARP CORRECTIONS	SLOW FOLLOWERS	HOTHOUSE
Pathways *Scenario Architecture*	Intergovernmental Panel on Climate Change, Shared Socioeconomic Pathways (SSP)	SSP 1 "Taking the Green Road"	SSP 2 "Middle of the Road"	SSP 3 "Regional Rivalry"
	Representative Concentration Pathways (RCP)	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 2078 relative to 2024		48%	57%	70%
NZ carbon price[3] For 2070, per tonne		$594	$284	$44
NZ net emissions[4] For 2050 relative to 1990-2023		27 $MtCO_2e$	39 $MtCO_2e$	41 $MtCO_2e$
NZ electricity from renewable sources[5] By 2050		98.3%	96.3%	96.2%
NZ sea level rise[6] For 2100 relative to 1995-2014 baseline		0.4m	0.6m	0.8m
NZ extreme rainfall[7] For 2100 relative to 1995-2014 baseline		+13%	+25%	+29%
NZ extreme heat (>30°C)[7] For 2100 relative to 1995-2014 baseline		+6 days	+14 days	+26 days
NZ native forestry[8] For 2050 relative to 2022		1.5 Mha	0.44 Mha	0.035 Mha
NZ potential evapotranspiration deficit[7] For 2100 relative to 1995-2014 baseline		91mm	136mm	212mm

Data sources:

1 IIASA SSP (Shared Socioeconomic Pathways) Database SSP1-1.9, SSP2-4.5, SSP3-7.0.
2 Stats NZ, National population projections: 2024(base)–2078, 95th percentile, 75th percentile, 50th percentile.
3 Treasury New Zealand (2025), High projection, Central projection, Low projection.
4 Ministry for the Environment (2025), New Zealand's projected GHG emissions to 2050, WAM Scenario A, WAM Scenario C, WEM.
5 Ministry of Business, Innovation and Employment (2024), Electricity Demand and Generation Scenarios: Results summary, Environmental, Growth, Constraint.
6 Ministry for the Environment (2024) Coastal hazards and climate change guidance.
7 Ministry for the Environment, NIWA (2024) Aotearoa New Zealand Climate Projections.
8 Climate Change Commission (2024), Advice on fourth emissions budget ENZ outputs, HTHS, LTLS, Reference.

Appendix 2: GHG emissions by activity and sources of energy

GHG emissions by activity

Information on the characteristics of emissions across our value chain is provided in Tables 21 and 22. Trend analysis for on-farm and scope 1 and 2 manufacturing emissions is provided in the Metrics and Targets section, along with supporting information on our GHG emissions inventory, intensity metrics, and renewable energy use. Off-farm emissions across scope 3 continue to evolve as visibility of emissions in this area improves.

Transportation and distribution (T&D) emissions reflect the delivery of goods and services to our customers and subsequently, to their end users. In FY26, T&D emissions remained relatively consistent with FY25 and FY24. The stable emissions trend masks improved year-on-year performance for ocean freight activities reported within upstream T&D emissions (refer Table 13). Through Kotahi, our ocean freight logistics partnership, we increased exports compared with FY25 while reducing overall ocean freight emissions. This improvement reflects a combination of enhanced servicing of North Asia markets (including route optimisation and vessel efficiency), a lower refrigeration emissions intensity, and improved supply chain planning that enabled greater freight efficiency.

Scope 3 'other' emissions reflect aspects of the value chain not already categorised, such as purchased goods and services and capital, with no significant additional factors influencing reported emissions.

Table 21 – GHG emissions by activity[1]

SCOPE	ACTIVITY	UNIT	FY26	FY25	FY24	BASE YEAR (FY18)
Scope 1	On-farm		20	21	17	19
	Manufacturing		983	1,087	1,170	1,304
	Other		6	6	6	8
Total Scope 1		**'000 tCO_2e**	**1,009**	**1,114**	**1,193**	**1,331**
Scope 2	On-farm		<1	<1	<1	<1
	Manufacturing		267	312	281	450
	Other		1	2	2	2
Total Scope 2 location-based		**'000 tCO_2e**	**269**	**314**	**282**	**452**
Total Scope 2 market-based		**'000 tCO_2e**	**268**	**313**	**282**	**452**
Scope 3	On-farm		20,440	19,622	19,362	21,008
	Manufacturing		1,723	1,640	1,558	1,903
	Transportation and distribution		1,327	1,343	1,344	1,437
	Other		532	530	524	594
Total Scope 3		**'000 tCO_2e**	**24,022**	**23,137**	**22,788**	**24,943**
Scope 1, 2 and 3	On-farm		20,460	19,643	19,379	21,027
	Manufacturing		2,974	3,040	3,008	3,657
	Transportation and distribution		1,327	1,343	1,344	1,437
	Other		539	538	532	605
Total Scope 1, 2 and 3		**'000 tCO_2e**	**25,300**	**24,564**	**24,263**	**26,726**

1 On a continuing operations basis. Some totals in the table may not sum due to rounding. Activity groupings are provided for context only. For information on our targets, including boundaries and progress, please refer to the Metrics and Targets section.

Fuel sources that support our manufacturing energy needs

Energy is essential to processing milk and manufacturing dairy products. In managing our energy system, we seek to balance the energy trilemma of maintaining a secure and reliable energy supply, managing energy costs and reducing emissions. These considerations influence our approach to energy efficiency, fuel switching and the adoption of renewable energy sources across our manufacturing network. Table 22 below breaks down the sources of energy consumed (by total picojoules) in our manufacturing operations and provides context for the decarbonisation of our scope 1 and scope 2 emissions. Trend analysis associated with scope 1 and 2 E&I emissions, including progress on our SBTi target, is provided in the Metrics and Targets section.

In FY26, we made the decision to take ownership of the cogeneration plants in Edgecumbe and Whareroa, effective 1 July 2026 and 1 August 2026 respectively. Emissions associated with third-party consumption of energy generated by these cogeneration plants are being assessed and will be reflected in future GHG reporting where applicable.

Table 22 – Manufacturing energy from major sources[1]

	UNIT	FY26	FY25	FY24	BASE YEAR (FY18)
Coal		**5.3**	6.6	7.4	9.6
Natural gas		**6.5**	6.2	6.4	5.2
Electricity (purchased and solar generated)		**4.4**	4.2	3.9	4.0
Biofuels		**3.6**	2.0	1.8	<1
Steam (purchased)		**2.2**	2.2	2.2	4.0
Liquid fossil fuels		**1.9**	1.9	1.9	2.0
Total energy used	**pJ**	**23.9**	**23.1**	**23.6**	**24.6**

1 On a continuing operations basis. Some totals in the table may not sum due to rounding.

Appendix 3: GHG emissions basis of preparation

This appendix provides information on the primary methods adopted in the measurement of GHG emissions this year across our Co-op's reporting boundary, 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 GHG emissions in accordance with:

- The GHG Protocol: A Corporate Accounting and Reporting Standard (revised edition)
- The GHG Protocol: Scope 2 Guidance: An amendment to the GHG Protocol Corporate Standard
- The GHG Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Our organisation boundary is based on the operational control emissions consolidation approach.

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 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 GHGs have been excluded from scope 1, 2 or 3 emissions.

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 (for example, the divestment of Mainland Group in FY26), 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.

Change of boundary

Following the divestment of Mainland Group, all scopes and categories have been recalculated to estimate the emissions associated with our continuing operations. This resulted in the restatement of the FY18 base year and the FY24 and FY25 comparative periods to reflect continuing operations (excluding Mainland Group). As part of this process, calculation methodologies and the availability of data aligned to emissions factors were reviewed and applied as appropriate. The effect is that all scopes and categories have been restated this year to account for this change and exclude the associated Mainland Group emissions where applicable.

More detail on our presentation of Mainland Group reported emissions is available on page 189.

On-farm restatements

As we do each year, we restated prior year (FY25) emissions from on-farm activities to align with the milk carbon footprint assessments for the equivalent dairying season (2024-25) once they were available. For New Zealand, all years were updated to reflect improved land use change data.

Off-farm restatements

As part of our continuous improvement approach, we identified areas where changes could be made to improve the accuracy of historical data and choice of emissions factor. These changes include:

- Introducing an estimate of grid electricity upstream transportation and distribution emissions for countries outside of New Zealand. These were previously an exclusion in scope 3, category 3.
- Updating the estimated emissions factor for downstream processing (scope 3, category 10), by making use of Mainland Group's average historical manufacturing Scope 1 and 2 emissions intensity to act as a proxy factor for all products we sold that receive further processing. The effect is an increase in reported emissions.
- A reassessment of leased assets, enabling the inclusion of downstream emissions (scope 3, category 13) for the first time. Historical emissions have been back-cast to FY18 using a flat-line estimate based on FY25 due to the unavailability of accurate historical activity data.

There are no franchisee arrangements in our continuing operations; consequently, all historical emissions for scope 3, category 14 have been removed.

Material errors and minor restatements

We have not identified any material errors in previous reporting periods.

We have taken the opportunity to include some other minor adjustments for accuracy and completeness. For example, recategorising scope 3 emissions when we transport solid fuel to our manufacturing sites, and the inclusion of historical estimates for new activity data from business travel by our Europe-based staff.

On-farm GHG emissions

Our on-farm GHG emissions, and the methods, assumptions and uncertainties described in this section, reflect the sourcing of raw milk from New Zealand (via our continuing operations) and, prior to the divestment of Mainland Group (i.e., until 31 March 2026), from Australia and Sri Lanka.

Methods

On-farm emissions are associated with the supply of raw milk for our products and represent 81% 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 that have supplied us with raw milk this year.

The total quantity of milk collected during the financial year is multiplied by the most recently available factor. Milk was collected in New Zealand for the full financial year, whereas milk collection in Australia and Sri Lanka occurred for the period prior to divestment (from 1 August 2025 – 31 March 2026).

The milk carbon footprint considers methane (CH_4), nitrous oxide (N_2O) and carbon dioxide (CO_2) arising from sources such as animal feed, 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 30 farms where we have operational control, full emissions (milk and meat co-products) 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, we commission the New Zealand Institute for Bioeconomy Science (AgResearch Group), 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, a 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 and reliable sources of information to represent the New Zealand dairy industry: the DairyNZ/LIC annual dairy statistics and the national farm survey sourced from DairyNZ's DairyBase® farm data. The New Zealand Institute for Bioeconomy Science 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 supplied us with raw milk in Australia until 31 March 2026. 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 sourced in Sri Lanka until 31 March 2026, we applied 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 assessed average GHG emissions intensity 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 GHG emissions intensity from dairy (Table 10) 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 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 farms supplying our Co-op. There is no inclusion of emissions associated with conversion from forest to dairy land in Australia as 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 farms supplying our Co-op that are located 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 FY26, we use FY26 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 us. 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 governments and dairy industries 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 our Co-op across large, regionally diverse areas of dairy farming in New Zealand and Australia.

Off-farm GHG emissions

Our off-farm GHG emissions methods, assumptions and uncertainties reflects our continuing business activities in FY26, including our reassessed scope 3 value chain following divestment of Mainland Group on 31 March 2026. Off-farm methods, assumptions and uncertainties relating to Mainland Group have also been incorporated for the period of our operational control from 1 August 2025 to 31 March 2026.

Methods

Scope 1 and 2

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 (30) 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

The calculation of Scope 3 emissions involves methodology choices based on the availability of data across our value chain and the applicability of emissions factors to the activities undertaken. To support a complete estimate of Scope 3 emissions, we apply a combination of quantification methods, resulting in a hybrid approach to emissions estimation.

The complexity of our value chain means that our 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. This chosen method results in a reasonable estimate for quantification of our scope 3 off-farm emissions.

Biofuel emissions

Our main source of biofuel emissions is from the use of wood-based biofuel in New Zealand for process heat at some of our manufacturing sites. We calculate these emissions using a fuel-based methodology and estimate the gases separately. This enables our reporting to be consistent with the requirements of the GHG Protocol in that biogenic CO_2 emissions are quantified and disclosed separately from Scope 1 emissions.

Assumptions and uncertainties

Table 23 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 the 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 our emissions estimation.

Supplier and customer engagement on scope 3 E&I emissions reduction target

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 23 – 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. Exclusions: Emissions associated with third-party consumption of energy generated by the Edgecumbe cogeneration plant are yet to be determined as data is unavailable and a reasonable estimate cannot be made. This exclusion is not considered material.	Low: No significant uncertainties due to the high-quality data available for these emissions sources. This assessment does not include the emissions associated with third-party consumption of energy generated by the Edgecumbe cogeneration plant.
	Fugitive emissions: refrigerants	Invoiced top-up records		
	Milk production (Fonterra-owned farms)	Supplier-specific	See 'On-farm GHG emissions' on page 204.	
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 204.	
	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 high level of uncertainty due to the increased level of estimation in FY26.
	Finished products	Activity-based (tonnage)	Activity data was mainly volume-based.	
	Packaging	Activity-based	Estimated based on prior period packaging emissions, adjusted for production volume in FY26.	
	Non-dairy ingredients	Spend-based	Data collected from our Co-op'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 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		

Table 23 – GHG emissions sources, methods and uncertainties CONTINUED

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	Average-data	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. 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 as data is unavailable and a reasonable estimate cannot be made. This exclusion is not considered material.	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.
	Upstream purchased electricity	Average-data		
	Transmission and distribution losses	Average-data		
	Upstream processing of bioenergy	Average-data		
Scope 3 / Category 4	Ocean freight	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. 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. This exclusion is not considered material.	Low-Medium: Due to system limitations around data granularity, some logistical information associated with purchased goods is accounted for under scope 3, category 1.
	Other freight (road, air, and rail)	Distance-based		
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.

Table 23 – GHG emissions sources, methods and uncertainties CONTINUED

SCOPE / CATEGORY	EMISSIONS SOURCE	MEASUREMENT METHOD	MEASUREMENT METHOD RATIONALE, SIGNIFICANT ASSUMPTIONS, LIMITATIONS AND EXCLUSIONS	ESTIMATION UNCERTAINTIES
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 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 our Co-op'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. Quantification of this category includes a high level of estimation uncertainty. However, based on the data available, the calculation method provides a reasonable emissions estimate.
Scope 3 / Category 10	Processing of sold products	Average-data	Secondary data estimations were calculated based on the assumed proportion of our finished goods volumes that were intermediate products and the historical Mainland Group scope 1 and 2 emissions intensities from manufacturing (as representative sites) to provide a proxy, average emissions factor for calculating emissions for this category.	High: The majority of products sold by our Co-op are intermediate products with many downstream applications. Quantification of this category includes a high level of estimation uncertainty. However, based on the data available, the calculation method provides a reasonable emissions estimate. Utilising the Mainland Group emissions intensity to provide a proxy emissions factor has reduced some of the estimation uncertainty in this category.
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	Average-data	Packaging of products is assumed to be landfilled at end-of-life (although most of our packaging is recyclable). Emissions have been estimated based on prior period end-of-life treatment of sold products, adjusted for production volume in FY26. Assumption that the dairy component of the final product is fully consumed, and there are no direct emissions.	High: Limited information regarding geographic retailer behaviour and available data sources. Our end-of-life packaging emissions have a greater level of uncertainty than in FY25.

Table 23 – GHG emissions sources, methods and uncertainties CONTINUED

SCOPE / CATEGORY	EMISSIONS SOURCE	MEASUREMENT METHOD	MEASUREMENT METHOD RATIONALE, SIGNIFICANT ASSUMPTIONS, LIMITATIONS AND EXCLUSIONS	ESTIMATION UNCERTAINTIES
Scope 3 / Category 13	Downstream leased assets	Average-data	Data is collected from our Co-op's property systems.	Low-Medium: Uses a default emissions factor which may not accurately reflect the building load.
Scope 3 / Category 14	Franchises	Franchise-specific	Mainland Group has a small number of franchisees in New Zealand to distribute products locally. The emissions, included in our FY26 inventory, have been estimated based on fuel consumption of a representative sample and New Zealand specific emission factors applied. Our Co-op 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	Emissions associated with investments are not material.	N/A

Sources of Global Warming Potential (GWP) rates and emissions factors applied to the FY26 measurement of GHG emissions

Our emissions 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. We do not use or generate perfluorinated compounds (PFCs) or sulphur hexafluoride.

Table 24 – GHG emissions and GWP factor sources

SOURCE	SCOPE 1	SCOPE 2	SCOPE 3	COMMENT
Ministry for the Environment (MfE): 'Measuring emissions catalogue 2026'	✓	✓	Cat 3 Cat 4 Cat 5 Cat 6 Cat 7 Cat 9 Cat 10 Cat 14	The New Zealand Government country-specific emissions factors and guidance to support NZCS reporting requirements.
Bioeconomy Science Institute: The carbon footprint of Fonterra's weighted average milk production for 2024/25, in comparison with previous years, using DairyBase data	✓	✓	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 the description of the on-farm emissions calculation methods and estimation uncertainty on page 204.

Table 24 – GHG emissions and GWP factor sources CONTINUED

SOURCE	SCOPE 1	SCOPE 2	SCOPE 3	COMMENT
CO_2 emissiefactoren (2026)	✓	✓	Cat 3 Cat 4	The Netherlands country-specific energy and emissions factors managed by Rijkswaterstaat on behalf of the Ministry of Economic Affairs and Climate.
Department of Climate Change, Energy, and Environment and Water (DCCEEW): 'Australian national greenhouse accounts factors 2025'	✓	✓	Cat 1 Cat 3 Cat 10	The Australian Government country-specific emissions factors and guidance to support Australian reporting requirements, known as 'NGA factors'.
Ministry of Business, Innovation & Employment (MBIE): 'Quarterly electricity generation and consumption' reports		✓		Quarterly publication of New Zealand grid factors. Utilised for New Zealand purchased electricity.
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 used to calculate on-farm emissions for raw milk production in Australia is based on this research methodology with updates to the data set each dairy season. Further information on these factors is provided in the description of the on-farm emissions calculation methods and estimation uncertainty on page 204.
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.
ThinkStep ANZ: 'Emission factors for New Zealand industries and commodities'			Cat 1 Cat 2	For expenditure-based data, including scope 3, category 1 and 2 calculations.
Packaging Impact Quick Evaluation Tool			Cat 1 Cat 12	Emissions factors have been estimated utilising PIQET which applies methodology consistent with ISO14067.
New Zealand Emissions Trading Scheme (NZ ETS) data			Cat 3	The NZ ETS is utilised for scope 3, category 3 calculations.
Smart freight centre: Clean cargo ocean containership GHG emission intensity calculation methods (2026)			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.
Greenview Hotel Footprinting Tool (2025)			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 Cat 13	A per square metre emissions factor providing a global default factor for leased properties.
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.

Table 24 – GHG emissions and GWP factor sources CONTINUED

SOURCE	SCOPE 1	SCOPE 2	SCOPE 3	COMMENT
UK Department for Energy Security and Net Zero. Greenhouse gas reporting: conversion factors (2026)	✓		✓	The 'UK conversion factors 2026' have been used for scope 1 and scope 3 as a proxy in cases where more specific factors could not be identified.
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.
CaDI (2025): GHG emissions factors for international grid electricity		✓		To support calculating scope 2 electricity emissions for Indonesia, Malaysia, Saudi Arabia and Sri Lanka.
Department of Climate Change, Energy, the Environment and Water: 'Australian Energy Statistics, (2026)'		✓		To support calculating the renewable energy component of grid electricity in Australia.
International Renewable Energy Agency (IRENA): 'Renewable energy statistics' reports		✓		To support calculating the renewable energy component of grid electricity in other countries: 2024 and 2025 editions.

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 are based on 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 near-term targets and 2050 net zero ambition.

Given the proximity of our near-term target dates, the achievement of these targets is subject to increased execution risk. This is particularly the case for our on-farm emissions intensity target, where a significant proportion of the required emissions reductions remain to be achieved over a relatively short period, and our scope 3 E&I engagement target, which has a target date of the end of FY28. These targets also rely on actions taken by third parties. The target date for our no deforestation target has already passed, but we are continuing to make progress towards compliance.

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 our Co-op 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.
- Milk supply volumes may vary from those assumed in our decarbonisation pathway. Increased milk supply, including due to changing climatic conditions, could increase processing requirements and associated energy demand, and may place pressure on local manufacturing capacity. This could affect the scale or timing of the emissions reductions required to achieve our target.
- Low emission energy sources, such as wood biomass or electricity, will need to be available from deforestation free sources and be affordable. Coal and gas supply volume will need to remain available and affordable as we transition from fossil fuels.
- Necessary consents and/or regulatory approvals will need to be obtained by us or other third parties to undertake key decarbonisation projects.
- Off-site electrical infrastructure (both transmission and distribution) will need to be available and have the capacity 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, we 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 us.
- 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 our 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 have an 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 and energy sectors.
- 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 need to be met.

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[1]

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 is expected to 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 New Zealand farms), which can present challenges for feed-based methane inhibitors to be effective.
- 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}). Our targets assume some level of success from these partnerships prior to 2030.

Encouraging uptake of on-farm efficiency practices

- On-farm practice changes 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 non-productive 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 ongoing replacement of the Resource Management Act 1991 with a new planning and resource management framework 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 and amendments to the Climate Change Response Act 2002 are likely to impact investments in, and reliance on, emissions reduction technologies. These announced, and future, 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 our Co-op, 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. We will be a co-funding partner in the Responsible Dairy programme, a Government-supported initiative that seeks to improve productivity and accelerate the development and adoption of sustainable farming practices and technologies in the dairy sector. The outcomes and timing of emissions reductions arising from these initiatives remain uncertain.

Carbon removals

- 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, we are committed to reporting in line with the GHG Protocol's Land Sector and Removals Standard which comes in to force on 1 January 2027 and will be implemented for our FY27 reporting period. We are also engaging with industry to avoid double-counting of removals in corporate inventories (e.g., where those removals might also be counted outside the value chain, such as a voluntary carbon market or the Emissions Trading Scheme).
- Additional investment and planning for future emissions removal activities will be required not just from our Co-op, 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 us in future, this could result in an increase in scope 3 FLAG emissions.

1 Target includes FLAG emissions and removals.

We commit to no deforestation across our primary deforestation-linked commodities, with a target date of no later than 31 December 2025[1]

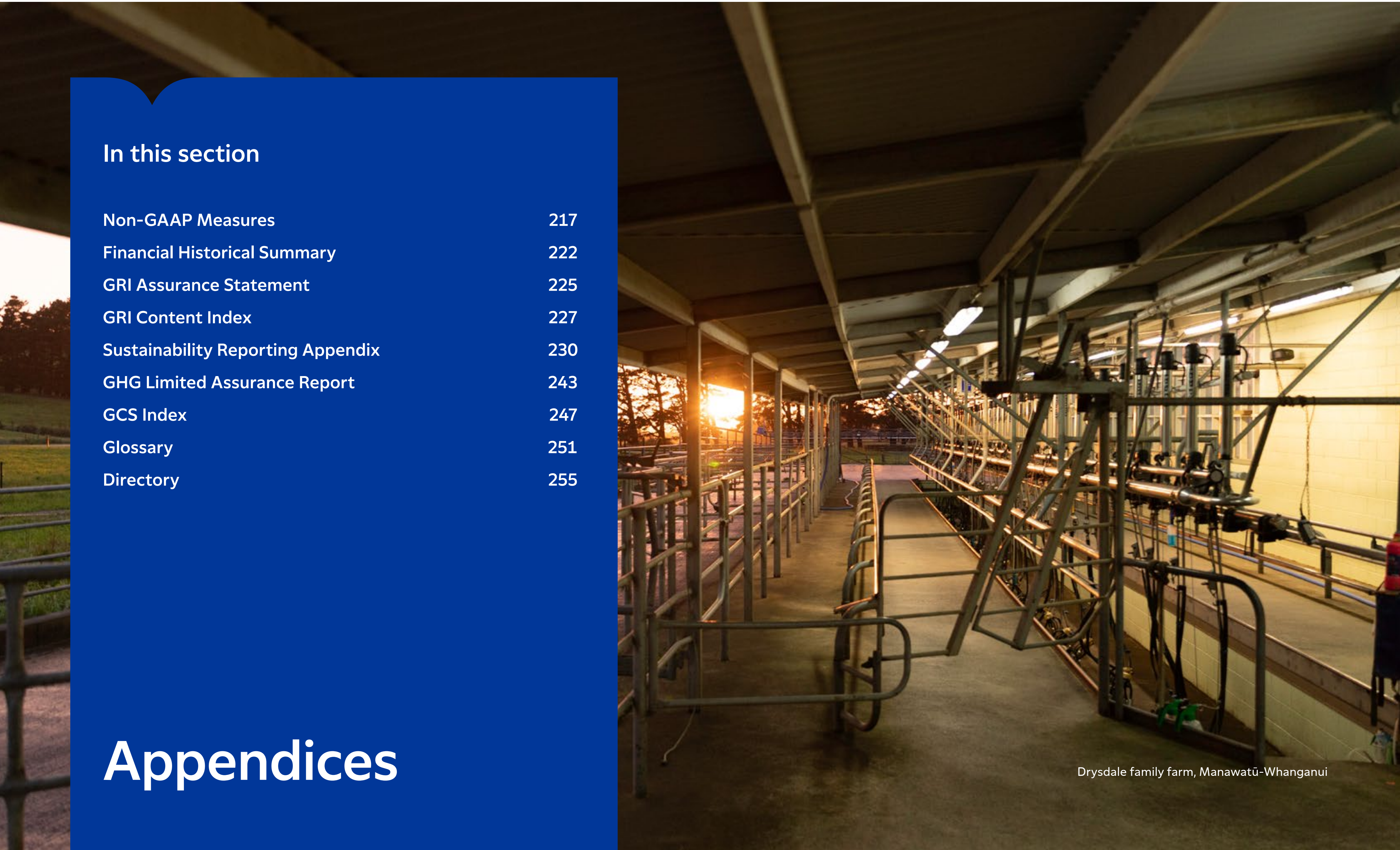
Although we did not meet our target by 31 December 2025, we are continuing to work towards achievement. In order to do so:

- Suppliers will need to be open to engagement about implementing action plans, and have the ability to carry them out within the agreed timeframes.
- There may be some sourcing restrictions outside of our control (such as geopolitical or trade impacts and/or it is possible that required commodities cannot be found via alternate sources).
- 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 involves inherent uncertainty as we rely on third parties to provide us with information not available within our own systems. Where possible, we seek to verify the information provided, including certification status.
- The target is binary and requires 100% compliance, meaning that even if one supplier does not meet our requirements, we will be unable to meet our no deforestation target.

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 have set science-based targets in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to 1.5°C. In doing this, the targets will need to meet the science-based targets criteria set by SBTi. We will need to obtain information from some suppliers and customers to understand whether their targets are science-based.
- Suppliers and customers will need to be open to engagement about establishing and maintaining science-based targets, the level of ambition required, to targeting action and demonstrating progress.
- We operate within complex and dynamic supply chains. Commercial, geopolitical, trade and operational factors may affect our ability to engage with, or influence, particular suppliers and customers in relation to science-based target setting.
- 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, engagement will be prioritised 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 supplier and customer base means that our progress is unlikely to be cumulative. Changes in our value chain over time may mean that the progress we report on this target in any given year may not provide a reasonable estimation on the progress we are making towards achievement of the target overall by FY28.

1 Due to long-term contracts and existing stock, we did not achieve full compliance by the target date of 31 December 2025. We are working with suppliers on time-bound action plans and are continuing to make progress towards full compliance.



In this section

Appendices

Drysdale family farm, Manawatū-Whanganui

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 JUL 2026	31 JUL 2025[1]
Profit after tax	**2,608**	**1,079**
Net finance costs from continuing operations	166	184
Net finance costs from discontinued operations	–	2
Tax expense from continuing operations	486	369
Tax expense from discontinued operations	162	98
Depreciation and amortisation from continuing operations	525	528
Depreciation and amortisation from discontinued operations	2	107
Total Group EBITDA	**3,949**	**2,367**
Gain on sale of Mainland Group	(1,250)	–
Other Mainland Divestment related normalisations	73	106
Total normalisation adjustments	**(1,177)**	**106**
Total Group normalised EBITDA	**2,772**	**2,473**

1 Comparative information includes re-presentations for consistency with the current period.
2 Trade terms for sales and purchases between Fonterra and the Mainland Group changed during the year ended 31 July 2026. The pricing elements relating to changed trade terms have been normalised for continuing operations, with an offsetting impact in discontinued operations.

Reconciliation from continuing operations profit after tax to continuing operations EBIT (operating profit) and continuing operations normalised proforma (underlying) EBIT (operating profit), and discontinued operations profit after tax to discontinued operations normalised EBIT (operating profit) and discontinued operations normalised proforma (underlying) EBIT (operating profit)

	GROUP $ MILLION	
	31 JUL 2026	31 JUL 2025[1]
Profit after tax from continuing operations	**1,346**	**1,013**
Net finance costs from continuing operations	166	184
Tax expense from continuing operations	486	369
Total continuing operations EBIT (Operating profit)	**1,998**	**1,566**
Normalised sales between continuing and discontinued operations[2]	(178)	(156)
Continuing operations normalised EBIT (Operating profit)	**1,820**	**1,410**
Plus: Proforma sales between continuing and discontinued operations[3]	20	79
Continuing operations normalised proforma (underlying) EBIT (Operating profit)	**1,840**	**1,489**

	GROUP $ MILLION	
	31 JUL 2026	31 JUL 2025[1]
Profit after tax from discontinued operations	**1,262**	**66**
Net finance costs from discontinued operations	–	2
Tax expense from discontinued operations	162	98
Total discontinued operations EBIT (Operating profit)	**1,424**	**166**
Gain on sale of Mainland Group	(1,250)	–
Other Mainland divestment related normalisations	(1)	106
Normalised sales between continuing and discontinued operations[2]	178	156
Total normalisation adjustments	(1,073)	262
Discontinued operations normalised EBIT (Operating profit)	**351**	**428**
Plus: Proforma sales between continuing and discontinued operations[3]	(20)	(79)
Discontinued operations normalised proforma (underlying) EBIT (Operating profit)	**331**	**349**

3 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 continuing profit after tax to continuing normalised proforma (underlying) profit after tax and to continuing operations normalised proforma (underlying) profit after tax attributable to equity holders of the Co-Operative and normalised proforma (underlying) earnings per share attributable to the equity holders of the Co-Operative

The Mainland Group Long Term Supply Agreement (LTSA) took effect from 1 November 2025. Proforma continuing and discontinued operations have been adjusted for the impact of LTSA sales pricing in FY25 and the first quarter of FY26.

	GROUP $ MILLION	
	31 JUL 2026	31 JUL 2025[1]
Profit after tax from continuing operations	**1,346**	**1,013**
Normalised sales between continuing and discontinued operations[2]	(178)	(156)
Continuing operations normalised profit after tax	**1,168**	**857**
Profit attributable to non-controlling interests	(40)	(41)
Continuing operations normalised profit after tax attributable to equity holders of the Co operative	**1,128**	**816**
Plus: Proforma sales between continuing and discontinued operations[3]	20	79
Less: Tax on proforma sales between continuing and discontinued operations	(6)	(22)
Continuing operations normalised proforma (underlying) profit after tax attributable to equity holders of the Co-Operative	**1,142**	**873**
Weighted average number of Co-operative shares (thousands of shares)	1,606,584	1,606,895
Continuing operations earnings per share attributable to equity holders of the Co-operative ($)[4]	**0.70**	**0.51**
Continuing operations normalised proforma (underlying) earnings per share attributable to equity holders of the Co-operative ($)[4]	**0.71**	**0.54**

Reconciliation from discontinued profit after tax to discontinued normalised and discontinued normalised proforma (underlying) profit after tax and to discontinued operations normalised proforma (underlying) profit after tax attributable to equity holders of the Co-Operative and discontinued operations normalised proforma (underlying) earnings per share attributable to the equity holders of the Co-Operative

	GROUP $ MILLION	
	31 JUL 2026	31 JUL 2025[1]
Discontinued operations profit after tax	**1,262**	**66**
Gain on sale of Mainland Group	(1,250)	–
Other Mainland divestment related normalisations	90	106
Normalised purchases from continuing operations	178	156
Total normalisation adjustments	(982)	262
Discontinued operations normalised profit after tax	**280**	**328**
Plus: Proforma sales between continuing and discontinued operations[3]	(20)	(79)
Less: Tax on proforma sales between continuing and discontinued operations	6	22
Discontinued operations normalised proforma (underlying) profit after tax	**266**	**271**
Weighted average number of Co-operative shares (thousands of shares)	1,606,584	1,606,895
Discontinued operations normalised earnings per share attributable to equity holders of the Cooperative ($)[4]	**0.17**	**0.20**
Discontinued operations normalised proforma (underlying) earnings per share attributable to equity holders of the Co-operative ($)[4]	**0.16**	**0.17**

1 Comparative information includes re-presentations for consistency with the current period.
2 Trade terms for sales and purchases between Fonterra and the Mainland Group changed during the year ended 31 July 2026. The pricing elements relating to changed trade terms have been normalised for continuing operations, with an offsetting impact in discontinued operations.
3 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.
4 Normalised earnings per share is based on weighted average number of Co-operative shares.

Reconciliation from Group profit after tax to total Group normalised EBIT

	GROUP $ MILLION	
	31 JUL 2026	31 JUL 2025[1]
Profit after tax	**2,608**	**1,079**
Net finance costs from continuing operations	166	184
Net finance costs from discontinued operations	–	2
Tax expense from continuing operations	486	369
Tax expense from discontinued operations	162	98
Total Group EBIT (Operating profit)	**3,422**	**1,732**
Gain on sale of Mainland Group	(1,250)	–
Other Mainland divestment related normalisations	(1)	106
Total normalisation adjustments	(1,251)	106
Total Group normalised EBIT (Operating profit)	**2,171**	**1,838**

Reconciliation from Group profit after tax to Group normalised profit after tax and Group normalised earnings per share attributable to equity holders of the Co-operative

	GROUP $ MILLION	
	31 JUL 2026	31 JUL 2025[1]
Profit after tax	**2,608**	**1,079**
Gain on sale of Mainland Group	(1,250)	–
Other Mainland divestment related normalisations	(1)	106
Mainland divestment related tax normalisations	91	–
Total normalisation adjustments	(1,160)	106
Total Group normalised profit after tax	**1,448**	**1,185**
Profit attributable to non-controlling interests	(40)	(41)
Total group normalised profit after tax attributable to equity holders of the Co-operative	**1,408**	**1,144**
Weighted average number of Co-operative shares (thousands of shares)	1,606,584	1,606,895
Total Group normalised earnings per share attributable to equity holders of the Co-operative ($)[2]	**0.87**	**0.71**
Total Group normalisation of earnings per share attributable to equity holders of the Co-operative (Mainland divestment benefit) ($)[2]	**0.73**	**0.07**

1 Comparative information includes re-presentations for consistency with the current period.
2 Normalised earnings per share is based on weighted average number of Co-operative shares.

Reconciliation from continuing gross profit to continuing normalised gross profit

	GROUP $ MILLION	
	31 JUL 2026	31 JUL 2025[1]
Continuing operations gross profit	**3,779**	**3,255**
Normalised sales between continuing and discontinued operations[2]	(178)	(156)
Continuing operations normalised gross profit	**3,601**	**3,099**

Reconciliation from discontinued gross profit to discontinued normalised gross profit and total Group normalised gross profit

	GROUP $ MILLION	
	31 JUL 2026	31 JUL 2025[1]
Discontinued operations gross profit	**628**	**936**
Normalised sales between continuing and discontinued operations[2]	178	156
Normalised cost of goods sold from discontinued operations	(20)	–
Total normalisation adjustments	158	156
Discontinued operations normalised gross profit	**786**	**1,092**
Total Group normalised gross profit	**4,387**	**4,191**

Reconciliation of continuing and discontinued earnings per share to total Group earnings per share attributable to the equity holders of the Co-operative

	GROUP $ MILLION	
	31 JUL 2026	31 JUL 2025[1]
Continuing – normalised	70	51
Discontinued – normalised (Mainland trading)	17	20
Total Group – normalised	**87**	**71**
Total normalisation – Mainland divestment benefit	73	(6)
Total Group	**160**	**65**

On a normalised pro-forma basis, EPS for continuing operations increases one cent to 71cps, and EPS for discontinued operations decreases one cent to 16cps.

Mainland Divestment: Financial Statements Gain

The divestment was completed on 31 March 2026. Total proceeds amount to $4.6 billion. Sales proceeds of $4,457 million were received on 31 March 2026, and the Group has recognised a post completion adjustments receivable of $160 million to align with the Completion Statement provided to Lactalis. This remains subject to Lactalis review.

A non-taxable gain on sale of $1,250 million has been recognised in profit after tax from discontinued operations in the Statement of Profit or Loss and Other Comprehensive Income, comprised of the following:

	GROUP $ MILLION
	31 JUL 2026 AUDITED
Sales proceeds received in cash	4,457
Add: Estimated customary post completion adjustments receivable	160
Total proceeds	**4,617**
Less: Proceeds attributed to the Group's obligation to develop and deliver a stand-alone replicated information technology system, to enable operational separation	(147)
Proceeds attributed to the divestment	**4,470**
Less: Net assets disposed of	(3,598)
Add: Intercompany balances recognised as external balances upon sale[3]	220
Less: Directly attributable transaction costs	(123)
Add: Reclassification of foreign currency translation reserve[4]	281
Gain on sale	**1,250**

1 Comparative information includes re-presentations for consistency with the current period.
2 Trade terms for sales and purchases between Fonterra and the Mainland Group changed during the year ended 31 July 2026. The pricing elements relating to changed trade terms have been normalised for continuing operations, with an offsetting impact in discontinued operations.
3 Trade and other receivables of $367 million, less Trade and other payables of $147 million.
4 Includes the reclassification of foreign currency translation reserves in respect of net investment hedges ($30 million).

Total Mainland Divestment Benefit

The gain on sale disclosed in the Financial Statements is net of incremental costs that are directly attributable to the sale, as required under Accounting Standards. The Mainland divestment benefit as a whole, after consideration of all related costs and benefits, is presented in the following table and has been normalised in the non-GAAP measures presented above.

	GROUP $ MILLION
	31 JUL 2026
Gain on sale – under Accounting Standards	**1,250**
Less: Other transaction costs including separation and related taxes, capital return costs and compliance costs (net of the effect of items not included in the Mainland trading results, e.g. the reversal of depreciation whilst held for sale)	(90)
Mainland Divestment Benefit – Normalised	**1,160**
Weighted average number of Co-operative shares (thousands of shares)	1,606,584
Total normalisation – Mainland divestment benefit earnings per share attributable to equity holders of the Cooperative ($)[1]	**0.73**

Reconciliation of total borrowings to adjusted net debt, and adjusted net debt gearing ratio

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 JUL 2026 AUDITED	31 JUL 2025[2] AUDITED
Total borrowings	**2,847**	**3,138**
Add: Bank overdraft	37	30
Less: Cash and cash equivalents	(947)	(309)
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)	29	49
Less: Derivatives used to manage changes in hedged risk on debt instruments	(313)	(298)
Adjusted net debt	**1,653**	**2,620**
Equity excluding hedge reserves	6,292	8,333
Total capital	**7,945**	**10,953**
Adjusted net debt gearing ratio	**20.8%**	**23.9%**

1 The EPS effect of the normalisation of the earnings per share is based on weighted average number of Co-operative shares.
2 Comparative information includes re-presentations for consistency with the current period.

Financial Historical Summary

Market Statistics

	MAY 2022	MAY 2023	MAY 2024	MAY 2025	MAY 2026
Fonterra Seasonal Statistics[1]					
Total New Zealand milk collected (million litres)	16,404	16,317	16,001	16,313	16,832
Highest daily volume collected (million litres)	79.9	77.9	75.7	77.0	77.8
New Zealand shareholding farms milk solids collected (million kgMS)	1,432	1,440	1,447	1,492	1,559
New Zealand non-shareholding farms milk solids collected (million kgMS)	46	40	24	17	12
New Zealand milk solids collected (million kgMS)	1,478	1,480	1,471	1,509	1,571
Fonterra Supply Base					
Total number of shareholding farms[2]	8,597	8,421	8,258	8,162	8,061
Total number of non-shareholding farms[2]	244	216	151	103	52

	JULY 2022	JULY 2023	JULY 2024	JULY 2025	JULY 2026
Total number of shares on issue (million)	1,613	1,609	1,609	1,609	1,609
Shareholder Supplier Returns					
Farmgate Milk Price (per kgMS)[2]	9.30	8.22	7.83	10.16	9.69
Dividend (per share)	0.20	0.50	0.55	0.57	0.73
Dividend yield (%)	6.9%	17.8%	21.6%	13.1%	17.6%
Total pay-out[2]	9.50	8.72	8.38	10.73	10.42
Retentions (per share)	0.16	0.45	0.12	0.08	0.87
Weighted average share price ($ NZD)[3]	2.88	2.81	2.55	4.35	4.15
Weighted Average Commodity Prices ($ USD per MT FOB)					
Whole Milk Powder[4]	4,019	3,392	3,089	3,755	3,623
Skim Milk Powder[4]	3,750	3,242	2,610	2,842	2,895
Butter[4]	5,601	5,072	5,479	6,959	6,288
Cheese[5]	5,261	4,825	4,180	4,839	4,641
Fonterra's average NZD/USD conversion rate[2]	0.69	0.64	0.61	0.60	0.59
Staff Employed					
Total staff employed (000's permanent full-time equivalents)	19.0	17.5	15.9	15.7	11.5
New Zealand	11.7	11.9	11.7	11.6	10.3
Overseas	7.3	5.6	4.2	4.1	1.2

Total Group Overview (continuing and discontinued operations)

	JULY 2022	JULY 2023	JULY 2024	JULY 2025	JULY 2026
Income Statement Measures					
Sales volumes ('000 MT)	3,924	3,973	3,529	3,488	3,413
Revenue ($ million)	23,425	26,046	22,994	26,450	27,432
EBITDA ($ million)	1,611	2,880	2,154	2,367	3,949
EBIT ($ million)	976	2,218	1,527	1,732	3,422
Normalised profit after tax attributable to equity holders of the Co-operative ($ million)	568	1,289	1,143	1,144	1,408
Earnings per share	0.36	0.95	0.67	0.65	1.60
Normalised earnings per share ($)	0.35	0.80	0.71	0.71	0.87
Revenue Margin Analysis					
EBITDA margin (%)	6.9%	11.1%	9.4%	8.9%	14.4%
EBIT margin (%)	4.2%	8.5%	6.6%	6.5%	12.5%
Profit after tax margin (%)	2.5%	6.1%	4.9%	4.3%	5.1%
Cash Flow ($ million)					
Operating cash flow	193	3,518	2,313	1,960	2,651
Free cash flow	(324)	3,650	1,602	1,262	5,637
Trade working capital[2]	5,549	4,384	4,107	4,725	3,606
Capital Measures					
Equity excluding hedge reserve ($ million)	7,252	7,925	8,247	8,333	6,292
Net debt ($ million)[2]	5,339	3,207	2,605	2,620	1,653
Gearing ratio (%)[2]	42.4%	28.8%	24.0%	23.9%	20.8%
Debt to EBITDA ratio[2]	3.2x	1.3x	1.2x	1.1x	0.7x
Average capital employed ($ million)[2]	12,356	12,774	11,904	12,348	11,679
Capital expenditure ($ million)[2]	587	668	614	802	964
Capital invested ($ million)[2]	617	747	720	930	1,035
Return on capital (%)[2]	6.8%	12.4%	11.3%	10.9%	13.6%

Segment Overview (continuing operations)[6,7,8,9,10]

	JULY 2025	JULY 2026
Ingredients		
Sales volume ('000 MT)	2,400	2,487
Sales volume (million kgMS)	1,314	1,359
Revenue ($ million)	19,326	20,498
Gross profit ($ million)	1,263	1,494
Gross margin (%)	6.5%	7.3%
EBITDA ($ million)	890	1,113
EBITDA margin (%)	4.6%	5.4%
EBIT ($ million)	845	1,067
EBIT margin (%)	4.4%	5.2%
Foodservice		
Sales volume ('000 MT)	554	566
Sales volume (million kgMS)	236	241
Revenue ($ million)	4,723	5,016
Gross profit ($ million)	675	793
Gross margin (%)	14.3%	15.8%
EBITDA ($ million)	284	438
EBITDA margin (%)	6.0%	8.7%
EBIT ($ million)	256	412
EBIT margin (%)	5.4%	8.2%
Core Operations		
Sales volume ('000 MT)	2,756	2,892
Sales volume (million kgMS)	1,513	1,584
Revenue ($ million)	20,324	21,535
Gross profit ($ million)	1,161	1,314
Gross margin (%)	5.7%	6.1%
EBITDA ($ million)	764	794
EBITDA margin (%)	3.8%	3.7%
EBIT ($ million)	309	341
EBIT margin (%)	1.5%	1.6%

	JULY 2025	JULY 2026
Total (after eliminations)		
Sales volume ('000 MT)	2,933	3,024
Sales volume (million kgMS)	1,554	1,602
Revenue ($ million)	23,896	25,220
Gross profit ($ million)	3,099	3,601
Gross margin (%)	13.0%	14.3%
EBITDA ($ million)	1,938	2,345
EBITDA margin (%)	8.1%	9.3%
EBIT ($ million)	1,410	1,820
EBIT margin (%)	5.9%	7.2%

Discontinued Operations[2,7,9,10]

	JULY 2025	JULY 2026
Total (Mainland Group, after eliminations)		
Sales volume ('000 MT)	555	389
Sales volume (million kgMS)	66	58
Revenue ($ million)	2,398	2,034
Gross profit ($ million)	936	628
Gross margin (%)	39.0%	30.9%
EBITDA ($ million)	273	1,424
EBITDA margin (%)	11.4%	70.0%
EBIT ($ million)	166	1,424
EBIT margin (%)	6.9%	70.0%

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 The 2026 weighted average share price has been adjusted to reflect the $2.00 per share Mainland capital return.
4 Source: Fonterra Farmgate Milk Price Statement representing the weighted average United States Dollar contract prices of Reference Commodity Products.
5 Source: Oceania Export Series, Agricultural Marketing Service, US Department of Agriculture.
6 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
7 Comparative information has been re-presented for consistency with the current period
8 Prepared on a continuing operations basis.
9 Includes inter-segment transactions.
10 Mainland Group (consumer and associated 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 the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected GRI disclosures ("Subject Matter Information"), including the associated methodologies, assumptions, and estimation uncertainty within the scope of our limited assurance engagement, presented in Fonterra's Annual Report 2026 ("the Report") for the period 1 August 2025 to 31 July 2026, are not fairly presented and prepared, in all material respects, in accordance with the Reporting Criteria.

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 Fonterra and its subsidiaries for the period of 1 August 2025 to 31 July 2026.

Our assurance engagement did not extend to any other information included in the Report, nor to information relating to prior reporting periods. We have not performed any procedures on such information and, accordingly, do not express a conclusion thereon.

Reporting Criteria

The Report was prepared with reference to the GRI Standards including appropriate considerations of the Reporting Principles and additional requirements as described in GRI 1: Foundation 2021 and GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022

Fonterra's Responsibilities

Management of Fonterra was responsible for:

- Preparing and presenting the Subject Matter Information in accordance with the Reporting Criteria.
- Establishing and maintaining appropriate internal controls to enable the preparation of information free from material misstatement, whether due to fraud or error.
- Selecting and applying appropriate methods, assumptions and estimates.
- Providing us with all relevant information and access necessary to perform the assurance engagement.

Our Responsibilities

Bureau Veritas Australia Pty Ltd ("Bureau Veritas") was responsible for:

- Planning and performing the assurance engagement to obtain limited assurance over the Subject Matter Information.
- Obtaining sufficient and appropriate evidence on which to base our assurance conclusions.
- Forming an independent conclusion based on the procedures performed and evidence obtained.
- Reporting our assurance conclusions to the Directors of Fonterra.

Bureau Veritas was not involved in the preparation of the Report. We have maintained our independence and performed the engagement in accordance with the relevant ethical requirements applicable to assurance engagements.

Summary of Work Performed

Our limited assurance engagement on the Subject Matter Information was conducted in accordance with ISAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board (IAASB).
Our work was planned and performed to obtain the intended level of assurance and to provide a reasonable basis for our conclusions.

The procedures performed were based on our professional judgement and included enquiries, observation of processes, inspection of documents, analytical procedures, evaluation of quantification methodologies and reporting policies, and the agreement or reconciliation of reported information to underlying records.

Our procedures included:

- Reviewing the suitability and application of the Reporting Criteria used in the preparation of the Subject Matter Information.
- Conducting enquiries of Fonterra personnel to obtain an understanding of, and evaluate, the processes, systems and internal controls used to collect, aggregate, calculate, analyse and report the information.
- Conducting enquiries of personnel responsible for preparing and reporting the information.
- Reviewing supporting documentation and evidence provided by Fonterra.
- Testing selected data, including source documentation, and assessing the mathematical accuracy of calculations underlying the reported information.
- Assessing the reasonableness and consistent application of estimation methodologies, assumptions and calculation approaches.
- Reviewing the presentation of the Subject Matter Information within the Report.
- Obtaining a Management Representation Letter in support of key representations made during the assurance engagement.

Inherent Limitations and Exclusions

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less extensive than, those performed in a reasonable assurance engagement. In particular, a limited assurance engagement involves less detailed testing and does not require the practitioner to obtain the same level of understanding of internal controls as a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than that which would have been obtained had a reasonable assurance engagement been performed. Even a reasonable assurance engagement, while providing a high level of assurance, does not guarantee that all material misstatements will be detected.

Excluded from the scope of our assurance engagement is any assurance over information relating to:

- Activities occurring outside the reporting period.
- Statements of future intent, commitment or planned actions by Fonterra.
- Statements of position, opinion, belief or aspiration made by Fonterra.
- Financial information subject to audit or assurance by another independent assurance provider.
- Sites, operations or activities not included within the defined 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 leading provider of Testing, Inspection and Certification (TIC) services. Bureau Veritas operates a quality management system and applies a Code of Ethics that includes requirements relating to integrity, objectivity, professional competence, confidentiality and the management of conflicts of interest.

Bureau Veritas maintains policies and procedures designed to safeguard its independence and impartiality in the conduct of assurance engagements. Throughout this engagement, Bureau Veritas remained independent of Fonterra and complied with the applicable ethical requirements relevant to assurance engagements.

No member of the assurance team has any business relationship with Fonterra, its Directors or Management beyond that required for the performance of this engagement. We confirm that there were no conflicts of interest that could impair our independence or objectivity.

The assurance team was selected based on its qualifications, experience and industry expertise, including experience in the independent verification and assurance of environmental, social and governance (ESG) information, greenhouse gas emissions data, and associated management systems and reporting processes.

Bureau Veritas Australia Pty Ltd
23rd September 2026

Bureau Veritas

Jeremy Leu
Executive 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 2025 to 31 July 2026 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 Financial Statements (FS): Basis of preparation Modern Slavery Statement (MSS): Our structure, operations and supply chain	Y
	2-2 Entities included in the organization's sustainability reporting	FS: Note 23 (Subsidiaries) Sustainability Reporting (SR): Data consolidation	Y
	2-3 Reporting period, frequency and contact point	About this report SR: Our approach SR: Data consolidation	Y
	2-4 Restatements of information	SR: Data consolidation SR: Support for parents	Y
	2-5 External assurance	SR: Data consolidation This GRI content index Group Climate Statements (GCS): Metrics and targets (Independent assurance) GRI Assurance Statement (Bureau Veritas) GHG Limited Assurance Report (KPMG)	Y
	2-6 Activities, value chain and other business relationships	AR: About Fonterra MSS: Our structure, operations and supply chain GCS: Strategy	Y
	2-7 Employees	SR Appendix: Our people metrics SR: Economic impact and employment	Y
	2-8 Workers who are not employees	*Omitted – see SR Appendix: Our people metrics (reporting notes)*	
	2-9 Governance structure and composition	Corporate Governance Statement (CGS): Principle 2 CGS: Principle 3 Directors' disclosures *2-9.cvi not reported*	Y
	2-10 Nomination and selection of the highest governance body	CGS: Principle 2	Y
	2-11 Chair of the highest governance body	CGS: Principle 2 *Note that the Chairman of the Board is not also a senior executive*	Y
	2-12 Role of the highest governance body in overseeing the management of impacts	CGS: Principle 3 GCS: Governance MSS: Governance and programme framework *2-12c not reported*	Y
	2-13 Delegation of responsibility for managing impacts	CGS: Principle 3 GCS: Governance	Y
	2-14 Role of the highest governance body in sustainability reporting	CGS: Principle 4 SR: Responding to what matters most SR: Data consolidation	Y
	2-15 Conflicts of interest	CGS: Principle 1 and Principle 2 Directors' Disclosures FS: Note 18 (Related Party Transactions)	Y
	2-16 Communication of critical concerns	CGS: Principle 1 SR: Ethical business *2-16b 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	CGS: Principle 2	Y
	2-18 Evaluation of the performance of the highest governance body	CGS: Principle 2 *2-18b and 2-18c not reported*	Y
	2-19 Remuneration policies	Remuneration Report (RR): Remuneration framework FY26 RR: Director remuneration *2-19c not reported*	Y
	2-20 Process to determine remuneration	RR: Remuneration framework FY26	Y
	2-21 Annual total compensation ratio	*2-21 not reported*	
	2-22 Statement on sustainable development strategy	AR: Chair & CEO Letters, Our Strategy	Y
	2-23 Policy commitments	SR: Ethical business SR: Material topics Modern Slavery Statement	Y
	2-24 Embedding policy commitments	SR: Ethical business SR: Material topics	Y
	2-25 Processes to remediate negative impacts	SR: Ethical business SR: Material topics Modern Slavery Statement. *2-25d: The whistleblowing hotline is independently administered and facilitated*	Y
	2-26 Mechanisms for seeking advice and raising concerns	SR: Ethical business	Y

GRI STANDARD	DISCLOSURE	LOCATION	ASSURED[1]
	2-27 Compliance with laws and regulations	SR: Legal compliance	Y
	2-28 Membership associations	SR: Stakeholder engagement	Y
	2-29 Approach to stakeholder engagement	SR: Stakeholder engagement CGS: Principle 8	Y
	2-30 Collective bargaining agreements	SR: Economic impact and employment	Y
GRI 3: Material Topics 2021	3-1 Process to determine material topics	SR: Responding to what matters most	Y
	3-2 List of material topics	SR: Material topics guiding our reporting SR: GRI standards	Y
	3-3 Management of material topics	SR: Material topics	Y
GRI 201: Economic Performance 2016 (GRI 13-22)	201-1 Direct economic value generated and distributed	Financial Statements Remuneration Report SR: 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	SR Appendix: Our people metrics	Y
GRI 205: Anti-corruption 2016 (GRI 13.26)	205-2 Communication and training about anti-corruption policies and procedures	SR: Ethical business	
	205-3 Confirmed incidents of corruption and actions taken	SR: Legal compliance	Y

1 Y indicates assured.

GRI Content Index CONTINUED

GRI STANDARD	DISCLOSURE	LOCATION	ASSURED[1]
GRI 206: Anti-competitive Behavior 2016 (GRI 13.25)	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	SR: Legal compliance	Y
GRI 303: Water and Effluents 2018 (GRI 13.7)	303-1 Interactions with water as a shared resource	SR: Water	
	303-2 Management of water discharge-related impacts	SR: Water	
	303-3 Water withdrawal	SR Appendix: Water metrics	Y
	303-4 Water discharge	SR Appendix: Water metrics	Y
	303-5 Water consumption	SR Appendix: Water metrics	Y
GRI 308: Supplier Environmental Assessment 2016	308-2 Negative environmental impacts in the supply chain and actions taken[2]	SR: Biodiversity and land SR: Nutrition and food safety SR: Animal health and wellbeing	Y
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	SR Appendix: Our people metrics	Y
	401-3 Parental leave	Support for parents SR Appendix: Our people metrics	Y
GRI 403: Occupational Health and Safety 2018 (GRI 13.19)	403-1 Occupational health and safety management system	SR: Health, safety and wellbeing	Y
	403-9a Work-related injuries	SR: Health, safety and wellbeing *403-9a.iv not reported*	Y

GRI STANDARD	DISCLOSURE	LOCATION	ASSURED[1]
GRI 404: Training and Education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	SR: Strengthening leadership, talent and capability	
GRI 405: Diversity and Equal Opportunity 2016 (GRI 13.15)	405-1 Diversity of governance bodies and employees	SR: Diversity, equity and inclusion SR Appendix: Our people metrics	Y
	405-2 Ratio of basic salary and remuneration of women to men	SR: Closing our gender pay gap SR Appendix: Our people metrics	Y
GRI 406: Non-discrimination 2016 (GRI 13.15)	406-1 Incidents of discrimination and corrective actions taken	SR: Non-discrimination	Y
GRI 415: Public Policy 2016 (GRI 13.24)	415-1 Political contributions	SR: 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[2]	SR: Nutrition and food safety	Y
GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022	13-11.1 Animal Health and Welfare[2]	SR: Animal health and wellbeing	Y
	13-20.1 Employment Practices	SR: Economic impact and employment See also Safe hiring practices on fonterra.com.	Y
	13-23.1 Supply Chain Traceability	SR: Nutrition and food safety	Y

1 Y indicates assured.
2 Metrics selected for our Co-op's reporting differ from GRI standard metrics.

Sustainability Reporting Appendix

This appendix provides additional disclosures under the Global Reporting Initiative (GRI) Standards, including reporting notes with definitions.

Water Metrics

Water target

		PERFORMANCE - CONTINUING OPERATIONS		
INDICATOR	TARGET	FY26	FY25	FY24
Reduction in absolute water take across manufacturing sites	15% reduction by FY30 from a FY18 base year	**13.4%**	16.3%	13.9%

Water withdrawal

		INVENTORY	DISCONTINUED OPERATIONS	PERFORMANCE - CONTINUING OPERATIONS		
INDICATOR	UNIT	FY26	FY26	FY26	FY25	FY24
WATER WITHDRAWAL BY SOURCE OVERALL						
Freshwater (≤1,000 mg/L TDS)						
Surface water		**20,589**	**1**	**20,588**	20,243	21,965
Ground water		**13,279**	**86**	**13,193**	12,628	11,837
Seawater		**–**	**–**	**–**	–	–
Produced water		**–**	**–**	**–**	–	–
Third party water		**8,408**	**3,687**	**4,721**	4,381	4,557
Total withdrawal from freshwater	**Volume '000 m³**	**42,276**	**3,774**	**38,502**	**37,252**	**38,359**
Other water (>1,000 mg/L TDS)						
Surface water		**–**	**–**	**–**	–	–
Ground water		**–**	**–**	**–**	–	–
Seawater		**–**	**–**	**–**	–	–
Produced water		**13,006**	**351**	**12,655**	11,884	11,992
Third party water		**–**	**–**	**–**	–	–
Total withdrawal from other water	**Volume '000 m³**	**13,006**	**351**	**12,655**	**11,884**	**11,992**
Total water withdrawal	**Volume '000 m³**	**55,282**	**4,125**	**51,157**	**49,135**	**50,350**

Water withdrawal by source from areas of water stress

		INVENTORY	DISCONTINUED OPERATIONS	PERFORMANCE - CONTINUING OPERATIONS		
INDICATOR	UNIT	FY26	FY26	FY26	FY25	FY24
Freshwater (≤1,000 mg/L TDS)						
Surface water		**1**	**1**	**–**	–	–
Ground water		**–**	**–**	**–**	–	–
Seawater		**–**	**–**	**–**	–	–
Produced water		**–**	**–**	**–**	–	–
Third party water		**2,202**	**2,202**	**–**	–	–
Total withdrawal as freshwater	**Volume '000 m^3**	**2,203**	**2,203**	**–**	**–**	**–**
Other water (>1,000 mg/L TDS)						
Surface water		**–**	**–**	**–**	–	–
Ground water		**–**	**–**	**–**	–	–
Seawater		**–**	**–**	**–**	–	–
Produced water		**88**	**88**	**–**	–	–
Third party water		**–**	**–**	**–**	–	–
Total withdrawal as other water	**Volume '000 m^3**	**88**	**88**	**–**	**–**	**–**
Total water withdrawal from areas with water stress	**Volume '000 m^3**	**2,291**	**2,291**	**–**	**–**	**–**

Water intensity

		PERFORMANCE - CONTINUING OPERATIONS		
INDICATOR	UNIT	FY26	FY25	FY24
Water efficiency (water take per cubic metre of milk processed)	Volume m^3 H_2O/m^3 milk	2.37	2.36	2.48
Water efficiency (water take per tonne of finished goods)	Volume m^3 H_2O/t FG	13.69	13.81	14.53

Water discharge

		INVENTORY	DISCONTINUED OPERATIONS	PERFORMANCE - CONTINUING OPERATIONS		
INDICATOR	UNIT	FY26	FY26	FY26	FY25	FY24
WATER DISCHARGE BY DESTINATION OVERALL						
Freshwater (≤1,000 mg/L TDS)						
Surface water		**16,911**	**98**	**16,814**	10,476	14,290
Ground water		**1,657**	**–**	**1,657**	1,462	1,542
Seawater		**–**	**–**	**–**	–	–
Third party water		**1,135**	**675**	**461**	481	539
Total discharged as freshwater	**Volume '000 m³**	**19,704**	**772**	**18,932**	**12,418**	**16,370**
Other water (>1,000 mg/L TDS)						
Surface water		**2,613**	**–**	**2,613**	8,223	6,486
Ground water		**15,168**	**2,362**	**12,807**	12,413	12,130
Seawater		**14,900**	**–**	**14,900**	14,009	13,368
Third party water		**2,297**	**698**	**1,600**	1,530	1,462
Total discharged as other water	**Volume '000 m³**	**34,979**	**3,059**	**31,920**	**36,175**	**33,446**
Total water discharge	**Volume '000 m³**	**54,683**	**3,831**	**50,852**	**48,593**	**49,816**

		INVENTORY	DISCONTINUED OPERATIONS	PERFORMANCE - CONTINUING OPERATIONS		
INDICATOR	UNIT	FY26	FY26	FY26	FY25	FY24
WATER DISCHARGE OVERALL – QUALITY						
Surface water	(COD mg/L)	22	32	22	32	24
Ground water	(COD mg/L)	749	70	867	1,115	1,125
Seawater	(COD mg/L)	1,829	0	1,829	1,698	1,637
Third party water	(COD mg/L)	2,038	3,568	728	766	797
WATER DISCHARGE BY DESTINATION TO AREAS WITH WATER STRESS						
Discharged as freshwater (≤1,000 mg/L TDS)		3	3	–	–	–
Discharged as other water (>1,000 mg/L TDS)		2,073	2,073	–	–	–
Total discharged to areas with water stress	**Volume '000 m³**	2,076	2,076	–	–	–

Water consumption

		INVENTORY	DISCONTINUED OPERATIONS	PERFORMANCE - CONTINUING OPERATIONS		
INDICATOR	UNIT	FY26	FY26	FY26	FY25	FY24
WATER CONSUMPTION AND STORAGE LEVELS						
Total consumption from all areas	**Volume '000 m³**	599	294	305	542	534
Total consumption from areas with water stress		215	215	–	–	–
Change in water storage		(3)	–	(3)	(3)	–

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. In FY26, we supplied approximately 461,000 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 reduce absolute water take across manufacturing sites by 15% by FY30, from an FY18 base year. For this target we exclude volumes recorded as non-essential take, specifically 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.
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 (prior to divestment) 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' (≤ 1,000mg/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 identified six of our manufacturing facilities (all classified as discontinued operations) as being in areas considered under current water stress. Our threshold recognises baseline water stress, where the current indication is high or extremely high. 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.
Surface water	Water that occurs naturally on the Earth's surface. Includes rainwater harvesting at our Indonesian site (a discontinued operation).
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.

Water reporting notes CONTINUED

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.
Divestments	The Inventory FY26 column represents the full year of performance data for continuing operations and the data for the period during FY26 in which Mainland Group (discontinued operation) was under our operational control. The water target and water intensity metric sections have been prepared for our continuing operations only. For our Australian entities (a discontinued operation) water reporting aligns to the NGERs year, which was from 1 July to the date of divestment.

Our people metrics

Governance

DIVERSITY OF GOVERNANCE BODIES BY AGE AND GENDER (FTE)			FY26 %	FY25 %	FY24 %
Fonterra Board	Age	<30	**–**	–	–
		30-50	**–**	–	–
		>50	**100**	100	100
		Unknown	**–**	–	–
	Gender	Male	**56**	67	60
		Female	**44**	33	40

Regional employment metrics

REGION REPORTING (FTE)		FY26 #	FY26 %	FY25 #	FY24 #
Employee total	New Zealand	**10,536**	**90**	11,860	11,979
	Asia	**887**	**8**	2,386	2,478
	Rest of world	**298**	**3**	1,969	1,984
	Total	**11,721**	**100**	**16,215**	**16,441**
Permanent employees	New Zealand	**10,306**	**90**	11,570	11,686
	Asia	**882**	**8**	2,202	2,275
	Rest of world	**284**	**2**	1,903	1,917
	Total	**11,472**	**100**	**15,676**	**15,878**
Temporary employees	New Zealand	**229**	**92**	289	293
	Asia	**5**	**2**	184	203
	Rest of world	**15**	**6**	66	67
	Total	**249**	**100**	**539**	**564**
Full-time employees	New Zealand	**10,193**	**90**	11,523	11,651
	Asia	**886**	**8**	2,386	2,477
	Rest of world	**285**	**3**	1,915	1,940
	Total	**11,364**	**100**	**15,824**	**16,068**
Part-time employees	New Zealand	**343**	**96**	337	328
	Asia	**1**	**–**	–	1
	Rest of world	**13**	**4**	54	44
	Total	**357**	**100**	**391**	**373**

PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY (HEADCOUNT)	FY26 %	FY25 %	FY24 %
New Zealand	**83**	95	85
Greater China	**83**	100	88

Note: Some totals shown in the tables may not sum due to rounding.

Employee characteristics

		FY26 %	FY25 %	FY24 %
Gender diversity (Band 12+)	40: 40: 20 ratio	**39.7**	39.1	40.1

GENDER REPORTING (FTE)[1]		FY26 #	FY26 %	FY25 #	FY24 #
Employee total	Male	**7,895**	**67**	11,092	11,266
	Female	**3,798**	**32**	5,093	5,150
	Total	**11,721**	**100**	**16,215**	**16,441**
Permanent employees	Male	**7,754**	**68**	10,708	10,867
	Female	**3,692**	**32**	4,939	4,988
	Total	**11,472**	**100**	**15,676**	**15,878**
Temporary employees	Male	**141**	**57**	384	399
	Female	**106**	**43**	155	162
	Total	**249**	**100**	**539**	**564**
Full-time employees	Male	**7,749**	**68**	10,941	11,128
	Female	**3,589**	**32**	4,855	4,915
	Total	**11,364**	**100**	**15,824**	**16,068**
Part-time employees	Male	**146**	**41**	151	138
	Female	**209**	**59**	238	235
	Total	**357**	**100**	**391**	**373**

1 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.

DIVERSITY OF EMPLOYEE CATEGORIES BY AGE AND GENDER (HEADCOUNT)			FY26 %	FY25 %	FY24 %
Senior leaders	Age	<30	**–**	–	–
		30-50	**59**	57	60
		>50	**37**	39	36
		Unknown	**3**	4	4
	Gender	Male	**61**	61	60
		Female	**37**	37	38
Managers	Age	<30	**4**	4	4
		30-50	**64**	65	66
		>50	**30**	29	27
		Unknown	**3**	3	3
	Gender	Male	**56**	57	57
		Female	**44**	43	43
Supervisory & professional	Age	<30	**16**	16	17
		30-50	**55**	58	58
		>50	**26**	23	22
		Unknown	**3**	2	3
	Gender	Male	**41**	45	47
		Female	**59**	55	53
Operators, drivers, farm workers	Age	<30	**10**	12	12
		30-50	**43**	45	45
		>50	**44**	40	39
		Unknown	**3**	3	3
	Gender	Male	**81**	82	82
		Female	**19**	18	18

Note: Some totals shown in the tables may not sum due to rounding.

Employee characteristics CONTINUED

DIVERSITY OF ALL EMPLOYEES BY AGE AND GENDER (FTE)			FY26 %	FY25 %	FY24 %
All employees	Age	<30	**10**	11	12
		30-50	**50**	52	53
		>50	**37**	34	33
		Unknown	**3**	3	3
	Gender	Male	**67**	68	69
		Female	**32**	31	31
		Gender diverse	**–**	–	–
		Undeclared	**–**	–	–
Fonterra Management Team (FMT)	Age	30-50	**38**	67	44
		>50	**50**	33	56
		Undeclared	**13**	–	–
	Gender	Male	**63**	67	44
		Female	**38**	33	56

MEDIAN GENDER PAY GAP BY JOB CATEGORY		FY26	FY25	FY24
Senior leaders	Gender pay gap	**0.87**	0.94	0.95
	Gender pay parity gap	**0.96**	0.99	1.01
Managers	Gender pay gap	**0.97**	0.96	0.96
	Gender pay parity gap	**0.97**	0.97	0.96
Professionals	Gender pay gap	**0.92**	1.04	1.03
	Gender pay parity gap	**0.98**	0.99	0.96
Waged	Gender pay gap	**0.90**	0.87	0.87

MEDIAN GENDER PAY GAP BY LOCATION		FY26	FY25	FY24
New Zealand	Gender pay gap	**0.97**	0.97	0.97
	Gender pay parity gap	**0.98**	0.98	0.98
Greater China	Gender pay gap	**0.95**	1.07	1.02
	Gender pay parity gap	**1.00**	1.00	1.00

Note: Some totals shown in the tables may not sum due to rounding.

Hiring and turnover

NEW HIRES BY AGE, GENDER AND REGION (HEADCOUNT)	UNIT	FY26	FY25	FY24
By age				
<30	#	**225**	312	385
	%	**28**	31	29
30-50	#	**452**	536	695
	%	**56**	54	53
>50	#	**103**	132	186
	%	**13**	13	14
Unknown	#	**25**	20	44
	%	**3**	2	3
By gender				
Male	#	**475**	604	807
	%	**59**	60	62
Female	#	**324**	389	494
	%	**40**	39	38
Gender undeclared or unknown	#	**6**	7	9
	%	**1**	1	1

NEW HIRES BY AGE, GENDER AND REGION (HEADCOUNT)	UNIT	FY26	FY25	FY24
By region				
New Zealand	#	**619**	631	866
	%	**77**	63	66
Asia	#	**122**	200	245
	%	**15**	20	19
Rest of world	#	**64**	169	199
	%	**8**	17	15
Total new hires	**#**	805	1,000	1,310
	%	7	6	8

Hiring and turnover CONTINUED

LEAVERS BY AGE, GENDER AND REGION (HEADCOUNT)	UNIT	FY26	FY25	FY24
By age				
<30	#	**221**	245	303
	%	**15**	17	17
30-50	#	**696**	714	901
	%	**47**	50	50
>50	#	**533**	456	546
	%	**36**	32	30
Unknown	#	**44**	26	60
	%	**3**	2	3
By gender				
Male	#	**913**	904	1,119
	%	**61**	63	62
Female	#	**577**	536	688
	%	**39**	37	38
Gender undeclared or unknown	#	**4**	1	3
	%	**–**	–	–
By region				
New Zealand	#	**1,114**	960	1,206
	%	**75**	67	67
Asia	#	**237**	268	332
	%	**16**	19	18
Rest of world	#	**143**	213	272
	%	**10**	15	15
Total leavers	**#**	**1,494**	**1,441**	**1,810**
	%	**13**	**9**	**11**

Note: Some totals shown in the tables may not sum due to rounding.

TURNOVER BY REASON (HEADCOUNT)	UNIT	FY26	FY25	FY24
Voluntary	#	**803**	989	1,212
	%	**7**	6	7
Involuntary	#	**435**	212	394
	%	**4**	1	2
Other (contract end, legal retirement, or deceased)	#	**256**	240	204
	%	**2**	2	1
Total turnover	**#**	**1,494**	**1,441**	**1,810**
	%	**13**	**9**	**11**

Our people reporting notes

Employee data	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. All analysis, other than turnover and new hires, is at 31 July 2026. 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; it only considers male and female genders. Gender pay gap is assured under GRI. Gender pay parity gap figures are reported on a headcount basis, with pay compared on an FTE basis. 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. 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. Where a breakdown of information represents a small number of employees, in some cases 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 & professionals 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+.
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 FY26 reporting year, 10,492 employees were entitled to parental leave, of which 180 employees took leave (93 female and 87 male). During this reporting period a total of 247 employees returned to work after their parental leave ended (156 female, 90 male and 1 other/undeclared). Additionally, 307 employees were still employed by our Co-op 12 months after returning to work (160 female, 146 male and 1 other/undeclared). 17 employees were divested between returning to work and their 12-month return to work date. A calculation error has been identified that affected our FY25 parental leave reporting. The correct figures for FY25 are as follows. For the FY25 reporting year, 11,862 employees were entitled to parental leave, of which 368 took leave. During this reporting period, a total of 324 employees returned to work after their parental leave ended (169 female, 154 male, and 1 other/undeclared). Additionally, 260 employees were still employed by our Co-op 12 months after returning to work (133 female, 127 male).
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.

Our people reporting notes CONTINUED

Significant locations of operations	For the purpose of reporting on people the definition of 'significant locations of operations' is those locations where Fonterra has 5% or more of our employees located. People metrics for Australia were previously shown separately, but as Australia is no longer a significant location of operation following the Mainland divestment, Australian data is now included in the rest of world category for all years.
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. Notably, employees of Mainland Group are included in FY24 and FY25 people reporting but not in FY26 data taken as a snapshot on 31 July 2026 (after the divestment had taken place).

Independent Limited Assurance Report to Fonterra Co-operative Group Limited

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 FY26 continuing operations scope 1, 2 and 3 gross greenhouse gas emissions, additional required disclosures of gross greenhouse gas emissions and gross greenhouse gas emissions methods, assumptions and estimation uncertainty disclosures included in the Group Climate Statements on pages 194 to 195 and 203 to 212 (**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 period 1 August 2025 to 31 July 2026.

Information subject to assurance

We have performed an engagement to provide limited assurance in relation to Fonterra Co-operative Group Limited's GHG disclosures for the FY26 continuing operations for the period 1 August 2025 to 31 July 2026.

Below are the locations of the GHG disclosures subject to assurance:

NZ CS 1-3 REQUIREMENT	FY26 GROUP CLIMATE STATEMENT REFERENCE
NZ CS 1 22(a)	Table 13 – GHG emissions performance (pages 194 and 195)
NZ CS 1 24(a-d) NZ CS 3 52-53	Appendix 3: GHG emissions methods, assumptions and uncertainties (Pages 203 to 212)
NZ CS 3 54	Restatements (Pages 203)

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 audited the financial statements included within the Annual Report, and our report thereon is included with 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 period 1 August 2025 to 31 July 2026.

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 on-farm GHG emissions	
Refer to Appendix 3 of the GHG disclosures. Calculating Scope 3 on-farm emissions associated with the supply of New Zealand raw milk products for the year ended 31 July 2026 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.

KEY MATTER	PROCEDURES TO ADDRESS THE KEY MATTER
Organisational and operational boundary adjustment	
Refer to Appendix 3 to the GHG disclosures. The adjustment to the Group's organisational and operational boundaries as a result of the divestment of Mainland Group Holdings Limited during the year is considered a key matter due to the one-off nature of this event and the quantitative significance of its impact and it's complexity. The significance of this structural change has met the Group's threshold for recalculation of the pre-divestment partial period to remove the divested entities from the Group's operational and organisational boundaries. This is an area of high complexity due to the ongoing supply relationship between Fonterra and the divested entities, which required analysis over classification of impacted emission sources in the current period.	Our assurance procedures included: – Inquiring with management to understand the approach taken to reevaluate the organisational and operational boundaries in relation to the divested portion of the Group's business. – Assessing the approach taken against the requirements of the Criteria. – Inspecting managements calculations of the emission split between emissions divested and remaining within inventory for the current period, and assessing that their approach has been consistently applied. **Findings** We have completed our procedures and have no matters to report.

Other Matter – Revision of the prior year comparative information

We previously expressed a conclusion over the GHG disclosures for the period ended 31 July 2025 prior to the revisions described in Appendix 3, and our report dated 24 September 2025 included an unmodified conclusion. We were not engaged to express a conclusion, or apply any procedures, on the revision of GHG disclosures to recalculate for the new organisational boundaries.

The comparative information for the period ended 31 July 2024 and the base year including the revisions described in appendix 3 were not subject to our limited assurance engagement.

Accordingly, we do not express a conclusion or any other form of assurance about whether such revisions are appropriate and have been properly applied.

Our conclusion is not modified in respect of 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 the 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. Greenhouse gas emissions quantification is subject to inherent uncertainty because of scientific knowledge used to determine emissions 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 its 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.

Fonterra Co-operative Group Limited's responsibility for the GHG disclosures

The Directors of Fonterra Co-operative Group Limited 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 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 of Fonterra Co-operative Group Limited are also 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.

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 Fonterra Co-operative Group Limited'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 an 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 were:

- Obtaining, through inquiries, 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;
- Evaluating organisational and operational boundaries to test completeness of GHG emission sources;
- Evaluating whether the Group's methods for developing estimates are appropriate and had been consistently applied. Our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate the Group's estimates;
- Evaluated the appropriateness of emission factors applied;
- Performed analytical procedures on particular emission categories by comparing the expected GHGs emitted to actual GHGs emitted and made inquiries of management to obtain explanations for any significant differences we identified;
- Inspected the underlying activity data for selected GHG emissions, and agreed a limited number of items to supporting records.
- Performed recalculations of selected GHG emissions;
- Considered the presentation and disclosure of the GHG disclosures.

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 in relation to financial statement audit and review services, farmgate milk price assurance, assurance over the compilation of pro forma information in the Notice of Special Meeting of Shareholders relating to the sale of Mainland Group Holdings Limited and a review engagement over certain elements of the completion accounts for the sale of Mainland Group Holdings Limited to B.S.A. SAS (Lactalis). Subject to certain restrictions, partners and employees of our firm may also deal with Fonterra Co-operative Group Limited on normal terms within the ordinary course of trading activities of the business of Fonterra Co-operative Group Limited. These matters have not impaired our independence as assurance providers of Fonterra Co-operative Group Limited for this engagement. The firm has no other relationship with, or interest in, Fonterra Co-operative Group Limited.

As we are engaged to form an independent conclusion on the GHG disclosures prepared by Fonterra Co-operative Group Limited, we are not permitted to be involved in the preparation of the GHG information 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

23 September 2026

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	PARAGRAPH		DISCLOSURE / OTHER REQUIREMENTS	PAGE #
GOVERNANCE				
1	7	(a)	The identity of the governance body responsible for oversight of CRROs.	167
		(b)	A description of the governance body's oversight of CRROs, including:	167-168
1	8	(a)	process and frequency by which the governance body is informed about CRROs;	167
		(b)	how the governance body ensures that appropriate skills and competencies are available to provide oversight;	168
		(c)	how the governance body considers CRROs when developing and overseeing implementation of the entity's strategy; and	167
		(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)).	167, 199
1	7	(c)	A description of management's role in assessing and managing CRROs, including:	168-169
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;	168-169
		(b)	the related organisational structure(s) showing where these management-level positions and committees lie; and	166
		(c)	the processes and frequency by which management is informed about, makes decisions on, and monitors, CRROs.	168, 169

NZ CS	PARAGRAPH		DISCLOSURE / OTHER REQUIREMENTS	PAGE #
STRATEGY				
1	11	(a)	A description of current climate-related impacts, including:	185
1	12	(a)	its current physical and transition impacts;	185
		(b)	the current financial impacts of the matters identified in CS 1 12(a); and	185
		(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:	175-179
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.	175-179, 200
1	11	(c)	A description of identified CRROs over the short, medium and long term, including:	180-184
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;	175
		(b)	whether the CRROs identified are physical or transition risks or opportunities, including, where relevant, their sector and geography; and	180-184
		(c)	how CRROs serve as an input to its internal capital deployment and funding decision-making processes.	186
1	11	(d)	A description of anticipated impacts of CRROs, including:	180-184

CRROs = climate-related risks and opportunities.

Group Climate Statements Index CONTINUED

NZ CS	PARAGRAPH			DISCLOSURE / OTHER REQUIREMENTS	PAGE #
1	15	(a)		the anticipated impacts of CRROs reasonably expected by the entity;	180-184
		(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:	170-174
1	16	(a)		a description of its current business model and strategy;	170
		(b)		the transition plan aspects of its strategy, including how its business model and strategy might change to address its CRROs; and	170-174
		(c)		the extent to which transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision-making processes.	186
RISK MANAGEMENT					
1	18	(a)		A description of its processes for identifying, assessing and managing climate-related risks, including:	175, 187-188
1	19	(a)		the tools and methods used to identify, and to assess the scope, size, and impact of, its identified climate-related risks;	187-188
1	19	(b)		the short-term, medium-term, and long-term time horizons considered, including specifying the duration of each of these time horizons;	175
		(c)		whether any parts of the value chain are excluded;	187-188
		(d)		the frequency of assessment; and	187-188
		(e)		its processes for prioritising climate-related risks relative to other types of risks.	187-188
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.	187-188
METRICS AND TARGETS					
1	21	(a)		The metrics that are relevant to all entities regardless of industry and business model, including:	186, 194-199
1	22	(a)		greenhouse gas (GHG) emissions: gross emissions in metric tonnes of carbon dioxide equivalent (CO_2e) classified as (see CS 1 24):	194-195
			(i)	scope 1;	194
			(ii)	scope 2 (calculated using the location-based method);	194
			(iii)	scope 3;	194-195
		(b)		GHG emissions intensity;	196
		(c)		transition risks: amount or percentage of assets or business activities vulnerable to transition risks;	198
		(d)		physical risks: amount or percentage of assets or business activities vulnerable to physical risks;	197-198

CRROs = climate-related risks and opportunities.

Group Climate Statements Index CONTINUED

NZ CS	PARAGRAPH			DISCLOSURE / OTHER REQUIREMENTS	PAGE #
1	22	(e)		climate-related opportunities: amount or percentage of assets, or business activities aligned with climate-related opportunities;	198
		(f)		capital deployment: amount of capital expenditure, financing, or investment deployed toward CRROs;	186
		(g)		internal emissions price: price per metric tonne of CO_2e used internally by an entity; and	196
		(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)).	199
3	40-43			Comparative information, consistency of reporting, and restatement of comparatives	186, 194-199, 201-204
1	21	(b)		Industry-based metrics relevant to its industry or business model used to measure and manage CRROs;	196
		(c)		Any other key performance indicators used to measure and manage CRROs; and	199
		(d)		The targets used to manage CRROs, and performance against those targets, including:	189-193, 213-215
1	23	(a)		the time frame over which the target applies;	189-193
		(b)		any associated interim targets;	N/A
		(c)		the base year from which progress is measured;	189-193
		(d)		a description of performance against the targets; and	189-193
1	23	(e)		for each GHG emissions target	
			(i)	whether the target is an absolute target or intensity target;	189-193
			(ii)	the entity's view as to how the target contributes to limiting global warming to 1.5 degrees Celsius;	190
			(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	190
			(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.	193
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	189
		(b)		the GHG emissions consolidation approach used: equity share, financial control, or operational control;	189
		(c)		the source of emission factors and the global warming potential ("GWP") rates used or a reference to the GWP source; and	210-212
		(d)		a summary of specific exclusions of sources, including facilities, operations or assets with a justification for their exclusion.	207-210
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.	203-212

CRROs = climate-related risks and opportunities.

Group Climate Statements Index CONTINUED

NZ CS	PARAGRAPH		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.	203-212
3	54		Provide an explanation for any base year GHG emissions restatements.	189, 203-204
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.	244-248
1	26		Subject the following information to an assurance engagement:	244-248
	(a)		GHG emissions: gross emissions in metric tonnes of CO_2e classified as (see CS 1 at 22(a)) (above):	244-248
		(i)	scope 1;	244-248
		(ii)	scope 2 (calculated using the location-based method);	244-248
		(iii)	scope 3;	244-248
	(b)		additional requirements for the disclosure of GHG emissions (see CS 1 24);	244-248
	(c)		GHG emissions methods, assumptions and estimation uncertainty (see CS 3 52 – 54).	244-248

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 operating expenses (excluding sold businesses), less non-cash costs (depreciation, amortisation and impairments). Shown by kilogram of New Zealand and Australian milk solids collected.

TERMS	DEFINITION
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 new climate-related revenue streams or products.
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.
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 Central Portfolio Management function (CPM) which manages the physical and financial commodity portfolios.
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.
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.

Glossary CONTINUED

TERMS	DEFINITION
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	is 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.
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.
EBITDA margin	is EBITDA divided by revenue from sale of goods.
Eliminations	represents eliminations of inter-business unit sales.
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.

TERMS	DEFINITION
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.
Gearing ratio (%)	is adjusted net debt divided by total capital. Total capital is equity excluding hedge reserves, plus adjusted net debt.
Global Dairy Trade (GDT)	means the electronic auction platform that is used to sell commodity dairy products.
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).
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.
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.

Glossary CONTINUED

TERMS	DEFINITION
Intergovernmental Panel on Climate Change (IPCC)	is the primary source of global climate data, information, and knowledge, and 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.
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).
Net debt	means adjusted net debt.
Non-Reference Products	means all New Zealand milk solids processed by Core Operations, except for Reference Commodity Products.
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.
Operating profit (EBIT) margin	is EBIT divided by revenue from sale of goods.
Physical risks	are risks related to the physical impacts of climate change. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events. They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns, such as sea level rise.

TERMS	DEFINITION
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 has two product channels: Ingredients and Foodservice.
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).
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.
Scenario analysis	is a process for systematically exploring the effects of a range of plausible future events under conditions of uncertainty. Engaging in this 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	is an emissions target that is in line with what the latest climate science and meets the goals of the Paris Agreement - limiting global warming to 1.5°C above pre-industrial levels. The Science Based Target initiative (SBTi) provides a service to validate that targets are aligned with current science.

Glossary CONTINUED

TERMS	DEFINITION
Season	New Zealand: A period of 12 months from 1 June to 31 May.
Sustaining 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.
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 and the dividend per share.
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.
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.

TERMS	DEFINITION
Underlying	is used to describe Fonterra's continuing operations represented as if the Mainland trade terms had applied for the full period to provide a comparative of Fonterra's continuing operations and align with the pro forma historical financial information disclosed in the Notice of Special Meeting 2025 (29 September 2025). This representation is applied to operating profit, profit after tax, EPS and return on capital.
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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