

Corporate
Governance
Statement 2021



**Good
Together**
from one generation
to the next



Dairy for life



IMAGE:
Anthony John, Waikato

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This Corporate Governance Statement is current as at 23 September 2021 and has been approved by the Fonterra Co-operative Group Limited Board.

COVER IMAGE:
Anthony John & Luana, Waikato

Corporate Governance Statement

Fonterra recognises the critical role governance plays in the success of the Co-operative. Fonterra’s Board, Co-operative Council and Management are committed to achieving the highest standard of corporate governance, representation and leadership and have developed governance systems to reflect Fonterra’s unique characteristics and requirements as a globally competitive New Zealand based dairy co-operative. These are regularly reviewed to ensure they align with best practice.

Compliance with Best Practice Governance Standards

Fonterra’s governance framework takes into consideration contemporary standards in New Zealand and Australia, including the principles in the NZX Corporate Governance Code.

Fonterra focuses on governance in a way that promotes:

- the interests of its key stakeholders, including farmer shareholders, unit holders, debt investors, employees, customers, governments and the communities it operates in;
- Good Together – Fonterra’s purpose, values and strategy;
- transparency and meaningful engagement to ensure its key stakeholders have the information they need to assess Fonterra’s performance;
- effective risk management and compliance to meet Fonterra’s business objectives and legal requirements; and
- an appropriate balance between the roles and responsibilities of the Board and Management.

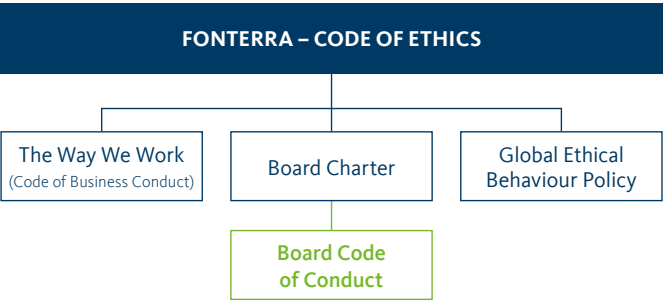
Principle 1: Code of Ethical Behaviour

Code of Ethics

A culture of honesty, integrity and transparency is integral to Fonterra’s purpose and securing its reputation.

Fonterra expects its Directors, officers and employees to maintain high ethical standards and to operate ethically and legally in the countries where it does business, and reflect Fonterra’s guiding philosophy, Good Together, through all their behaviours, choices and decisions.

Fonterra’s Code of Ethics comprises the following core documents:



The Way We Work, Fonterra’s Code of Business Conduct, reflects Good Together and provides a comprehensive outline of Fonterra’s position across a wide range of internal and external operating practice, its values, and expected behaviour and conduct. The Board also owns and is guided by the Board Code of Conduct for Directors.

The Way We Work is available in multiple languages on fonterra.com, along with other core global policies. These documents, along with Fonterra’s employment agreements, underpin delivery to its Code of Ethics. They lay out clear expectations for Fonterra’s people regarding ethical behaviour, including:

- the requirement for the highest standard of integrity, honesty and transparency;
- how to deal with conflicts of interest;

- the use of corporate information, assets and property;
- competition and antitrust;
- procedures for giving and receiving gifts;
- procedures for whistle blowing; and
- how to manage breaches of the Code of Ethics.

Fonterra’s Global Ethical Behaviour Policy and The Way We Work are also available on MilkyWay, the Fonterra intranet. All employees are introduced to these core expectations during their induction programme. In addition, Fonterra’s annual e-learning and certification process supports its people’s ongoing awareness and understanding of the Fonterra Global Policy Framework. In FY21, this certification was completed by 4,354 employees (99% of its target audience), being Fonterra’s people leaders, managers and other key roles. A global refresher learning programme on Fonterra’s ethical behaviour commitments, expectations, systems and processes is also required learning for all Fonterra employees.

All Fonterra employees are expected to record actual or potential conflicts using its Conflict of Interest register. Fonterra also operates a Gift & Entertainment register where employees must record all gifts given or received, including hospitality and entertainment with third parties, above a nominal level.

Fonterra funds an independently administered whistle-blowing hotline (The Way We Work Hotline), facilitated by Deloitte, that provides all Fonterra stakeholders globally with a confidential and anonymous channel (by phone, email, mail, or online) to report concerns about serious wrongdoing or behaviour that does not meet the standards described in The Way We Work. Disclosures are investigated by a Fonterra team not involved in the substance of the concern (Internal Audit, other specialist teams or, where appropriate, an external investigator) before appropriate action is taken. Timely updates are made available to the whistle-blower through the hotline.

In the year ended 31 July 2021, 19 disclosures were made to The Way We Work Hotline: 9 disclosures were made by people based in New Zealand and 10 came from other countries.

Employee Assistance Programme

Fonterra also provides a free and confidential Employee Assistance Programme where employees can seek guidance and counselling in any area of concern in their personal, or working life. It provides independent professional support to address issues such as anxiety, grief and work-related stress. Targeted support is also available to assist employees dealing with workplace change and restructuring.

Securities Trading Policy

Fonterra has adopted a Securities Trading Policy that details the rules for trading in shares, capital notes, retail bonds, units, derivatives, any swap contract, contract for difference, futures contract or options contract that settles to the Fonterra Farmgate Milk Price, and any other listed securities of Fonterra or the Fonterra Shareholders’ Fund. This applies to Directors, officers, employees and contractors of the Fonterra Group around the world and members of the Co-operative Council and Milk Price Panel and is in addition to legislative requirements for trading securities in New Zealand and Australia.

The Securities Trading Policy and Standard and other key Global Policies are available on fonterra.com. All Fonterra Directors comply with the legislative requirements for disclosing interests in listed voting securities of Fonterra and its related companies.

Principle 2: Board Composition and Performance

Board Charter

The Board Charter includes details about the Board’s role, responsibilities, obligations, composition and procedures, including the Chair’s election and role, the Board’s relationship with Management, incident management engagement, training provided to Directors, and the process for assessing the Board’s performance.

The Board Charter is reviewed regularly and is available on fonterra.com.

Board Appointments

Fonterra’s Constitution provides for a maximum of 11 Directors and sets out how they are appointed. Up to seven Directors are elected by farmer shareholders (Elected Directors) and up to four Directors are appointed by the Board (Appointed Directors). All Directors enter into written agreements establishing the terms of their appointment.

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

Elected Director Selection Process

The Elected Director selection process involves a three-member Independent Selection Panel (ISP) that assesses and recommends appropriate candidates to be put to farmer shareholders for election. The members of the ISP are independent of Fonterra. One member is appointed by the Board, one by the Co-operative Council and a third appointed by the other two members of the ISP. In addition to candidates assessed and recommended by the ISP, there is a non-assessed candidate process where candidates can propose themselves for election as Elected Directors with the support of 35 shareholders. Elected Directors are elected by postal ballot and online voting by farmer shareholders. The voting packs circulated to all farmer shareholders include biographical information on each candidate including relevant skills and experience. The Elected Director elections are overseen by the Co-operative Council.

Appointed Director Selection Process

Appointed Directors are selected to enable the Board to access the skills and competencies needed to lead an enterprise of Fonterra’s 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 Appointments and Remuneration 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 the Fonterra Board

There were a number of changes to the Fonterra Board during the financial year ended 31 July 2021. In November 2020:

- Elected Director Peter McBride became Chairman and former Chairman John Monaghan retired from the Board; and
- Elected Director Cathy Quinn was elected to the Board, and Elected Director Brent Goldsack was re-elected to the Board.

Disclosure

Information about the experience, length of service, independence and attendance at Board meetings of each Director is disclosed on pages 04, 06 and 17 of this Corporate Governance Statement. The ownership interests of each Director are disclosed in Fonterra’s 2021 Statutory Information.

Diversity and Inclusion

Fonterra publishes its Diversity and Inclusion Policy on fonterra.com. Information about Fonterra’s Diversity and Inclusion Policy, and performance against its targets and objectives across senior leadership can be found in the Employment Rights section of the 2021 Sustainability Performance Report.

Board Gender Composition

As the majority of Directors are elected by farmer shareholders through an independent process, the Board has not adopted Board gender targets in 2021. The Board is committed to addressing the gender composition of the Board through the appointment of Appointed Directors, building a pipeline of diverse Directors through the Fonterra Governance Development programme and through the Elected Director election process. The gender composition of the Board changed between 2020 and 2021 as shown in the table below.

BOARD		GENDER			
AS AT 31 JULY 2021	MALE	FEMALE	GENDER DIVERSE	UNDECLARED	
11	7	4	–	–	
%	64%	36%	0%	0%	

BOARD		GENDER			
AS AT 31 JULY 2020	MALE	FEMALE	GENDER DIVERSE	UNDECLARED	
11	8	3	–	–	
%	73%	27%	0%	0%	

Officer Gender Composition

The gender composition of the Officers of Fonterra is shown in the table below.

OFFICERS		GENDER			
AS AT 31 JULY 2021	MALE	FEMALE	GENDER DIVERSE	UNDECLARED	
8 FTE ^{1,2}	6	2	–	–	
%	75%	25%	0%	0%	

OFFICERS		GENDER			
AS AT 31 JULY 2020	MALE	FEMALE	GENDER DIVERSE	UNDECLARED	
8 FTE ¹	6	2	–	–	
%	75%	25%	0%	0%	

1 Full time equivalent.
2 As of 31 July 2021, the position of Managing Director People & Culture was vacant and therefore not included in this calculation.

Ongoing Training

Following appointment to the Board, Directors undertake an induction programme to familiarise themselves with Fonterra and its global business. Areas covered include:

- business strategy and planning;
- an overview of key financial metrics to monitor business performance;
- an overview of material areas of the Fonterra business, including through meetings with key executives and visits to key offshore markets, where possible; and
- Fonterra’s Constitution and other governance systems.

Directors are expected to keep themselves abreast of changes and trends in the business, Fonterra’s environment and markets, and the economic, political, social and legal climate generally. The Board holds training and workshops on relevant subjects each year, is provided with regular strategic readings and Directors are also expected to keep up to date with governance issues. Board visits to Fonterra’s manufacturing sites and global businesses occur regularly, where possible.

Assess Performance

Directors formally assess the performance of the Board each year, 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. Directors are also encouraged

to attend external development and training programmes. The Co-operative Council reviews the Board’s Statement of Intentions against the performance and operation of the Group and reports on this to farmers annually. The Board is responsible for reviewing the Chief Executive Officer’s performance.

Director Independence

The rules of the Fonterra Shareholders’ Market (FSM Rules) require Fonterra to have at least two Independent Directors. In order to be an Independent Director under the FSM Rules, a Director must not be an ‘employee’ of Fonterra or have a ‘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 could be reasonably perceived to influence, in a material way, the Director’s capacity to bring an independent view to decisions relating to Fonterra, to act in Fonterra’s best interests and to represent the interests of Fonterra’s financial product owners generally. The FSM Rules contain specific examples of what may give rise to a disqualifying relationship. Appointed Directors cannot be shareholders and are expected to maintain independence for the length of their term.

Elected Directors must be qualified as farmer shareholders under section 12.3 of the Constitution and are therefore not considered independent.

Fonterra currently has four Appointed Directors. As at 31 July 2021, Clinton Dines, Bruce Hassall, Holly Kramer and Scott St John each did not have (and continue not to have) any disqualifying relationship in relation to Fonterra and were therefore Independent Directors.

Division of Roles

Peter McBride, who is an Elected Director, is the Board-elected Chairman. The Chairman and Chief Executive Officer roles at Fonterra are not exercised by the same individual.

Principle 3: Board Committees

Fonterra has a number of permanent Board Committees, as detailed below. Additional Board 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 or issues and to develop recommendations to the Board.

Board Committees have standard ‘Terms of Reference’ and each permanent Committee has a charter, which defines the scope and responsibilities of that Committee and is approved by the Board regularly. The charters of the permanent Board Committees are available on fonterra.com. The papers considered by, and the minutes for each of the Board Committees’ meetings, are provided to the Board for review.

There are currently two non-permanent Board Committees, the Divestment Review Committee and the Capital Structure Committee, which were established in 2019:

- The Divestment Review Committee’s purpose is to oversee material divestments and similar transactions. Scott St John is the Chair of the Committee and Brent Goldsack, Leonie Guiney, Bruce Hassall and Cathy Quinn are members of the Committee.
- The Capital Structure Committee’s purpose is to provide guidance over the review of Fonterra’s capital structure. Brent Goldsack is the Chair of the Committee and Leonie Guiney, Bruce Hassall, John Nicholls and Cathy Quinn are members of the Committee. Peter McBride attends Capital Structure Committee meetings as required.

These two non-permanent Board Committees operate under separate Terms of Reference which define their respective purposes and responsibilities.

A non-permanent joint Board and Co-operative Council Committee comprising three Directors and three Councillors was established in February 2021 to undertake the five year review of the 2016 Governance and Representation changes. Bruce Hassall, Andrew Macfarlane and Cathy Quinn were the Board’s appointees to the Committee.

COMMITTEE OR GROUP	MEMBERSHIP AS AT 31 JULY 2021	PURPOSE
Appointments and Remuneration Committee	Holly Kramer (Chair) Clinton Dines ¹ Andrew Macfarlane Peter McBride Bruce Hassall ^{1,2} (observer)	To assist the Board in fulfilling its corporate governance responsibilities relating to the recruitment, retention, remuneration and development of Directors, executives and other employees.
Audit and Finance Committee	Bruce Hassall ¹ (Chair) Brent Goldsack Cathy Quinn Donna Smit Scott St John ¹	To assist the Board in fulfilling its corporate governance responsibilities relating to Fonterra’s financial management and internal control frameworks, financial reporting, audit activities, capital markets matters, and funding activities.
Co-operative Relations Committee	Andrew Macfarlane (Chair) Clinton Dines ¹ Brent Goldsack Leonie Guiney John Nicholls	To support strong and effective engagement between the Co-operative and farmer shareholders and assist the Board in the management of Fonterra’s relationships with key external stakeholders and community initiatives. To review Fonterra’s Co-operative Principles periodically, assist the Board in fulfilling its corporate governance responsibilities relating to the supply of milk from Fonterra suppliers, and to seek to resolve supplier complaints before reference to the Milk Commissioner.
Milk Price Panel	Scott St John ^{1,2} (Chair) Bill Donaldson ³ Brent Goldsack Bruce Hassall ^{1,2} Andrew Wallace ^{2,3}	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 for the Board.
Safety and Risk Committee	Leonie Guiney (Chair) Clinton Dines ¹ Holly Kramer ¹ John Nicholls Donna Smit Scott St John ¹	To assist the Board in fulfilling its corporate governance responsibilities relating to Fonterra’s management of health and safety and key enterprise wide risks. This includes promoting a safe and healthy working environment and overseeing Fonterra’s risk management framework to ensure the behaviours required, guidelines, policies and processes for monitoring and mitigating enterprise-wide risks are in place.

1 Independent Director.
2 Independent Member.
3 Appointed by Co-operative Council.

Board and Committee Attendance

	BOARD		AUDIT AND FINANCE COMMITTEE		APPOINTMENTS AND REMUNERATION COMMITTEE		CO-OPERATIVE RELATIONS COMMITTEE		MILK PRICE PANEL		SAFETY AND RISK COMMITTEE	
	Eligible to Attend	Attendance	Eligible to Attend	Attendance	Eligible to Attend	Attendance	Eligible to Attend	Attendance	Eligible to Attend	Attendance	Eligible to Attend	Attendance
Clinton Dines	15	13	0	0	5	5	3	3	0	0	4	4
Brent Goldsack	15	13	4	4	0	0	6	6	7	7	2	2
Leonie Guiney	15	14	2	2	0	0	3	3	0	0	4	4
Bruce Hassall	15	14	6	6	5 ¹	4	0	0	7	6	0	0
Holly Kramer	15	14	0	0	5	5	0	1	0	0	0	1
Andrew Macfarlane	15	15	2	2	5	5	6	6	0	0	0	0
Peter McBride	15	15	2	3	5	5	3	3	0	0	0	1
John Monaghan	5	5	0	1	1	1	0	0	0	0	0	0
John Nicholls	15	13	0	0	0	0	6	6	0	0	4	4
Cathy Quinn	10	10	4	5	0	0	0	3	0	1	0	1
Donna Smit	15	15	4	4	0	0	3	4	0	0	2	2
Scott St John	15	15	6	6	0	0	0	0	7	7	4	4

1 Eligible to attend as an observer.

Audit and Finance Committee

The Audit and Finance Committee comprises two Appointed Directors and three Elected Directors. The Committee is chaired by Bruce Hassall, who is an independent Appointed Director and a Fellow of the New Zealand Institute of Chartered Accountants.

Majority Independent Directors – Audit and Finance Committee and Appointments and Remuneration Committee

The Audit and Finance Committee and Appointments and Remuneration Committee do not comprise a majority of independent Appointed Directors.

Under the FSM Rules, the Audit and Finance Committee is not required to comprise of a majority of Appointed Directors. There is currently no headroom for Fonterra, based on having 11 Directors, to have more than four independent Appointed Directors, as the Elected Directors fill each of the seven positions open to them (and as noted above, the Elected Directors are not considered independent). Given this, it is difficult for Fonterra to appoint a majority of Appointed Directors to these Committees without excluding Elected Directors or significantly increasing the workload of the Appointed Directors.

Fonterra does not consider that this is a significant issue, as the Audit and Finance Committee and the Appointments and Remuneration Committee are chaired by independent Appointed Directors.

Employees attend Audit and Finance Committee and Appointments and Remuneration Committee meetings at the invitation of the respective Committee.

Milk Price Panel

The Dairy Industry Restructuring Act 2001 requires that the Chair and a majority of the members of the Milk Price Panel are independent. The Panel currently consists of two Appointed Directors, one Elected Director and two appropriately qualified persons nominated by the Co-operative Council, at least one of whom must be independent. The Chair must be one of the independent Appointed Director members. As at 31 July 2021, Scott St John, Bruce Hassall and Andrew Wallace were (and continue to be) independent members of the Milk Price Panel.

Pursuant to the Dairy Industry Restructuring Amendment Act 2020, Fonterra must appoint one member of the Milk Price Panel who is nominated by the Minister of Agriculture.

Nominations Committee

The Appointments and Remuneration Committee fulfils the role of a nominations committee in respect of the appointment of Appointed Directors. The election and selection process for Elected Directors and Appointed Directors is explained above under Board Appointments on page 03 of this Corporate Governance Statement.

Takeover Offer

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

Principle 4: Reporting and Disclosure

Disclosure Policy

Fonterra is committed to promoting well-informed and efficient markets in its shares, units issued by the Fonterra Shareholders' Fund and debt securities. The Board has approved a Global Disclosure Policy to ensure compliance with the NZX and FSM Listing Rules regarding continuous disclosure. The Global Disclosure Policy governs Fonterra's communications with investors and market participants, and the disclosure of information relevant to Fonterra. The Global Disclosure Policy and the associated Global Disclosure Standard are available on fonterra.com.

Fonterra and the Manager of the Fonterra Shareholders' Fund have entered into an arrangement to co-operate with each other and take all steps reasonably required to ensure that information to be disclosed by either of them under the FSM Rules and the listing rules of the NZX or the ASX (as the case may be) is disclosed simultaneously to the Fonterra Shareholders' Market, the NZX Main Board and the ASX. Fonterra simultaneously discloses relevant information on the ASX on behalf of the Fonterra Shareholders' Fund.

Website Disclosure

Fonterra has the following documents available on fonterra.com:

- Board Charter
- Board Code of Conduct
- Appointments and Remuneration Committee Charter
- Audit and Finance Committee Charter
- Co-operative Relations Committee Charter
- Safety and Risk Committee Charter
- Milk Price Panel Terms of Reference
- The Way We Work (Code of Business Conduct)
- Global Disclosure Policy and Standard
- Global Diversity and Inclusion Policy
- Global Health, Safety and Wellbeing Policy
- Global Environmental Policy
- Global Ethical Behaviour Policy
- Global Nutrition Policy
- Global Privacy Policy
- Global Securities Trading Policy and Standard
- Sustainability Code of Practice
- Tax Principles

Fonterra does not have a Director Remuneration Policy for the reasons noted below under 'Director Remuneration'.

Non-Financial Reporting

Fonterra is guided by international best practice and, reflecting the core role of sustainability within its strategy, it is on a journey towards more integrated reporting.

In the 2021 Annual Review and suite of supporting reports, Fonterra provides coverage of both financial and non-financial matters. Non-financial reporting includes coverage of social, environmental and governance matters and Fonterra covers these in a concise and integrated way within its Annual Review. Supporting the Annual Review is an integrated suite of reports that provide further detailed information according to the stakeholder's interest. For example, governance details are provided in this Corporate Governance Statement, financial performance details are provided in the Financial Statements and more sustainability details are covered in the Sustainability Performance Report.

In November 2020 Fonterra issued its fourth Sustainability Report, which was prepared in accordance with the Global Reporting Initiative (GRI) Standards and is independently assured. This further expands the coverage of Fonterra's non-financial reporting, including consideration of material environmental, social and governance (ESG) factors and performances against targets. Fonterra has adopted this internationally recognised reporting framework to help users of its sustainability performance information more easily compare its disclosed information and performance with others. From this year, Fonterra plans to release its sustainability performance information annually as part of its suite of reports and it will continue to be assured against GRI Standards.

In FY21, Fonterra also released its first Modern Slavery Statement to meet the regulatory disclosure requirements in the Australian Modern Slavery Act 2018. The Statement sets out the actions taken by Fonterra to address modern slavery and risks in its business and supply chain for the financial year ending 31 July 2020.

Principle 5: Remuneration

Fonterra's remuneration framework is designed to attract, retain and motivate high-quality Directors and senior management.

Director Remuneration

Fonterra's Constitution modifies the Board's discretion to set remuneration of Elected Directors. Farmer shareholders elect an independent committee of six farmer shareholders (the Directors' Remuneration Committee) to consider and make recommendations at the Annual Meeting on the remuneration for Elected Directors, which is required to be approved by farmer shareholders.

The members of the Directors' Remuneration Committee as at 31 July 2021 were Glenn Holmes (Chair), Ellen Bartlett, David Gasquoine, John Gregan, Scott Montgomerie and Stephen Silcock. Directors and employees only attend Directors' Remuneration Committee meetings at the invitation of the Committee.

The Board has full discretion over the remuneration of Appointed Directors, with such remuneration not being approved at the Annual Meeting. The Board has historically remunerated Appointed Directors at the same level as Elected Directors, in line with Directors' Remuneration Committee recommendations.

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

Further details of the Directors' remuneration are contained on pages 05 and 06 of Fonterra's 2021 Statutory Information.

Remuneration of Fonterra's People

This section is intended to provide transparency in the principles, approach and structure of how Fonterra rewards and recognises its Chief Executive Officer, Fonterra Management Team (FMT) and people. It also provides details on Fonterra's FY21 performance and the impact this has had on the remuneration outcomes for its Chief Executive Officer.

Role of the Appointments and Remuneration Committee

The remuneration of Fonterra's Chief Executive Officer and FMT is governed by the Appointments and Remuneration Committee (ARC) who assist the Board in fulfilling its corporate governance responsibilities relating to remuneration, recruitment and retention of Directors, Chief Executive Officer and Executives. The ARC charter is available on fonterra.com.

The ARC also oversees and provides counsel on Fonterra's People Strategy including key priorities and milestones as well as noting Fonterra's progress on culture, talent and leadership activities and diversity and inclusion.

An independent consultant is engaged to provide guidance on Chief Executive Officer and FMT rewards, to provide the ARC with an independent view in addition to the advice provided by management or advisors commissioned by management. During the year, the ARC conducted a review of the market for independent consultants and after a fully documented process have continued to engage the services of their current independent advisor.

Remuneration Strategy

Fonterra’s remuneration strategy has been designed to align and support its philosophy of Good Together through its:

- Purpose;
- Values; and
- Business strategies and goals.

These are the foundation of the Co-operative and the lens through which all behaviours, decisions and choices are made.

Fonterra’s executive remuneration framework follows three simple principles:



ATTRACT AND RETAIN
KEY TALENT



ENSURE A STRONG LINK
BETWEEN BUSINESS
PERFORMANCE
AND REWARD



REWARD OUR PEOPLE
EQUITABLY

Executive Remuneration Framework

The remuneration framework for Fonterra’s Chief Executive Officer and FMT is based on a Total Remuneration approach which is delivered through fixed remuneration and variable (at risk) components as outlined below.

The Chief Executive Officer and eligible FMT members participate in an Executive Incentive Plan (EIP), rather than separate Short-Term Incentive (STI) and Long-Term Incentive (LTI) programmes. The purpose of the EIP is to have a fit-for-purpose long-term incentive that focuses the Chief Executive Officer and eligible FMT members on the execution of Fonterra’s strategy. The current design is a deferred STI which focuses management on annual strategy execution whilst deferring a portion of the incentive against longer-term goals over three years. The final vesting of the deferred value is modified using a long-term performance hurdle of Return on Capital (ROC) over the Milk Price Weighted Average Cost of Capital (WACC).

Both the fixed and variable remuneration components of the Chief Executive Officer and eligible FMT members for FY21 are outlined below:

	FIXED ELEMENT	VARIABLE ELEMENT
	FIXED REMUNERATION	EXECUTIVE INCENTIVE PLAN (EIP)
How it’s delivered	Cash	Cash (with a deferred cash component)
How it works	– Consists of base salary and KiwiSaver or Superannuation and insurances. – Benchmarked against the external market using comparable companies in the country or region where they’re located. – Benchmarked to the 65th percentile of the relative peer group. – Reviewed annually based on performance and behaviours.	– Paid as cash. – CEO Target – 120% of Base Remuneration. – Eligible FMT Target – 110% of Base Remuneration. – Calculated based on achievement against a Fonterra Group Scorecard which aligns to Fonterra’s three goals of Healthy People, Healthy Environment and Healthy Business. – Fonterra’s measures within the scorecard include Health and Safety, Food Safety Quality, Lowering its Environmental Footprint, Group Return on Capital and Total Farmer Payout . – Achievement is determined over a one-year performance period (01 August – 31 July, aligned to Fonterra’s financial year). – The EIP comprises 70% cash paid in the year earned and 30% deferred cash which vests three years after grant, subject to continued employment and a performance hurdle of Group ROC over the Milk Price WACC. The incentive is capped at 150% payment of on-target earnings.
What it does	Attracts and retains key talent in the markets in which Fonterra operates.	Aligns the CEO and eligible FMT members on delivering exceptional results over both the short and long term for farmer shareholders.

The introduction of the EIP in FY20 replaced all previous LTI programmes, including the FY19-21 scheme.

The remuneration pay-mix graph below shows the percentage of each remuneration element that makes up the Chief Executive Officer’s total on-target remuneration.



Executive Remuneration Benchmarking

Pay benchmarking for the Chief Executive Officer, eligible FMT members and certain senior roles is conducted using an independent third-party remuneration adviser appointed by the ARC.

Given Fonterra’s size and global scale is unique to New Zealand, the peer group for these roles is comprised of 20 Australian listed companies matched to the size, complexity and operational scope of Fonterra, allowing appropriate benchmarking of senior executive remuneration. The benchmark also reflects that senior positions within Fonterra require global expertise and are typically recruited from competitive global talent markets, particularly Australia and Asia. Fonterra aims to pay Fixed Remuneration at the 65th percentile and Total Remuneration at the median of the benchmark peer group for Fonterra’s senior executives.

Chief Executive Officer Remuneration

Total Remuneration Paid FY21

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

Miles Hurrell has held the role of Chief Executive Officer for the full financial year. His annual fixed remuneration as at 31 July 2021 is \$1,950,000. The variable pay component paid in FY21 was for the FY20 plan year and relates to the 70% portion of the EIP that is paid in cash directly following the end of the financial year. The FY20 EIP achievement was 135% resulting in a payment of \$2,214,576 with a further 30% or \$949,104 deferred until 2023, subject to the performance hurdle being met. The total remuneration received by Mr Hurrell in FY21 was \$4,289,513, as shown in the table below.

FIXED REMUNERATION		PAY FOR PERFORMANCE	TOTAL REMUNERATION PAID
SALARY	BENEFITS ¹	EIP PAID	
\$1,950,000	\$124,937	\$2,214,576 ²	\$4,289,513

1 Employer superannuation contribution.

2 The value of EIP paid represents the non-deferred component of the FY20 EIP Plan.

Total Remuneration Earned FY21

Total Remuneration Earned aligns remuneration outcomes with performance periods, providing what Fonterra believes is a more transparent indication of pay for performance. Variable pay outcomes are listed against the relevant performance period, regardless of when the payment is made. Fonterra believes this reporting approach provides the right balance of transparency and disclosure while accurately reflecting the outcomes for a given fiscal year.

FIXED REMUNERATION		PAY FOR PERFORMANCE		TOTAL REMUNERATION EARNED	
	SALARY	BENEFITS ¹	EIP EARNED (70%)	EIP DEFERRED 3 YEARS (30%)	
FY21	\$1,950,000	\$116,731	\$1,941,030	\$831,870 ²	\$4,839,631
FY20				\$949,104 ³	

1 Employer superannuation contribution.

2 Subject to meeting the required long-term performance hurdle, this is due to be paid in October 2024. \$207,968 is recognised as an expense in FY21 and \$623,902 will be recognised as an expense over the remaining service period.

3 The deferred component of the FY20 EIP shown above remains at risk. If at the vesting date (October 2023) the performance hurdle has been met, the deferred component will be paid in cash. The performance hurdle is a longer-term measure of Group ROC over Milk Price WACC.

Principle 6: Risk Management

Risk Management Framework

The Board, supported by the Safety and Risk Committee, has overall responsibility for ensuring the implementation of Fonterra’s purpose-built risk management framework and that the business operates within its Group Risk Appetite settings.

Fonterra’s risk management framework is based on the three lines model. Fonterra’s first line is its people. Managers and individual business units hold clear risk management responsibilities for business risk management, including requirements to ensure compliance with external obligations as well as Fonterra’s Global Policy standards. Fonterra’s second line consists of the risk management and assurance processes delivered by its Group Functions, ensuring a consistent best-practice approach to risk management across the business. Assurance and oversight are provided by a dedicated internal audit function, taking a risk-based approach to the control environment and review of key business activities and providing reporting to the Fonterra Management Team and the Board via the Safety and Risk Committee and the Audit and Finance Committee.

Fonterra’s risk management framework focuses on the key risks faced globally in implementing its business strategy. Regular monitoring of the risk environment occurs via its integrated business planning process, specific technical risk councils and audit outcomes. As part of its risk management responsibility, the Safety and Risk Committee receives regular reports of Fonterra’s Group Risk Appetite position and the measures in place to mitigate the impact of emerging risks. The Safety and Risk Committee also receives regular reports on the health and safety of Fonterra’s people as part of Fonterra’s risk management framework.

Fonterra’s Global Risk Management Policy is aligned to the Australian/ New Zealand Risk Management Standard “AS/NZS ISO 31000:2018 Risk management – Principles and Guideline”. The policy outlines Fonterra’s risk principles and accountabilities, setting out the requirements for managing and reporting risk across its business. It is designed to embed a positive risk culture and co-operative-wide risk management capability. This includes establishing a consistent approach to identifying, controlling, monitoring and reporting on Fonterra’s key risks. These processes are overseen by the Fonterra Management Team alongside a dedicated internal audit function, taking a risk-based approach to oversight for key business activities and reporting to the Board via the Safety and Risk Committee and the Audit and Finance Committee.

Key Risks

KEY RISK	RISK DESCRIPTION	RISK MITIGATIONS
Strategic Decision	Suboptimal strategy that does not empower Fonterra’s innovation ambitions, enable opportunity, leverage its competitive advantage or provide improved business performance.	– Annual review of strategy including structured review of value protection and value creation objectives. – Monitoring of the macro/longer-term operating environment and demand and supply trends (risks and opportunities), with insights feeding into the annual strategy process.
Strategic Execution and Innovation	Suboptimal execution of strategic initiatives.	– Dedicated strategic implementation function, providing strategic visibility and implementation support for the business. – Regular monitoring of strategic deployment milestones and forecasts through integration into established business management systems. – Insights and outputs from strategic development and implementation processes feed directly through to regular innovation forums to ensure innovation is aligned with strategy.
Liquidity and Funding	Inability to access sufficient funds to meet financial obligations, and/or take advantage of opportunities.	– Established financial assurance framework including oversight from the Financial Risk Committee. – Active management of debt, debtors, and cashflow forecasting.
Market Price and Currency	The risk that movement within global markets in which Fonterra operates is not appropriately responded to, adversely impacting business operations, and profitability.	– Established governance framework including oversight from the Financial Risk Committee and the Audit and Finance 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. – Monthly review of foreign exchange exposures and approval of hedge plan. – Monthly review of dairy and non-dairy portfolios, ongoing market exposure assessments.

KEY RISK	RISK DESCRIPTION	RISK MITIGATIONS
Milk Supply	Inability to retain milk supply driven by disruption (e.g. biosecurity/weather event), unfavourable returns and/or adverse regulatory settings.	– Continued financial performance and achievement of stated milestones. – The Capital Structure review with an objective of delivering positive outcomes for improved share flexibility. – Comprehensive activity focused on winning and retaining New Zealand milk. – Insights and support for farmers in meeting regulatory challenges and achieving milestones under the Co-operative Difference.
Market Access/Geopolitical	The risk that changes within global markets, including economic volatility, geopolitical instability, market access and market concentration adversely impacts business operations and sales.	– Trade Strategy, advocacy, and government relationship management. – Active central portfolio management including consideration of concentration risk. – Multimarket, diverse product offerings.
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.	– The Global Quality Management framework is designed to ensure the purchase, supply, production and release of food is aligned with global regulatory standards as a minimum. – Covid-19 restrictions have required additional measures that control and manage Fonterra’s increased risk profile. – Fonterra’s global third-party sourcing network undergoes specific food safety and quality audits by specialists from Fonterra. – External global regulatory bodies undertake independent audits of Fonterra’s global management system and manufacturing footprint.
Leadership, People, Culture, Behaviours and Governance	The risk that leadership, organisational culture, behaviour and people management practices are inadequate or insufficiently agile.	– Build culturing capabilities for high performance and promoting health and wellbeing. – Business partnering to provide advice, tools, processes and policies to engage individual teams and support performance. – Objectives focused on diversity and inclusion, within Fonterra’s healthy people strategy.
Information Technology and Data Management	The risk that failure to establish, maintain and safeguard an appropriate information technology and data management framework, that ensure the confidentiality, integrity and availability of Fonterra’s data, systems and supply chain.	– Implementation of programmes to improve awareness of cyber risk and build capability to protect against and respond to any incidents. – Ongoing investment in software and hardware to improve reliability, stability and resilience of Fonterra’s IT landscape, including data protection.
Supply Chain and Manufacturing	The risk that Fonterra’s ability to maintain or operate the assets within its end to end supply chain is disrupted, delayed or reduced.	– Reliable and efficient collection, treatment and distribution of milk. – Strong focus on global supply chain management: implementing resilience strategies to mitigate impacts of global shipping disruption. – Established, robust business continuity plans to address identified supply chain risks.

KEY RISK	RISK DESCRIPTION	RISK MITIGATIONS
Health, Safety and Wellbeing	Failure to manage the health, safety and wellbeing of Fonterra's people in the workplace.	– A rigorous Process Safety Assessment (PSA) methodology to ensure Fonterra understands significant hazards, their credible risks, and how best to control. – Engaging employees to develop risk management plans to improve their safety. – Robust investigations of events and implementation of preventative actions. Reporting of events, near misses and hazards in the enterprise wide First Priority event management tool. – Protect health from workplace exposures, prevent health harm through proactive health education and promote healthy work and life balance.
Environment, Water and Climate Change	Failure to enact measures to mitigate the impact (or perceived impact) of Fonterra's activities on the environment and/or mitigate the effects of climate change on Fonterra.	– Resourcing plans to make progress against environmental targets. Please refer to the Sustainability Performance Report for Fonterra's sustainability goals and performance. – Proactive engagement with industry, iwi, government and regulators.
Social Impact/Licence to Operate	The risk that Fonterra's engagement with, and treatment of the communities and environment where Fonterra operates, is ineffective and/or fails to consider societal impacts and stakeholder interests.	– A dedicated community engagement programme. – Fonterra's Purpose – Good Together. – Active stakeholder engagement programme in New Zealand and key international markets.
Legal, Regulatory and Compliance	Failure to manage, or respond to changes in, Fonterra's Legal, Regulatory and Compliance obligations, within the markets in which Fonterra operates.	– Proactive engagement with, and monitoring of, regulatory and contractual changes. – Annual Employee Policy Commitment (including certification of compliance with Fonterra Legal and Compliance policies and standards). – Compliance training, accessible compliance guidance, and reporting systems and processes. – Support and advice from internal Legal, Regulatory and Trade Strategy teams including in-market and supplemented by specialist external support as required.

Risk Management Focus in FY21

The Key Risk table above defines the key Group Risks and provides an overview of mitigation activity for Fonterra's key risks in FY21. Throughout 2021 Fonterra's risk management framework has been actively deployed to identify, assess and monitor existing, new and emerging risks. This activity includes continuously assessing the appropriateness and accuracy of the measures used to monitor risk status. Specific focus has been applied to risks relating to climate, the continuing impact of Covid-19, Wellbeing and Cybersecurity.

To strengthen Fonterra's risk culture and ensure a consistent approach to risk management across the business, risk management analysis, training, and education programmes have been delivered globally. As part of Fonterra's long-term strategy work, its Group Risk Appetite settings were also assessed to provide clarity of the acceptable levels of risk in pursuit of its longer-term strategic objectives.

Covid-19

Fonterra's response to the global Covid-19 outbreak was first initiated in January 2020. As with many businesses, the pandemic has had varying levels of impact across Fonterra, including its supply chain and within the global markets in which it operates. Fonterra has utilised its Group Crisis Response plan and Incident Management Team to enable an expedited and appropriate response at each stage of the situation globally. Key areas of impact include:

- supply chain disruptions;
- health risks to Fonterra's people;
- market volatility;
- social distancing and increased safety measures at Fonterra manufacturing and distribution sites; and
- fluctuations in customer demand and changes to global consumption habits.

Fonterra's response to the pandemic is ongoing. To ensure the continuity of Fonterra's operations during FY21, several control measures, including promoting and facilitating better understanding of and access to the Covid-19 vaccine, have been put in place to mitigate risks to Fonterra's operations. While Fonterra's Incident Management framework has allowed its operations and core business activities to continue, ongoing challenges will be presented to the organisation by Covid-19. These challenges, which include the economic impacts of the virus on the global markets in which Fonterra operates, will require continued monitoring, analysis and management for a sustained period.

Principle 7: Auditors

Auditor Framework

The Audit and Finance Committee is responsible for making recommendations to the Board regarding the appointment of the external auditor. The external auditor is appointed by farmer shareholders at the Annual Meeting. KPMG was appointed as Fonterra's external auditor for the financial year ended 31 July 2021.

Fonterra has a Group Audit Independence Policy. This policy ensures the ability of the auditor to carry out its statutory audit role is not impaired or could be perceived to be impaired. The policy sets out the types of services that the auditor may undertake, those the auditor may only undertake with the approval of the Audit and Finance Committee, and those that are not permitted. The policy stipulates the rotation of the lead external audit partner at least every five years.

As per the policy, all non-audit services to be undertaken by the auditor require approval by the Chief Financial Officer or Director Group Finance. Regardless of the nature of the services proposed, any engagements exceeding a total of NZD200,000 must be approved by the Audit and Finance Committee.

The Audit and Finance Committee reviews the independence of the auditor, external audit fees, terms of engagement and the annual audit plan.

The Chairman of the Audit and Finance Committee communicates regularly with the external auditor and the Audit and Finance Committee meets with the external auditor without Management at least twice a year.

The fees paid to Fonterra's auditor, KPMG, are detailed in Note 6 (page 20) to the Financial Statements for the year ended 31 July 2021.

Annual Meeting

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

Internal Audit

Fonterra has an internal audit function that provides independent and objective assurance to both the Audit and Finance Committee and Management on the adequacy of risk management, control and governance processes.

Fonterra's internal audit approach is based on the principle of line management responsibility for risk and controls. Management is responsible for implementing, operating and monitoring the system of internal controls to provide reasonable assurance of achieving business objectives. Internal Audit is responsible for:

- delivering a reasonable degree of assurance, as determined by the Audit and Finance Committee, over business risk;
- 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 and Finance Committee.

The CIA develops the annual internal audit plan, which is endorsed by the Audit and Finance Committee, and is accountable for its implementation. The Audit and Finance Committee regularly monitors progress of the implementation of the internal audit plan.

Principle 8: Shareholder Rights and Relations

Website

Fonterra’s website (fonterra.com) provides investors and interested stakeholders access to financial and operational information and key corporate governance information about Fonterra as an issuer.

Co-operative Council

One of the Board’s most important relationships is with the Co-operative Council, which was previously known as the Shareholders’ Council. The Council, Fonterra’s representative body established under the Constitution, is independent of the Board and as at 31 July 2021 comprised 25 farmer shareholders elected as Councillors, representing the interests of all members of the Co-operative in 25 wards across New Zealand. The functions of the Council are set out in the Constitution. The Council publishes an annual report, commenting on its activities which is emailed to all members of the Co-operative and made available on the Farm Source™ website.

The Council, Board and Management have a working interface document which sets out the principles to facilitate the working partnership between the Board, the Council and Management and the way operational issues will be dealt with by the Board and the Council.

The working interface document is available on the Farm Source™ website.

The Council and the Board meet regularly, as do the Chairs of the Board and the Council.

Farmer Communications

Fonterra is committed to maintaining and improving communication with its farmers. An extensive farmer and supplier relations programme is managed by the Farm Source™ team. Channels for electronic communication are provided through the Fonterra and Farm Source™ websites and the My Co-op mobile app. In addition, Fonterra provides farmers with the ability to receive communications (such as the Annual Report) from Fonterra electronically. Webcasts are used where appropriate.

Fonterra’s communications with farmers include regular face-to-face meetings, a regular Global Dairy Update, Farm Source™ magazine, My Co-op app posts and regular emails from the Chairman, Chief Executive Officer and Regional Heads. Fonterra releases all material information to the NZX and ASX (where applicable) and complies with the FSM Rules with respect to shareholder communications.

Farmer Meetings

A schedule of regular meetings with farmer shareholders, sharemilkers and farm workers are usually held across the country at least twice each year. Often these are run in conjunction with the Co-operative Council and Farm Source™ regional teams. However, due to Covid-19 restrictions, this year Fonterra has been unable to hold a number of these regular face-to-face meetings and offered stakeholders the opportunity to attend a range of online meetings instead.

Elected Directors also regularly attend other farmer meetings during the year on specific topics.

In addition, the Board consults with farmers on specific issues as they arise. A focus for this year has been consultation on Fonterra’s Capital Structure review proposals.

Fonterra.com and Farm Source™ Digital Tools

An overview of Fonterra’s operations, financial presentations and public announcements are all available on fonterra.com.

The Farm Source™ website enables farmer shareholders, their employees and business partners to transact online with Fonterra and access information and tools on milk production and quality, online statements and up-to-the-minute news and weather. This site is also used to provide information on the business to farmer shareholders.

The My Co-op app provides updated news and information from across the Co-operative and the industry including Milk Price announcements and updates from the Chairman and Chief Executive Officer. The On Farm app provides daily milk production and quality information, comparisons against last season’s volumes, tanker movements, and summary reports of key milk performance information for the last 30 days.

Annual or Special Meeting

The Board views the Annual Meeting of farmer shareholders, which is held at a different venue around New Zealand each year, as an opportunity to communicate directly with farmer shareholders and the Board ensures that adequate time is provided at these meetings for farmer shareholders to raise issues or ask questions from the floor. The Chief Executive Officer attends the Annual Meeting.

The Constitution describes the process whereby a farmer shareholder can raise a proposal for discussion or resolution at the next meeting of farmer shareholders at which the farmer shareholder is entitled to vote.

Fonterra endeavours to send notices of annual or special meetings to farmer shareholders at least 20 working days prior to the relevant meeting. Due to the need to consider and include the details of shareholder proposals received by Fonterra this is not always possible, however at a minimum, notices are sent to farmer shareholders and published on fonterra.com at least 10 working days before the meeting in line with Fonterra’s Constitution and the Companies Act 1993. The notice of annual meeting for Fonterra’s 2020 Annual Meeting was made available to farmer shareholders on 13 October 2020.

Annual Report

The Group’s Annual Report (which this year is comprised of the 2021 Annual Review, Financial Statements, this Corporate Governance Statement and Statutory Information), together with the half-year report and other material announcements, are designed to present an integrated, balanced and clear view of Fonterra’s activities and prospects and are available on fonterra.com.

Other Disclosures

Information on the Group’s performance, annual and half-year financial results, Director changes, and other significant matters, is advised to the market through the NZX and ASX in accordance with relevant laws and listing rules. Farmer shareholders and other stakeholders receive regular updates on these and other issues relevant to them and all media and market releases are available on fonterra.com.

Voting

Shareholders have the right to vote on major transactions (as defined in the Companies Act 1993) as well as other major decisions that may change the nature of Fonterra as prescribed by the FSM Rules. In particular, FSM Rule 4.1.1 restricts Fonterra from entering into any transaction (or series of linked or related transactions) which would significantly change, indirectly or directly, the nature of Fonterra’s business or involves 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.



Board of Directors



PETER MCBRIDE

BOARD RESPONSIBILITIES *Elected Director, Chairman, Member of the Appointments and Remuneration Committee, Disclosure Committee and the Governance Development Programme Committee*

TERM OF OFFICE *Elected 2018*

Peter McBride was elected to the Fonterra Board in 2018 and became Chairman in November 2020. He is the Chief Executive Officer of Trinity Lands Limited, a dairy and kiwifruit operation largely based in the Waikato, and is the Managing Director of Ellett Beach Farms Joint Venture. Peter is a member of the Zespri China Advisory Board and Zespri Global Supply Advisory Board.

Peter was previously the Chairman and a Director of Zespri Group Limited and other related companies, and Managing Director of South East Hort Limited and its subsidiaries. Peter was also previously a Director of the New Zealand International Business Forum and a member of the Executive Board of the New Zealand China Council. Peter has shareholding interests in the Waikato.

B, Horticulture, PG Dip Com Agribusiness



CLINTON DINES

BOARD RESPONSIBILITIES *Appointed Director, Member of the Appointments and Remuneration Committee, Co-operative Relations Committee and the Safety and Risk Committee*

TERM OF OFFICE *Appointed 2015*

Clinton was appointed to the Fonterra Board in 2015. Clinton lived and worked in China for 36 years, 21 of which as President of BHP Billiton's China business. He has extensive experience as an executive in China and Asia businesses and has had an active career as a Non-Executive Director, currently serving on the Boards of the Port of Newcastle, Sky Renewables Pty Limited and Zanaga Iron Ore Company Limited.

He was Executive Chairman of Caledonia Asia from 2010 to 2013, an investment group in Asia, and is a Partner in Moreton Bay Partners, a strategic advisory firm based in Brisbane. He is an Adjunct Professor at Griffith University's Asia Institute and is a Member of the Griffith University Council. Clinton has extensive experience as a senior executive in China and Asia businesses, including global manufacturing and commodity businesses.

BA (Modern Asian Studies, Griffith), CIM, INSEAD



BRENT GOLDSACK

BOARD RESPONSIBILITIES *Elected Director, Chair of the Capital Structure Committee, Member of the Audit and Finance Committee, Co-operative Relations Committee, Divestment Review Committee, Disclosure Committee and the Milk Price Panel*

TERM OF OFFICE *Elected 2017, last re-elected 2020*

Brent Goldsack was elected to the Fonterra Board in 2017. Brent had a 25-year career in both New Zealand and abroad in various corporate advisory roles, including being a Partner at PwC for more than 12 years. Brent is a Fellow of the Chartered Accountants of Australia and New Zealand. Brent currently Chairs the Board of Waitomo Group Limited and Better Eggs Limited and is a Director of Rabobank NZ Limited and Power Farming Holdings Limited.

Brent is actively involved as a shareholder of three dairy operations in the Waikato. In addition to his strong financial skills and knowledge, Brent has particular expertise in Fonterra's Farmgate Milk Price and the drivers of the Co-operative's earnings and its strategy.

BCA, FCA



LEONIE GUINEY

BOARD RESPONSIBILITIES *Elected Director, Chair of the Safety and Risk Committee and Member of the Capital Structure Committee, Co-operative Relations Committee and Divestment Review Committee*

TERM OF OFFICE *Elected 2018*

Leonie Guiney was elected to the Fonterra Board in 2018. Leonie previously served on the Board from 2014 to 2017. Leonie has worked in the agriculture sector for more than 25 years in a number of positions including lecturer of Dairy Production at Lincoln University, consultant on the BNZ Growth Programme for farmers and has held roles with Golden Vale Dairy Co-operative in Ireland, LIC and FarmRight South Island.

Leonie lives and farms at Fairlie in South Canterbury and is a Director and shareholder of seven South Canterbury farms and Bobby Square Limited.

BAgrSci



BRUCE HASSALL

BOARD RESPONSIBILITIES *Appointed Director, Chair of the Audit and Finance Committee, Member of the Capital Structure Committee, the Disclosure Committee, the Divestment Review Committee, the Milk Price Panel and is an observer on the Appointments and Remuneration Committee*

TERM OF OFFICE *Appointed 2017*

Bruce Hassall was appointed to the Fonterra Board in 2017. Bruce is a Chartered Accountant and has had a 35-year career at PwC, including holding the position of Chief Executive Officer of the New Zealand practice from 2009 to 2016. Bruce is Chairman of The Farmers Trading Company Limited, Prolife Foods Limited and Fletcher Building Limited and serves as a Director on the Board of Bank of New Zealand. Bruce was previously a member of the University of Auckland Business School Advisory Board and was a founding Board Member of the New Zealand China Council. Bruce has extensive experience in financial reporting, information system processes, risk management, business acquisitions, capital raising and IPOs across both listed and private companies.

BCom, FCA (CAANZ)



HOLLY KRAMER

BOARD RESPONSIBILITIES *Appointed Director, Chair of the Appointments and Remuneration Committee, Member of the Safety and Risk Committee*

TERM OF OFFICE *Appointed 2020*

Holly Kramer was appointed to the Fonterra Board in 2020. Holly has more than 25 years of extensive governance, management and product/marketing experience. She was Chief Executive Officer of major Australian retailer Best & Less. She has also held senior executive roles at Telstra Corporation, Ford Motor Company (in the US and Australia) and Pacific Brands.

Holly is currently a Director on the Boards of Woolworths, Abacus Property Group and the GO (Goodes-O'Loughlin) Foundation and The Ethics Centre. In 2021 she was appointed as a non-Executive Director to the Board of Endeavour Group following its demerger from Woolworths Group. She is also the Pro-Chancellor of Western Sydney University and a Member of the Bain Advisory Group. Holly's previous governance roles include the Boards of Australia Post, Nine Entertainment Corporation, AMP Limited, Lendi and Telstra Clear (NZ).

BA, MBA



ANDY MACFARLANE

BOARD RESPONSIBILITIES *Elected Director, Chair of the Co-operative Relations Committee, Member of the Appointments and Remuneration Committee and Governance Development Programme Committee, Fonterra appointed Director of FSF Management Company Limited*

TERM OF OFFICE *Elected 2017, last re-elected 2019*

Andy MacFarlane was elected to the Fonterra Board in 2017. Andy was a farm management consultant for 38 years. Andy is a Director of ANZCO and an active member of the International Farm Management Association (IFMA), Global Dairy Farmers and New Zealand Institute of Primary Industry Management (NZIPIM). Andy was previously a Director of Ngai Tahu Farming Limited and AgResearch. He is the Past President of the NZIPIM and chaired Deer Industry New Zealand for seven years.

Andy began farming in 1989 and lives near Ashburton. He has shareholding interests in the South Island. Andy has a strong understanding of the governance of research and development and innovation, and has a particular interest in the strategic use of technology in the dairy industry.

B.Agr.Sc



JOHN NICHOLLS

BOARD RESPONSIBILITIES *Elected Director, Member of the Co-operative Relations Committee, Capital Structure Committee, Disclosure Committee and the Safety and Risk Committee*

TERM OF OFFICE *Elected 2018*

John Nicholls was elected to the Fonterra Board in 2018. An experienced company director, he is current chair of MHV Water, New Zealand's largest intergenerational irrigation co-operative.

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

John served on the Fonterra Shareholders' Council from 2009 to 2011. He has a degree in agriculture and a postgraduate diploma in agricultural science, both from Massey University.

B.Agr, PG AgrSci



CATHY QUINN

BOARD RESPONSIBILITIES *Elected Director, Chair of the Disclosure Committee, Member of the Audit and Finance Committee, Capital Structure Committee and Divestment Review Committee*

TERM OF OFFICE *Elected 2020*

Cathy Quinn was elected to the Fonterra Board in 2020. She has a number of governance roles having previously enjoyed a 30+year career as a commercial and corporate lawyer with MinterEllisonRuddWatts, and has significant expertise in governance, equity capital markets, mergers and acquisitions and private equity services. Amongst the numerous awards she has won, Cathy was made an Officer of the New Zealand Order of Merit for services to law and women in 2016.

Cathy is a Director and indirect shareholder of Thistlehurst Dairy Limited, based in the Waikato. Cathy advised the dairy industry for many years including the Dairy Board, Fonterra, the Fonterra Co-operative Council, and competitors of Fonterra. Key commercial Boards that Cathy serves on are Fletcher Building, Tourism Holdings, Rangatira and she chairs Fertility Associates. In terms of public service roles Cathy is the Pro-Chancellor of the Council of Auckland University. She was previously on the advisory Board at New Zealand Treasury, the New Zealand Securities Commission and NZ China Council.

ONZM, LLB



DONNA SMIT

BOARD RESPONSIBILITIES *Elected Director, Member of the Audit and Finance Committee, Safety and Risk Committee, Fonterra appointed Director of FSF Management Company Limited and Fonterra Farmer Custodian Limited*

TERM OF OFFICE *Elected 2016, last re-elected 2019*

Donna Smit was elected to the Fonterra Board in December 2016. Donna serves on the Board of the Manager of the Fonterra Shareholders' Fund. Donna lives and farms at Edgecumbe, and has built and owns five dairy farms in Eastern Bay of Plenty and Oamaru. Donna is a Director of EastPack Limited, where she serves as Chair of their Audit and Finance Committee and is a Director of Kiwifruit Equities Limited and a Trustee of the Dairy Women's Network.

Donna is a Fellow Chartered Accountant and was a company administrator at kiwifruit co-operative EastPack for 24 years. Donna's strong focus on financial and risk management has been built through her extensive business and manufacturing experience and financial background, and complements her deep dairy farming experience.

FCA



SCOTT ST JOHN

BOARD RESPONSIBILITIES *Appointed Director, Chair of the Milk Price Panel and Divestment Review Committee and Member of the Audit and Finance Committee, Disclosure Committee and the Safety and Risk Committee*

TERM OF OFFICE *Appointed 2016*

Scott St John was appointed to the Fonterra Board in 2016. He was the CEO of First NZ Capital (FNZC) for 15 years, stepping down from that role in early 2017. Scott is the Chair of Fisher and Paykel Healthcare and serves on the Board of ANZ Bank New Zealand, Mercury NZ Limited and NEXT Foundation.

Scott has served on the Council of the University of Auckland since 2009 and including as Chancellor from 2017 to 2021. His other previous roles have included Chairman of the Securities Industries Association, and membership of both the Capital Markets Development Taskforce and the Financial Markets Authority Establishment Board.

BCom, Diploma of Business

Fonterra Management Team



MILES HURRELL

CHIEF EXECUTIVE OFFICER

Miles Hurrell was appointed as Chief Executive Officer in 2019. Prior to this, he held the role of Chief Operating Officer, Farm Source, with responsibility for farmer services and engagement, milk sourcing and the operation of New Zealand's 70 Farm Source™ retail stores. Before this, Miles also held a number of leadership roles across our Co-op, including Group Co-operative Affairs Director and General Manager Middle East, Africa, Russia and Eastern Europe where he led a period of sustained growth across the region. Earlier in his career, Miles worked as the General Manager of Global Sourcing and oversaw the streamlining of our Co-operative's European operations.

Miles has completed management programmes at INSEAD (International Executive Development), London Business School (Finance), Kellogg's NorthWestern University (Global Sales) and the International Institute for Management Development (Marketing).



MARC RIVERS

CHIEF FINANCIAL OFFICER

Marc Rivers joined Fonterra in February 2018 as the Chief Financial Officer, responsible for the Co-operative's finances. Marc's responsibilities extend to the centralised management of Fonterra's physical and financial portfolios, as well as mergers and acquisitions.

Marc is an experienced global finance executive. Prior to joining Fonterra, Marc was the CFO at Roche Pharmaceuticals Division in Switzerland. Marc has worked in both emerging and established markets, including China, Japan, Southeast Asia, Europe and the US. During this time, he has led teams through significant change and provided strategic leadership. Marc is known for his commitment to leading and developing his people while building diverse and inclusive teams.

He has a Bachelor of Arts in International Studies and an International Master of Business Administration, Finance and German from the University of South Carolina, Columbia, SC, USA.



JUDITH SWALES

CHIEF EXECUTIVE OFFICER, ASIA PACIFIC (APAC)

Judith Swales leads Fonterra's business in Asia Pacific where she is responsible for all sales and marketing of Fonterra's Consumer, Foodservice and Ingredients products in the region.

Judith and her team also set the global strategy for the Consumer, Foodservice and paediatric businesses.

Prior to this she was Fonterra's COO Global Consumer and Foodservice having earlier led the Innovation and Transformation business unit, shaping the future of Fonterra by harnessing innovation, emerging technologies and game changing business models, while embedding a performance driven culture. Judith joined our Co-operative in 2013 as Managing Director Australia and Fonterra Oceania, where she led the successful turnaround of the Australian business and oversaw Fonterra Brands New Zealand.

The daughter of a milkman, Judith grew up helping her father on his daily milk run. She has extensive experience in senior management and business turnarounds, and prior to joining Fonterra was the Managing Director of Heinz Australia, and CEO and Managing Director of Goodyear Dunlop, Australia and New Zealand. Judith worked for a number of UK retailers which culminated in her move to Australia in 2001 as the Managing Director of Angus and Robertson.

She served as a Non-Executive Director on the DuluxGroup Board from April 2011 to August 2019 and a Non-Executive Director on the Virgin Australia Board from May 2019 to August 2020.

Judith has a degree in Microbiology and Virology.



MIKE CRONIN

MANAGING DIRECTOR CO-OPERATIVE AFFAIRS

Mike Cronin oversees Co-operative Affairs which includes Governance, Risk and Audit, Farm Source, Global Stakeholder Affairs, Communications, Legal, Inclusion and Māori Strategy.

Mike joined Fonterra in 2002 and has been a member of teams that have contributed to some of Fonterra's key initiatives, including Trading Among Farmers, the Governance and Representation Review, the Fonterra Purpose and The Co-operative Difference.

Prior to 2014 when he joined the Fonterra Management Team, Mike was the General Manager of Strategy Deployment and then Group Director Governance and Legal.

Mike has a Bachelor of Laws and Bachelor of Arts from the University of Auckland.



FRASER WHINERAY

CHIEF OPERATING OFFICER

Fraser Whineray joined Fonterra in March 2020 as the Chief Operating Officer.

He is responsible for our New Zealand manufacturing site and global supply chain operations, sustainability, innovation and R&D, IT and safety, quality and regulatory teams.

Fraser joined our Co-op from Mercury, a 100% renewable electricity retailer and generator, where he was the Chief Executive from 2014 and held executive roles since joining the company in 2008.

Fraser is no stranger to the dairy industry. He started his career as a graduate of the New Zealand Dairy Board's technical training programme and spent time at manufacturing sites that are now part of our Co-op, and also in Fonterra's export markets. He has also worked in the investment banking and forestry industries, both in New Zealand and internationally.

Fraser is a keen advocate for astute long-term decisions that leverage New Zealand's competitive advantages, including its people, for sustainable growth.

He served as a Non-Executive Director of Opus International Consultants from 2008 – 2016 and of Tilt Renewables and Chaired the Prime Minister's Business Advisory Council. In 2019 he was named the Deloitte Top 200 Chief Executive of the year.

Fraser holds an MBA from the University of Cambridge, a Bachelor of Chemical Engineering from Canterbury University and a Diploma in Dairy Science and Technology from Massey University.



KELVIN WICKHAM

CHIEF EXECUTIVE OFFICER, AMENA

Kelvin Wickham is responsible for the business activities of Fonterra across Consumer, Foodservice and Ingredients products in Africa, Middle East, Europe, North Asia and the Americas.

In addition, Kelvin oversees the Active Living FNU (Functional Nutrition Unit), and with his team is responsible for development of Fonterra's NZMP™ brand and sales capability.

In his previous role as COO NZMP™ Kelvin led the delivery of solutions to our global customers, ensuring optimisation of supply and demand, commodity price risk management, and championing the NZMP™ brand. Kelvin has more than 30 years' experience in the dairy industry and has played a key role in building markets, customer relationships and partnerships. In his earlier role as President Greater China and India he focused on directing the development of Fonterra's business in these expanding markets, during which he oversaw a period of rapid growth.

Prior to that, Kelvin led Fonterra's Supplier and External Relations team, and was Managing Director of Fonterra's Global Trade overseeing the launch of Global Dairy Trade.

Kelvin holds a Chemical and Materials Engineering Degree, a Master of Management and a Diploma of Dairy Science and Technology.



TEH-HAN CHOW

CHIEF EXECUTIVE OFFICER, GREATER CHINA

Teh-han Chow was appointed as the Chief Executive Officer, Fonterra Greater China in August 2020, after acting in the interim role from December 2019.

In this role, he is responsible for overseeing our Co-op's overall business in the Greater China region, including Ingredients, Foodservice, Consumer Brands and China Farms business.

Teh-han has extensive experience leading large organisations in the food sector, as well as proven ability in business growth through innovation and putting customers front and centre.

Previously, he was President of NZMP for Greater China, South & East Asia, where he embedded sustained improvements in business performance, strong customer relationships and empowering leadership across 23 markets in Fonterra's ingredients business.

Before joining Fonterra in 2015, Teh-han was the CEO of Louis Dreyfus in China, a leading global merchant and processor of agricultural goods and other commodities. He was also Managing Director Greater China for Simplot, a food and agribusiness company and served as a Director of COFCO Agriculture Industry Investment Fund from 2012 – 2015.

Teh-han has a Bachelor's degree in Marketing from California State University Northridge and a Master's degree, with honours, in International Management from Thunderbird Graduate School of International Management.



CARLY ROBINSON

DIRECTOR, OFFICE OF THE CHIEF EXECUTIVE OFFICER

Carly Robinson was appointed as the Director, Office of the Chief Executive Officer in March 2020. Since then, her focus has been on driving Fonterra's executive management systems and key strategic projects to support the delivery of top priorities and targets. Carly also plays a key role in guiding the wider leadership community, helping to create the best environment for enterprise-wide success.

Carly has spent over 20 years working in the dairy industry, after joining the New Zealand Dairy Board's Marketing Graduate Programme in 1998. Her career has spanned a wide range of business functions, models and markets over this time, including having leadership roles in sales and marketing, farmer services, strategy, sustainability, social responsibility and transformation.

Carly has spent considerable time living and working in South East Asia and Europe, and brings a strong passion for customers, communities and people to her work.

Carly has a Bachelor of Arts (Spanish) and Bachelor of Commerce (Economics) from the University of Auckland.

Our 2021 Suite of Reports

Our Annual Review is a concise summary of our environmental, social and economic activities and performance. It is supported by a suite of supplementary reports where stakeholders can find more detailed information most relevant to them. This represents another step on our journey towards more integrated reporting.



OUR REPORTS ARE AVAILABLE FROM
[FONTERRA.COM/NZ/EN/INVESTORS.HTML](https://fonterra.com/nz/en/investors.html)



Annual Review
2021



Sustainability Performance
Report 2021



Financial Statements
2021



Corporate Governance
Statement 2021



Farmgate Milk Price
Statement 2021



Statutory Information
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Business Performance
Report 2021

