



THE GOOD
WE DO HERE

THE GLOBAL
WORK WE DO OVER THERE

& THE GRIPES
WE HEAR ABOUT US



Dairy for life

A BOOK OF COMMITMENTS TO NEW ZEALAND FROM THE FARMERS OF FONTERRA

**THE GREEN INK IN THIS BOOK
IS MADE USING GRASS,
HARVESTED FROM THROUGHOUT
NEW ZEALAND. THE SAME
LUSH GRASS THAT CONNECTS
ALL NEW ZEALANDERS
THROUGH THE SHARED
USE OF OUR LAND.**

PAGE 2

INTRODUCTION

PAGE 20

THE GOOD

WE DO HERE

PAGE 58

THE GLOBAL

WORK WE DO OVER THERE

PAGE 74

THE GRIPES

WE HEAR ABOUT US





KIA ORA

**FONTERRA IS A
CO-OPERATIVE**

OWNED BY 10,500
NEW ZEALAND FARMERS







**OUR HISTORY
GOES AS FAR
BACK AS 1871**

TODAY WE ARE IN EVERY TOWN AND IN EVERY FAMILY
FRIDGE. WE FLY THE FLAG FOR NEW ZEALAND IN
MORE THAN 100 COUNTRIES AND DELIVER DAIRY
NUTRITION TO MORE THAN 1 BILLION PEOPLE.



**MOST KIWIS
HAVE AN
OPINION ON US**

WE'RE OK WITH THAT. IT SHOWS
THAT WHAT WE DO AND HOW WELL
WE DO IT MATTERS TO THEM.

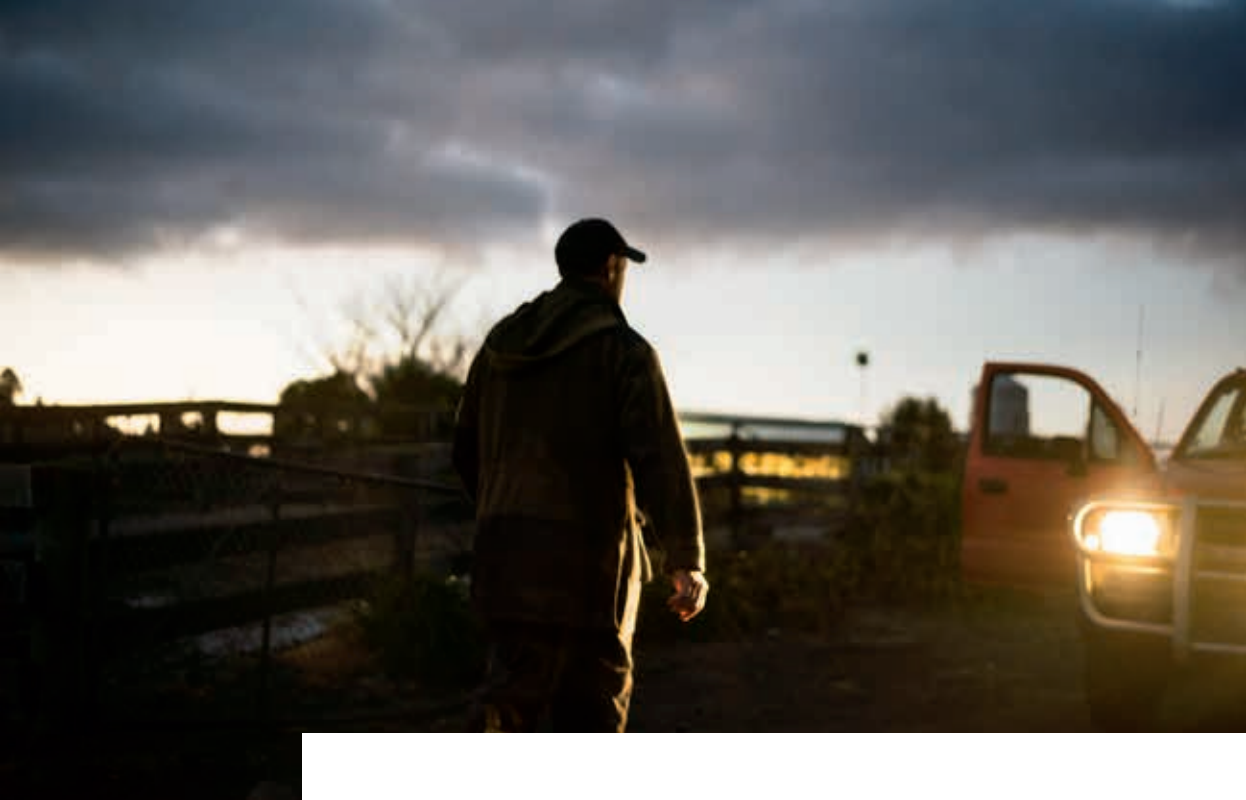




WE ARE PROUD OF OUR CO-OP

WE ACCEPT THAT THERE'S HUGE PUBLIC INTEREST IN OUR CO-OP AND WE RIGHTFULLY HAVE TO STAND-UP TO THE SCRUTINY OF ALL KIWIS. WE WANT TO BE THE BEST WE CAN IN ALL ASPECTS OF OUR OPERATIONS AND MEET THE EXPECTATIONS KIWIS HAVE OF US.

**WE ARE
BALANCING
MANY
THINGS**



WE ARE DOING WHAT'S RIGHT BY OUR FARMER OWNERS, RESPECTING THE ENVIRONMENT, TRYING TO BE A GREAT PLACE TO WORK, MANAGING THE MANY BUSINESS PARTNERSHIPS WE HAVE IN NEW ZEALAND AND GLOBALLY, ENSURING WE PRODUCE BRANDS OUR CUSTOMERS AND CONSUMERS LOVE, AND WORKING HARD TO WIN IN 100 MARKETS AROUND THE WORLD AGAINST SOME OF THE BIGGEST COMPANIES ON THE PLANET.

WE MIGHT NOT ALWAYS GET IT RIGHT FOR EVERYONE. WHEN YOU'RE MAKING AS MANY CALLS AS WE ARE YOU'RE NEVER GOING TO.



WE CARE

ABOUT WHAT NEW ZEALANDERS
THINK OF US. SO WE DECIDED
TO PUT OUR THOUGHTS AND
ACTIONS INTO WORDS AND
GIVE YOU A SENSE OF WHAT
WE REALLY STAND FOR.



FIRSTLY

WE'VE COLLECTED SOME OF THE GOOD THINGS WE DO FOR NEW ZEALAND COMMUNITIES – AND WE DO MORE THAN ANY OTHER NEW ZEALAND COMPANY. WE'VE DONE THESE PRETTY QUIETLY UP UNTIL NOW, WHICH IS KIND OF THE KIWI WAY. WE CALL THIS SECTION 'THE GOOD WE DO HERE'.



THEN

SINCE 95 PER CENT OF THE MILK WE PRODUCE IN NEW ZEALAND IS EXPORTED, WE THOUGHT WE'D LET YOU KNOW WHAT WE'RE DOING IN THE GLOBAL COMMUNITIES WHERE WE REPRESENT NEW ZEALAND. WE CALL THIS 'THE GLOBAL'.



FINALLY

WE THOUGHT WE'D RESPOND TO A FEW OF THE COMMENTS THAT ARE THROWN OUR WAY. WE'VE CALLED THESE 'THE GRIPEs'. FOR EACH 'GRIPE' WE'VE RESPONDED WITH OUR POINT OF VIEW, WHAT WE'VE DONE ABOUT IT, AND HOW WE INTEND TO DO THINGS BETTER.

ONCE YOU HAVE OUR
PERSPECTIVE ON THINGS

**YOU CAN MAKE
UP YOUR OWN
MIND ABOUT US**





T H E
G O O D
W E D O H E R E

**WE ARE OWNED BY 10,500
FARMERS WHO, DESPITE
BEING IN THE MIDDLE
OF A VERY DIFFICULT
DOWNTURN, CONTINUE
TO HELP NEW ZEALAND
IN MANY WAYS. HERE
ARE JUST SOME OF THEM.**

EVERY SCHOOL DAY

WE PROVIDE FREE
MILK TO TWO THIRDS
OF NEW ZEALAND'S
PRIMARY SCHOOLS.





**OUR MILK FOR SCHOOLS
PROGRAMME IS THE BIGGEST
COMMUNITY PROGRAMME
UNDERTAKEN BY ANY
NEW ZEALAND COMPANY.**



Fonterra Milk for Schools is a national programme to increase milk consumption and general health and nutrition in New Zealand's children. All primary-aged children at participating schools have free access to one 200ml carton of our Anchor chilled UHT milk every school day.

As well as promoting the goodness of milk, the programme teaches children valuable lessons around leadership and recycling. It also connects children to where their dairy comes from and to us, the farmers who produce it.

**IT COSTS US MORE
THAN \$10 MILLION
EACH YEAR. WE
THINK IT'S MONEY
WELL SPENT TO
HELP KIWI KIDS.**

THE FACTS:

1,455 NEW ZEALAND SCHOOLS ARE PARTICIPATING (68 PER CENT OF ALL ELIGIBLE SCHOOLS).

MORE THAN 140,000 CHILDREN ARE DRINKING OUR MILK EVERY SCHOOL DAY.

68 MILLION PACKS HAVE BEEN DELIVERED BY THE PROGRAMME.

WE'VE TEAMED UP WITH SANITARIUM AND
THE MINISTRY OF SOCIAL DEVELOPMENT TO
PROVIDE A FREE NUTRITIOUS BREAKFAST TO
**OVER 28,000
KIWI KIDS
EVERY WEEK.**

We call them KickStart Breakfasts and we deliver them in partnership with Sanitarium and the Ministry of Social Development. Between us, we supply free milk (Fonterra) and Weet-Bix (Sanitarium) to New Zealand primary and secondary schools.

Kickstart Breakfast enables New Zealand children in need to learn, helping them achieve their potential. It is a great example of how the community, the private sector and the government can work together to create a positive change in the lives of those who need it.

With more than 125,000 breakfasts served every week to more than 28,000 children and young people, students are getting the best start to their school day.



THE FACTS:

**SCHOOLS SAY KICKSTART BREAKFASTS
HELP CHILDREN NUTRITIONALLY
AND MAKE A POSITIVE IMPACT ON
LEARNING BEHAVIOUR.**

MORE THAN 870 SCHOOLS PARTICIPATE.

125,000 BREAKFASTS ARE SERVED PER WEEK.

**13 MILLION BREAKFASTS HAVE BEEN SERVED
SINCE 2009.**

WE PROVIDE NEW ZEALANDERS

WITH GREAT NUTRITION THROUGH ICONIC
KIWI BRANDS LIKE ANCHOR AND MAINLAND.

Milk is a natural source of many of the valuable nutrients people need. It is the richest natural food source of bio-available calcium and also contributes many other essential nutrients including protein, vitamin A, riboflavin, vitamin B12 and zinc.

Dairy is who we are and what we do best. With more than 100 years of New Zealand expertise in developing nutritious dairy products, we're dedicated to discovering new ways to deliver the unique health and wellness benefits of dairy.

We offer dairy products that meet the different health and wellness needs of our consumers all around the world. This is based on a belief in quality products, sound science and 'doing what's right' by our consumers.

We provide a wide variety of options in dairy to suit most people including regular, reduced-fat, low-fat and skim varieties, as well as calcium-enriched products.

In its various forms, dairy enables a multitude of 'better for you' foods from products designed to aid growth and development in children, right through to low-fat convenience foods for adults.

THE FACTS:

ANCHOR UNO WAS LAUNCHED AS A SMOOTH, PROBIOTIC YOGHURT TARGETED AT KIDS, WITH AN ADDED BUNDLE OF VITAMINS AND MINERALS TO SUPPORT HEALTHY IMMUNE SYSTEMS IN CHILDREN. IT ALSO CONTAINS ZERO ARTIFICIAL COLOURS, FLAVOURS OR SWEETENERS.

AT TIP TOP, WE HAVE MADE SOME EXCITING CHANGES TO OUR ICONIC ICE CREAM AND ICE BLOCKS BY REPLACING ALL ARTIFICIAL COLOURS AND FLAVOURS WITH NATURAL ALTERNATIVES.

SINCE 2007, THE 'FONTERRA GRASS ROOTS
FUND' HAS SUPPORTED MORE THAN
**2,000 LOCAL
COMMUNITY
PROJECTS.**

The Fonterra Grass Roots Fund is exactly what the name suggests. It's our way of giving back to the heart of the community. We support projects that promote community safety, spirit and wellbeing as well as look after the environment.

These include grants of up to \$5,000 to school groups, charitable trusts, sports clubs and local emergency services for a wide range of environmental, community and health and safety initiatives.

The fund is open to all New Zealanders and administered by eight Regional Sponsorship Committees that include volunteers from our local farms, staff and community.



THE GOOD WE DO HERE

JUST A FEW EXAMPLES:

IN NORTHLAND

WE HAVE BEEN SUPPORTING THE FAR NORTH SEARCH AND RESCUE TEAM.

We recently purchased them 20 new high-powered torches.

IN THE WAIKATO

WE WORK WITH ST JOHN

where our funding has helped the Central Region team purchase Etonox regulators which help to provide fast-acting pain relief when in difficult to reach situations.

IN THE LOWER NORTH ISLAND

WE HAVE SUPPORTED 31 COMMUNITY GROUPS IN THE LAST 12 MONTHS ALONE.

Rahotu Primary School in the Taranaki has used the funds to build a greenhouse and buy gardening equipment for their students.



FONTERRA
GRASS ROOTS
FUND

IN THE MANAWATU

WE SUPPORT THE VOLUNTEER RURAL FIRE FORCE

by helping fund new equipment to help keep them and their community safe.

IN THE UPPER SOUTH ISLAND

WE HAVE SUPPORTED 55 COMMUNITY GROUPS IN THE PAST YEAR.

The Motueka Search and Rescue team used our funding to purchase new wet weather gear for their team.

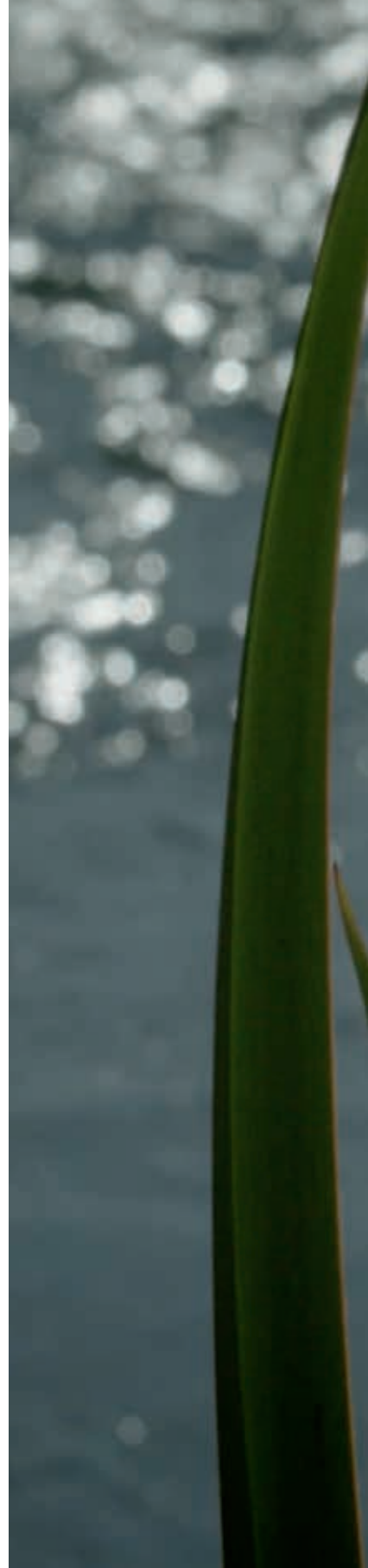
IN THE LOWER SOUTH ISLAND

WE HAVE SUPPORTED A NUMBER OF COMMUNITY PROJECTS,

including the Save the Peninsula project in Otago, helping volunteers plant native trees to protect and enhance the area. We have also supplied schools with high visibility vests for children who have to walk to school along rural roads.

THROUGH THE 'SUSTAINABLE
DAIRYING WATER ACCORD',
WE HAVE FENCED OVER 97 PER
CENT OF DEFINED WATERWAYS
ON OUR FARMS TO

**PROTECT
WATER
QUALITY**





THE GOOD WE DO HERE

A BOOK OF COMMITMENTS TO NEW ZEALAND FROM THE FARMERS OF FONTERRA

WATER IS ESSENTIAL TO THE LONG-TERM SUCCESS OF OUR FARMING BUSINESSES AS WELL AS TO THE HEALTH AND ENVIRONMENT OF THE COMMUNITIES WHERE WE LIVE, WORK AND FARM. WE DEPEND ON FRESH WATER FOR OUR OPERATIONS AND FOR FOOD SAFETY AND QUALITY. ON-FARM WE DEPEND ON FRESH WATER TO PRODUCE HIGH-QUALITY MILK.

We are committed to improving water quality and using water responsibly wherever we operate, and supporting the protection and restoration of water-based natural habitats.

The Sustainable Dairying Water Accord is the dairy industry's commitment to improving water quality in New Zealand. It sets out national good management practice benchmarks aimed at lifting environmental performance on dairy farms.

The Water Accord includes commitments to exclude stock from waterways, implement targeted riparian planting plans, effluent management, measurement for efficient water use and nutrient management, and comprehensive standards for any new dairy farms.

THE FACTS:

WE HAVE SPENT OVER \$1 BILLION ON ENVIRONMENTAL INITIATIVES ON OUR FARMS OVER THE LAST FIVE YEARS, WITH THE MAJORITY OF INVESTMENTS ON EFFLUENT SYSTEM UPGRADES.

WE HAVE EXCLUDED DAIRY CATTLE FROM MORE THAN 97 PER CENT OF DEFINED WATERWAYS AND ENSURED THAT MORE THAN 99 PER CENT OF REGULAR CROSSINGS HAVE A BRIDGE OR CULVERT.

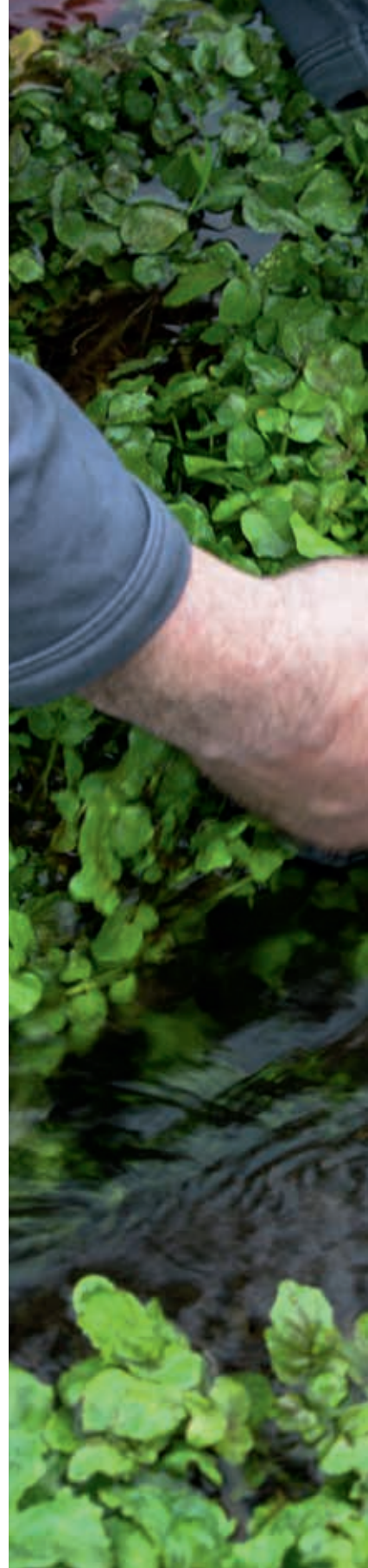
86 PER CENT OF OUR FARMS HAVE NITROGEN MANAGEMENT REPORTS, GIVING USEFUL INFORMATION TO REDUCE THE RISK OF LEACHING.

WE'VE PARTNERED
WITH THE DEPARTMENT
OF CONSERVATION
TO CREATE
**'LIVING
WATER'
AREAS**



Department of
Conservation
Te Papa Atawhai

WORKING TOGETHER TO CARE
FOR FIVE KEY CATCHMENTS





THE GOOD WE DO HERE

LIVING WATER IS OUR 10-YEAR PARTNERSHIP WITH THE DEPARTMENT OF CONSERVATION. TOGETHER WE'RE WORKING TOWARDS A SUSTAINABLE DAIRY INDUSTRY THAT IS PART OF A HEALTHY, FUNCTIONING ECOSYSTEM THAT TOGETHER ENRICH THE LIVES OF ALL NEW ZEALANDERS.

We know a strong healthy environment underpins sustainable, profitable dairy farming. Living Water is helping with this by reconnecting natural habitats on and off-farm to improve the quality of our land, waterways and native wildlife.

At the same time, Living Water is working hand-in-hand with the wider dairy industry and the science sector to develop sustainable dairying practices to reduce demands on the environment, maintain profitability and farm in harmony with nature.

Living Water is working in five significant dairying regions alongside dairy farmers, iwi, conservation groups, schools, local government and other agencies to demonstrate sustainable dairying in healthy ecosystems.

THE FACTS:

In the Kaipara Harbour (Northland) – we've been enhancing wetlands and floodplain management.

At the Firth of Thames / Tikapa Moana (Hauraki Gulf) – we are protecting the habitat for shorebirds, flyways and farming on the coast.

At the Waikato peat lakes we have focussed on restoring the unique peat ecosystems.

In Te Waihora / Lake Ellesmere (Canterbury) we are transforming drains into living waterways.

At Awarua – Waituna (Southland) we are protecting and reconnecting wetlands.

DAIRY CONTRIBUTES OVER \$8 BILLION

BACK INTO RURAL AND PROVINCIAL TOWNS

Our farms are spread right across the country and are a huge part of rural communities.

At a time of increasing urbanisation, dairy is helping to provide economic opportunities and contributing to healthy rural communities across New Zealand.

Dairy is great for provincial New Zealand. For every dollar they earn, farmers typically spend 50 cents of it in their local community. They buy farm machinery, fertiliser and farm supplies, and work with rural vets, accountants and bankers.

We are one of the largest employers in rural communities, providing jobs and on-going training right across New Zealand.

In addition to our direct employees, our business partners employ thousands of New Zealanders from rural communities

to provide us with important services such as engineering, plumbing, building, maintenance, freight and logistics.

We partnered with Silver Fern Farms to create Kotahi – New Zealand's largest supply chain collaboration. Kotahi represents one third of New Zealand's containerised exports, that's more than 200,000 shipping containers every year.

Our leadership programmes, like the Fonterra Governance Development Programme, help to develop our farmers into leadership positions on local rural boards, councils and school committees.



THE GOOD WE DO HERE

THE FACTS:

In Northland, **1,510** people are employed in the dairy industry. Last season, dairy contributed **\$424 million** into Northland's economy.

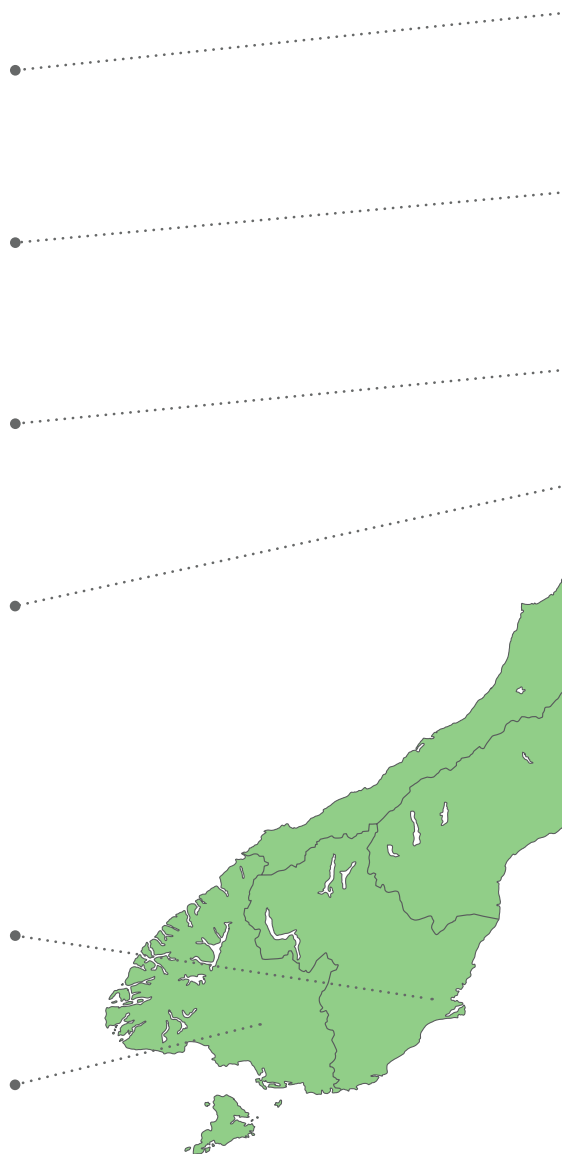
In Waikato, **9,322** people are employed in the dairy industry. Last season, dairy contributed **\$2.3 billion** into the Waikato economy.

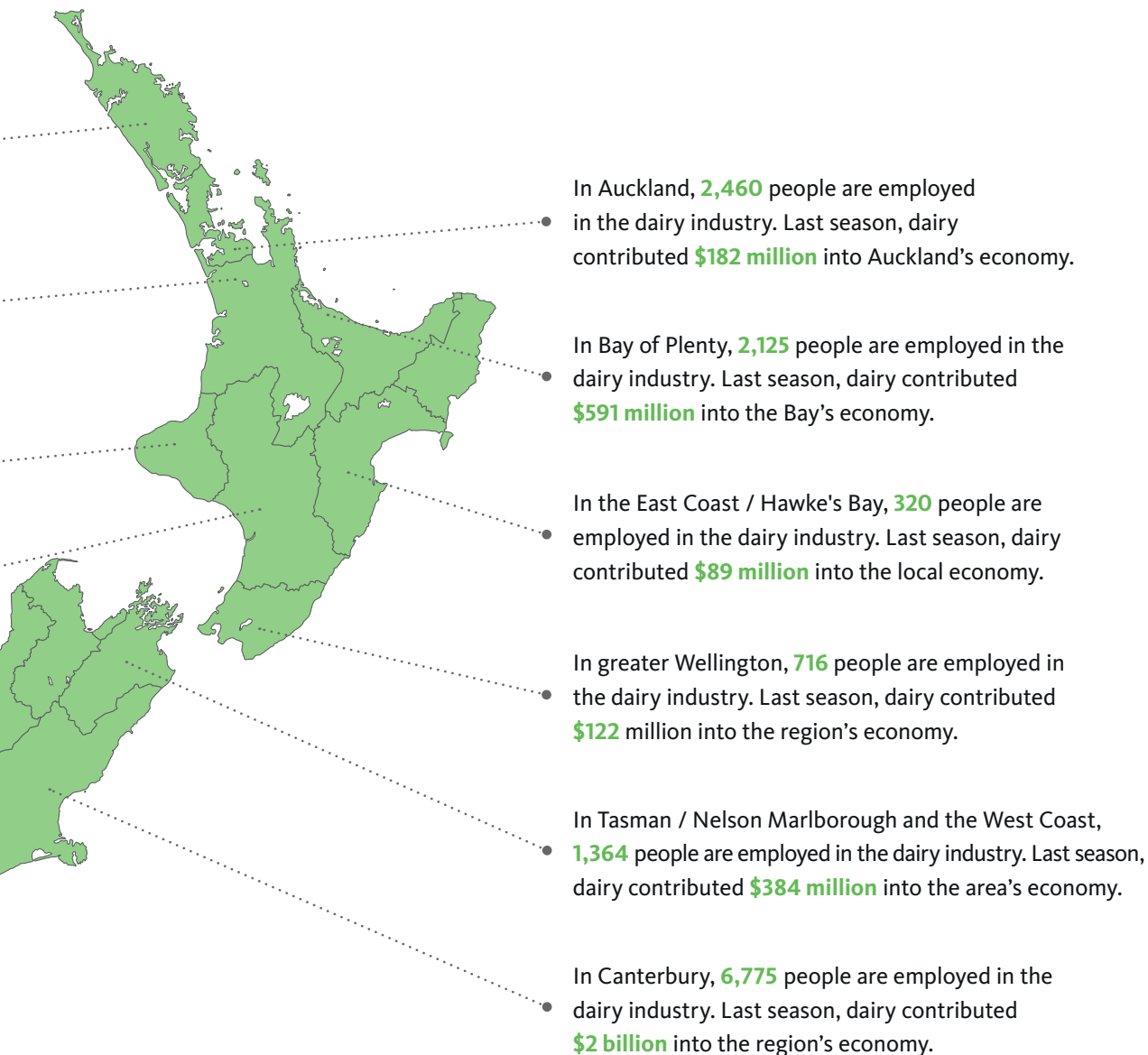
In Taranaki, **2,620** people are employed in the dairy industry. Last season, dairy contributed **\$919 million** into the local economy.

In Manawatu / Whanganui, **2,545** people are employed in the dairy industry. Last season, dairy contributed **\$591 million** into the region's economy.

In Otago, **1,114** people are employed in the dairy industry. Last season, dairy contributed **\$238 million** into the region's economy.

In Southland, **3,020** people are employed in the dairy industry. Last season, dairy contributed **\$1 billion** into the region's economy.





WE EMPLOY OVER 22,000 PEOPLE GLOBALLY, SO WE OFFER AMAZING OPPORTUNITIES FOR KIWIS WHO WANT TO JOIN OUR TEAM AND SHARE OUR DAIRY GOODNESS WITH THE WORLD.

People are core to what we do. Our farming families caring for the animals and resources that produce the milk; our global employees making and delivering our products; and our customers and consumers who rely on the high-quality nutrition we provide. We pride ourselves on being a leader in dairy nutrition and a hub for generations of current and future leaders in our industry. With a global network of offices and sites around the world, we are the world's leading dairy exporter and one of the largest milk processors. We're also New Zealand's biggest company.

We offer our people opportunities in fields as diverse as farm management, sustainability, manufacturing, engineering, food science, innovation and research, marketing, sales, information technology, supply chain, logistics and finance.

We export products to more than 100 countries and, as a result, roughly one-third of our team works outside of New Zealand.

Through our world-class training and development programmes, we assist our employees when moving into new roles, encourage the development of professional skills and provide specialist training in dairy products and technology.



THE FACTS:

More than 6,000 members of our team have worked for our Co-operative for 10 years or more. 1,150 of those employees have worked here for more than 25 years.

Each year our Graduate Development Programme brings talented young New Zealanders into our Co-operative. Alumni of the programmes have come up through the ranks and sat on our Management Team.

Our Dairy Apprenticeship and Skills Recognition programme offers both school leavers and current dairy factory workers a path to a recognised qualification. This year 72 existing staff completed the programme.

Asia is a cornerstone of our global business. We have more than 2,500 staff working in 13 offices, four manufacturing sites and distribution partners across the region.

The overall dairy sector employs 42,000 regional workers – a 30 per cent increase over the last 10 years.

This year we have partnered with local iwi at our Lichfield and Hautapu sites so that young Maori employed into the engineering apprenticeship scheme have support and pastoral care from their community to help ensure their long-term success.

Our agreement with the International Union of Food (IUF) and the New Zealand Dairy Workers Union (NZDWU) recognises our commitment to meet fundamental labour standards, as set by the International Labour Organisation (ILO) for all of our employees around the world.





**FOR DECADES
WE HAVE LED
THE WORLD
IN DAIRY
INNOVATION**

WE CONTINUE TO INVEST IN
RESEARCH AND DEVELOPMENT THAT
BENEFITS ALL NEW ZEALANDERS.

PROVIDING SAFE, SUSTAINABLE NUTRITION IS ONE OF THE MOST SIGNIFICANT GLOBAL ISSUES. DAIRY NUTRITION HAS A HUGE ROLE TO PLAY IN HELPING TO SOLVE THIS ISSUE.

Through research and development we're able to make superior dairy nutrition accessible to more people, helping to improve health at key life stages.

Our priority is to protect the natural goodness of dairy by maintaining the nutritional integrity of our products, and providing simple and accurate information to help people make informed choices.

For some people, those choices are determined by food allergies or the type of diet and lifestyle they want to lead.

We provide a range of dairy options to ensure everyone has access to dairy nutrition that meets their needs.

Our Research and Development Centre in Palmerston North, New Zealand, employs many of the world's leading experts in dairy research and development. Dating back to 1927, the Centre has an unrivalled reputation for unlocking new applications from milk.

We are developing specialised ingredients to help reduce the risk of allergies, boost immunity and address bone health. We put high quality dairy proteins in the hands of athletes to safely build muscle mass and recover after training. We help food companies produce healthier products, such as reduced sodium cheese.

THE FACTS:

We're one of the world's largest investors in dairy innovation, having invested over \$1 billion in the last 10 years.

We employ more than 400 scientists and support staff at our Research Centre alone.

With each 250ml serving containing 15 essential vitamins and nutrients for good health, milk is a nutritional powerhouse. Dairy protein is widely regarded as the best natural protein available.

An \$11 million upgrade has doubled capacity of the lactoferrin plant at Hautapu. Lactoferrin is an iron-binding protein used in infant formula and health foods and is in high demand in Asia.

Our research centre in New Zealand is complemented by development centres in other key markets where we work closely with customers to develop innovative dairy solutions which enhance their product ranges for consumers.

WE'VE BEEN AT THE FOREFRONT OF
NEW ZEALAND'S GLOBAL EXPORTS FOR
OVER 50 YEARS, AND WE MAKE UP

**25 PER CENT OF
NEW ZEALAND'S
EXPORTS**





THE GOOD WE DO HERE

**DURING THE PEAK OF THE DAIRY SEASON,
WE CLOSE THE DOOR ON A CONTAINER OF
DAIRY EXPORTS EVERY THREE MINUTES.**

We are one of New Zealand's only truly global businesses. The dairy products made from the milk of the 10,500 farmers that own our Co-operative are enjoyed by hundreds of millions of people in more than 100 countries.

New Zealand has a long history of exporting dairy to the world. We have always been at the frontier of new developing export markets.

Refrigeration in 1882 opened new markets to New Zealand's agriculture industry, and the UK quickly became our largest export market until the 1970s. When the UK joined the European Economic Community in 1973, we knew we had to diversify by developing new products and finding new markets.

Our eye for new opportunities has helped us to become one of the world's largest exporters of dairy products. Along the way, we've helped open the door to new markets for thousands of other New Zealand exporters.

THE FACTS:

We export 95 per cent of the 18 billion litres of milk that our New Zealand farmers produce each year.

Our products represent more than 25 per cent of total New Zealand merchandise exports and seven per cent of the country's Gross Domestic Product (GDP).

We have been providing high-quality dairy nutrition to Sri Lanka for more than 40 years.

Our dairy hit Malaysian menus in the 1970s. Today, Malaysians consume more than 2 million servings of our branded products every day.

In 1994, we established a joint venture in the Kingdom of Saudi Arabia and established one of the largest multi-product dairy processing sites in the country to produce milk powders and cheeses.

From our regional headquarters in Dubai, we operate in 28 countries across the Middle East and North Africa.

THE GLOBAL

WORK WE DO
OVER THERE

WE'VE BEEN DEVELOPING AMAZING DAIRY PRODUCTS FOR DECADES AND NOW SHARE THEM WITH OVER 1 BILLION PEOPLE AROUND THE WORLD. NOT MANY PEOPLE KNOW, BUT WE'RE THE BIGGEST BRAND IN MANY MARKETS, LIKE CHILE WHERE OUR SOPROLE BRAND IS MORE RECOGNISABLE THAN COCA-COLA, IN SRI LANKA WHERE ANCHOR IS THE NUMBER ONE DAIRY BRAND, OR IN CHINA WHERE MORE THAN HALF OF ALL PIZZAS SOLD HAVE OUR CHEESE ON THEM.

WITH THIS SUCCESS COMES AN OBLIGATION TO GIVE BACK TO THE INTERNATIONAL COMMUNITIES IN WHICH WE OPERATE. HERE ARE SOME OF THE WAYS WE'VE ACHIEVED THAT.



WE EDUCATE MOTHERS ON NUTRITION
FOR THEIR BABIES AND SUPPORT BETTER
MOVEMENT FOR OLDER PEOPLE THROUGH

DAIRY NUTRITION

Since 2009, our Rural Maternity and Infant Healthcare Community Programme in China has committed US\$1 million a year to support the health of women and children in rural areas. The programme provides medical care and support to pregnant women and new mothers, and also provides training for medical workers in these areas. The programme has benefited over 10 million people to date.

For many years, Anlene has been successfully educating Indonesians on bone health by working hand-in-hand with the local Government, healthcare associations and private sectors in Indonesia. We have encouraged more than 200,000 people to move for bone health, and provide free bone scans to help around one million Indonesians each year.

We are helping to tackle obesity in Malaysia where one in five children is overweight or obese, and the country faces the highest rate of adult obesity in Asia. To raise awareness of this issue and highlight the importance of good nutritional habits,

we hosted a forum with leading industry experts and media. The forum focussed on the implications of a high-sugar diet for children, which experts say has been one of the major contributors to the increase in obesity in Malaysia. Together the experts shared insights on the topic, tips on reading nutritional labels and ways to build healthy eating habits from a young age.

Our community activities in Malaysia aim to enrich lives and make a positive difference to those who need it most. Since 2012, we have been working with Yayasan Salam Malaysia on a development programme for children's education, health and nutrition. This work reaches 50 Orang Asli families of Kampung Pertak, a community located in Hulu Selangor, Selangor.

Under-nutrition is an on-going problem in Ethiopia, so we created a fortified milk-based drink that provides children with access to affordable, smaller portions of dairy along with eight essential nutrients they may be missing from their daily diets.



WE SUPPORT MANY LOCAL CHARITIES

IN THE INTERNATIONAL COMMUNITIES WHERE WE OPERATE.

Our Fonterra Grass Roots Fund has provided financial support for ideas that help to strengthen our dairy communities, making them safer and more vibrant places to be. It was launched in New Zealand in 2007, Australia in 2011 and Sri Lanka in 2014. We aim to gradually expand its coverage, but here are a few examples of the work we are already doing.

SRI LANKA

Our Sri Lankan Fund works with trusted partners such as the Sarvodaya Shramadana Movement and the Kansarmen Foundation, responding to specific community needs, with a specific focus on children. Since its launch we have contributed over \$280,000 to complete 40 projects and reach an estimated 25,000 people in the areas where we source milk. This year examples of help include training for early childhood teachers and the construction of a new classroom at a school in the Henegama district which children from Fonterra's dairying families attend.

GREATER CHINA

In Greater China we are focussed on health and nutrition in the rural villages where we have farming operations, and on vulnerable groups in the cities. This year, through our partnership with the China Soong Ching Ling Foundation, we donated more

ambulances, two to Yutian County and two to Ying County. We also provided free health checks to over 200 villagers near Yutian and funding to help Hangu Middle School renovate its dormitory.

CHILE

For 15 years our Soprole brand has been supporting school sports in Chile. With an estimated one and half million people impacted through the activities of different clubs and organisations, this is a great opportunity to encourage healthy outdoor exercise and to instil important values such as hard work, perseverance and solidarity.

AUSTRALIA

Since 2011 we have supported over 300 initiatives that focus on bringing communities together, caring for the environment and promoting healthy lifestyles and dairy nutrition.

Our sponsorship funding has helped to build school vegetable gardens, supported sports, community and surf life saving, and aided the purchase of essential equipment for emergency response services. We also partner with Australia's largest food relief organisation, Foodbank and their Fresh Milk Collaborative Supply Program which gets fresh milk to disadvantaged Australians.



WHEN DISASTERS HAPPEN IN THE COMMUNITIES WE OPERATE IN, LIKE MOST KIWIS OUR FIRST RESPONSE IS TO DIVE IN AND **HELP ANY WAY WE CAN.**

The Gorkha Earthquake that struck Nepal in April 2016 was the worst natural disaster to hit the country in more than 80 years. The tragedy had a particular impact on our Malaysian team, which counts in its family 150 employees from Nepal. To support the affected colleagues and the local community, Fonterra staff from Malaysia, Singapore, the Philippines and Vietnam banded together to raise much needed funds.

In Australia, in times of special needs and crises, such as the Queensland and Victorian floods, and Victorian bushfires, our business has been there to help with cash, product and volunteering.

In response to the 2015 cyclones in Fiji we provided Anchor food parcels to people cut-off or displaced from their homes.

In 2016, hundreds of thousands of Sri Lankans were affected by the worst floods in 30 years – the single worst natural disaster since the 2004 Indian Ocean tsunami. The floods hit the capital Colombo and the Biyagama region where our office and manufacturing sites are located.

Here's some of what we did to help out:

- **WE LAUNCHED A RELIEF AND LONG-TERM REHABILITATION PROGRAMME TO SUPPORT COMMUNITIES BY DISTRIBUTING 3,000 PACKS OF MILK POWDER TO NATIONAL RELIEF EFFORTS**
- **OUR STAFF SERVED OVER 4,800 MEALS AND DONATED ESSENTIAL ITEMS AND FOOD**
- **WE ORGANISED TWO MEDICAL CAMPS – IN BIYAGAMA OUTSIDE OUR SITE, AND IN A HEAVILY AFFECTED DAIRY COMMUNITY, PROVIDING FREE MEDICAL CARE AND MEDICINE FOR AROUND 600 FLOOD VICTIMS**



WE HELP TO DEVELOP

DAIRY TECHNOLOGY IN EMERGING DAIRY MARKETS SO THAT MORE CONSUMERS CAN ENJOY NUTRITIOUS, FRESH DAIRY PRODUCTS.

Dairy Development is our name for sharing our dairy know-how with local farmers to help develop their emerging dairy industries.

Through Dairy Development we help to improve local farmers' production, milk quality and ultimately, their income.

In Sri Lanka, we train local farmers to improve forage, animal welfare, and milk quality. We've built a demonstration farm and milk collection centres, processing local milk and turning it into high quality dairy products. This year, three of our farmers from New Zealand spent a month at the training and demonstration farm working with the locals to help them develop new skills.

In Indonesia, we are providing training to build capability amongst local farmers and co-operatives and partnering with the Indonesian government.

In collaboration with the Chinese Ministry of Agriculture and the Dairy Association of China, we invite experts in agriculture and dairy farming to provide training for local dairy farmers in Hebei, Shandong

and Shanxi provinces. To date, more than 3,400 local farmers have been trained, helping to improve the development of the local dairy industry.

In Australia, our Fonterra SupportCrew™ programme provides our farmers with access to a team of specialists, with expertise and skill sets in finance, nutrition and agronomy, human resource management, quality and sustainability. The aim is to improve farm production and the efficient use of natural resources. Since its launch, the SupportCrew™ programme has returned more than \$2 million to the bottom lines of its farmer suppliers in New South Wales, Victoria and Tasmania.

In Hokkaido, Japan a grass farming study, that we sponsor with the New Zealand Government, is partnering with Japanese farmers to identify ways the declining dairy industry in Japan can be more profitable. We are sharing rotational grazing, silage and bailing techniques that are helping farmers in the snow-prone region to improve production by as much as 20 per cent.



THE GLOBAL WORK WE DO OVER THERE

WE CO-INVEST AND PARTNER WITH LOCAL BUSINESSES SO WE CAN BUILD A STRONGER DAIRY INDUSTRY TOGETHER.

We cannot meet all of the needs of our global customers and consumers with milk sourced from New Zealand alone. Our future lies in building ties with customers and suppliers of significance to create sustainable partnerships that enable us to be a premium provider of quality dairy at a global scale.

Europe is an important source of high quality dairy ingredients to complement our New Zealand based supply. We have formed strong partnerships across the continent in order to develop a sustainable milk supply that's reliable and high quality.

Our current partnerships include DMV-Fonterra Excipients (with Friesland Campina) and Fast Forward Ltd (with First Milk), along with our sourcing partnerships with A-ware Food Group (the Netherlands) and Rokiskio Suris AB (Lithuania). These partnerships provide us with enough whey to make 500 million protein shakes a year.

In Australia, we have supply agreements with local farmers who supply fresh milk for our eight manufacturing sites. We work with our

farmer representative group, Bonlac Supply Company, and run a leadership programme which develops future industry and community dairy leaders.

Latin America is an important market for us, and one in which we have strong foundations with leading company Soprole in Chile and our joint venture, Dairy Partners Americas, with Nestlé in Brazil.

We established our first farm in China in 2007 as a pilot project to produce New Zealand-standard milk there. Today, we operate a hub of three single farms and one double farm in Hebei Province, a second hub in Ying County, Shanxi Province, and have announced a third farming hub that is being developed in partnership with Abbott.

Our global partnership with Beingmate, a leading Chinese infant food manufacturer, helps meet the growing demand from Chinese and international consumers for infant formula, and contributes to the development of the Chinese dairy industry.



WE WORK CLOSELY WITH NATIONAL AND LOCAL GOVERNMENTS TO SUPPORT IMPROVED REGULATIONS FOR PRODUCING AND SELLING NUTRITIOUS DAIRY.

We're proud to be a part of communities all over the world. It's not just about giving people in more than 100 countries affordable access to the goodness of dairy, it's about sharing what we've learned along the way.

We work with local dairy industries to share best practice food safety and quality systems, animal husbandry knowledge and technology to support their on-farm systems.

We participate in regulation and standard-building, providing global insight and advice on regulations and standards. We have also provided expert dairy training to regulators to share knowledge and help build local capability.

We founded the Global Dairy Platform, a global industry body that includes CEOs, executives and researchers from corporations, communication, and scientific bodies, that work in partnership to support the dairy industry in the promotion of sustainable dairy nutrition. We are also a member of the International Dairy Federation (IDF) which since 1903 has been a leading source of scientific and technical expertise for the dairy industry. The IDF's work includes sustainable development, nutrition, methods of analysis, farm management and hygiene and safety.

In China, the China-New Zealand Dairy Exchange Centre is our joint initiative with China's National Dairy Industry and Technology System to support the sustainable development of the dairy industry in both countries. The Centre develops and oversees programmes in policy development in the China and New Zealand dairy sectors, academic exchanges, industry promotion, dairy technology research and personnel training.

We also partner with the China National Research Institute of Food & Fermentation Industries under the guidance of the China Ministry of Industry & Information Technology to support the sustainable development of the dairy industry through a three-year exchange and training programme focussed on food safety and quality. The partnership agreement involves knowledge-sharing, mutual visits and training for Chinese and New Zealand dairy industry representatives.

Last year, Anchor set out to work with the Food and Nutrition Society of Ethiopia to develop an affordable milk drink fortified with the right level of nutrients to improve the nutritional status of Ethiopian children and support healthy growth and development.



THE GRIPES

WE HEAR
ABOUT US

**NEW ZEALANDERS
ARE NOT AFRAID OF
EXPRESSING A POINT
OF VIEW AND WE'RE NO
DIFFERENT. HERE ARE
SOME OF THE THINGS
THAT ARE SAID ABOUT
US THAT WE'D LIKE TO
ADDRESS BY OFFERING
OUR POINT OF VIEW.**

GRIPE 1

"DAIRYING IS DESTROYING OUR ENVIRONMENT"

There seems to be this idea that it's farming or the environment, but it can't be both. We don't believe that. We know these natural resources give us our livelihood. New Zealand is known as a clean, green nation that produces top quality agriculture products and has innovative farmers. Consumers are prepared to pay a premium for food that comes with these benefits.

Here's what we are doing to leave things better than we found them for generations to come.

We are particularly focussed on managing freshwater quality on-farm by fencing waterways, managing raceways, tracks, paddocks and effluent, and reducing run-off with riparian planting.

We use an innovative modelling software on our farms so we can understand how many nutrients are leaching through our soil and making it to ground water.

We look at areas on our farms that have land unsuitable for dairying that could be planted back in natives or to create a small wetland.

We monitor water use throughout our supply chain and work to preserve and enhance the environment around our processing sites. We are investing in resource-efficient plants to lower the water used per tonne of product.

We invest significantly in greenhouse gas mitigation technology to inhibit the amount of methane a cow produces, or manage the nitrous oxide that escapes into the atmosphere.

We share your ambition for a country where farmers can farm profitably, supporting communities and living alongside a healthy environment where we can swim, fish and gather food in the places that are special to us.

THE FACTS:

Dairy farmers have spent over \$1 billion on environmental initiatives over the last five years.

We have fenced more than 24,000 kilometres (97 per cent) of significant waterways on dairy farms which are now stock-excluded, along with more than 10,000 kilometres of smaller waterways.

86 per cent of our farms have nitrogen management reports, giving useful information that reduces the risk of leaching.

We use advanced irrigation technology and soil sensors to determine exactly how much water to put on our farms.

We are currently running a trial with NIWA which gives farmers greater accuracy with weather prediction. This will help to prevent unnecessary irrigation and fertilising before rain, therefore helping to prevent nutrient run-off and nitrogen leaching.

In our New Zealand processing sites we recycle or reuse 2.4 billion litres of water and we are seeking to increase this percentage every year.

We have invested more than \$8 million in methane reduction technologies.

GRIPE 2

"NEW ZEALAND'S NATURAL RESOURCES CAN'T COPE WITH MORE DAIRY FARMS"

Some people think that New Zealand can't support any more dairy farms. We believe that by being smart with the land we have, we can continue to use the land productively and protect the environment.

The number of dairy farms in New Zealand has increased significantly over the past three decades. We have not driven this change. Land owners have made the choice to convert their farms to dairy because of the relative prices for milk, wool, lamb, beef or forestry. This has been most prevalent in the South Island, where the area of land used for dairy farming has tripled in Canterbury and more than quadrupled in Southland.

In some places, intensification has meant there has been an impact on the environment. Councils, communities and farmers recognise this and are working hard to address it, balancing environmental, recreational, cultural and economic interests to find a solution.

There are areas in New Zealand where dairy or other intensive land uses can continue to grow without degrading the environment. In other places, we need to know what the environmental limits are, and work with local and regional councils to develop workable plans and strategies to reduce the impact of these operations.

We're doing our bit by adjusting our farming systems, changing practices and investing where we need to. It's a massive programme of work, and it's going to take time, but it's our commitment to New Zealanders.

THE FACTS:

In New Zealand, we are a signatory to the Sustainable Dairying Water Accord that works with farmers to adopt good management practices on-farm. We have excluded stock from more than 24,000 kilometres of waterways and continue to improve effluent and nitrogen management, and reduce run-off through riparian planting.

Our nitrogen management programme is the first organised process in the country to collect data from farms, model the nitrogen loss and provide that information back to farmers so that they can adjust their farm systems accordingly.

New Zealand will always be our number one source of milk, but we complement it with milk sourced in Australia, Chile, Brazil, China and Europe. Sourcing milk in these markets shortens our supply chain and provides the fresh liquid milk needed to meet local demand for many of our consumer and foodservice products. It also allows us to meet global demand growth as well as take the New Zealand high standard of dairy farming and production to more consumers around the world.

GRIPE 3

"FONTERRA CONTINUES TO USE COAL WHEN RENEWABLE ENERGY IS AVAILABLE"

There is a belief that we burn coal when we could just use renewable energy. This is only half of the story. Like other New Zealand businesses, we are using coal while we work to a better solution. In the meantime, we are driving energy efficiency across our Co-operative.

Climate change is a significant environmental, economic and social challenge for the world and we want to play our part in reducing our effect on the global environment.

The most meaningful way we can reduce our contribution to climate change is to optimise our energy mix towards cleaner, more efficient forms of energy and to reduce energy consumption.

Our focus is first on reducing our reliance on coal, as our biggest greenhouse gas emitter. Right now, our scale, lack of viable alternatives and need for a reliable energy source to keep our operation running, means that we will be reliant on coal for some time. That doesn't mean we are doing nothing.

We continue to develop alternative, renewable sources of energy such as biomass, solar, geothermal and wind power with the aim of reducing our reliance on fossil fuels.

In the North Island, we have three remaining coal burners, the others use natural gas. In the South Island, where there is no natural gas available, we have recently committed to burn up to 20 per cent wood biomass in our proposed new boiler at Studholme.

As well as looking for alternative energy solutions, we have a target to reduce our energy per tonne of production within New Zealand manufacturing operations by 20 per cent per tonne of production by 2020.

To achieve this, we have one of the longest-running energy efficiency programmes in New Zealand. Since it began in 2003, we have achieved more than a 16 per cent reduction in manufacturing energy intensity. This is equivalent to saving enough energy in 2015 to power 190,000 average homes in New Zealand each year.

We advocate for appropriate policy as we support a transition to a low emissions global economy, and recognise our responsibility to contribute to global emissions reductions efforts.

THE FACTS:

We only purchase low sulphur coal and have installed emission control systems, such as bag houses, at the majority of sites to minimise emissions. The ash that is generated is returned to the mine source and typically has plantings on top of the ash ponds as part of the rehabilitation of the mine.

We have trialled biomass generation on-site – a cleaner burning mix of organic materials, grasses and other plants grown specifically for energy generation.

Our partnership with Z Energy secures cleaner burning bio-diesel for some of our fleet of 550 tankers. It will reduce emissions from each tanker that uses it by up to four per cent per year.

Our energy efficiency programme has been in operation since 2003.

It assists with decreasing energy costs, as well as decreasing the emissions associated with our energy use.

Our continued focus has resulted in a 3.1 per cent reduction in our combined New Zealand and Australia manufacturing greenhouse gas emissions to 0.592 tonnes CO₂ e/tonne in 2015/16.

GRIPE 4

"DAIRY FARMING IS CRUEL TO ANIMALS"

While it may sound simple, cows are the absolute core of every dairy farm, and their health and welfare is of paramount importance to us. We know there is a close relationship between well-cared for cows and good milk production which is why animal husbandry is a source of pride for every farmer.

We are committed to managing animals responsibly and continuously improve animal health and welfare outcomes as well as eliminating practices that contravene the internationally recognised "Five Freedoms".

If anyone identifies an animal welfare issue on a farm, New Zealand has an early response system set up with the Ministry for Primary Industries and DairyNZ to protect the animals.

In all regions, we build on existing animal welfare legislation and work with industry bodies while ensuring our practices are verified by the New Zealand Government.

Our responsibility to animal welfare extends to wherever we operate in the world. We share our knowledge of best practice with other countries, and assess the welfare of animals as part of our on-going quality checks in overseas markets.

THE FACTS:

The Animal Protection Index, which ranks 50 countries across the world on their animal welfare standards, places New Zealand (along with the United Kingdom, Austria and Switzerland) in first place.

We work closely with other dairy industry bodies to provide farmers with comprehensive training and information on animal health and welfare. And at least once a year, farmers have a consultation with their vet about animal health management. Our practices are verified by the New Zealand Government.

Globally, our International Milk Quality team assess animal welfare as part of their milk quality audits in all markets outside of New Zealand where we source milk. This enables Fonterra to identify and recommend improvements to farmers.

We care for our cows and follow the standards set by the World Animal Health organisation, protecting their internationally recognised rights, known as the 'Five Freedoms'.

- **FREEDOM FROM HUNGER AND THIRST: OUR COWS HAVE ACCESS TO CLEAN WATER AND A GOOD DIET.**
- **FREEDOM FROM DISCOMFORT: PROVIDING A COMFORTABLE ENVIRONMENT, WITH SHELTER AND RESTING AREAS.**
- **FREEDOM FROM PAIN, INJURY AND DISEASE: VET ATTENTION WHEN THEY NEED IT AND REGULAR VET VISITS.**
- **FREEDOM TO EXPRESS NORMAL BEHAVIOUR: SUFFICIENT SPACE, AND THE COMPANY OF OTHER COWS.**
- **FREEDOM FROM FEAR AND DISTRESS: SO THEY FEEL COMFORTABLE AND RELAXED.**

GRIPPE 5

"THE LOW MILK PRICE IS HURTING FARMERS AND NEW ZEALAND"

Often people say we are holding back on our farmers in order to make a profit. The fact is, we are the farmers. As a Co-operative we all collectively take the good with the bad.

Global milk prices paid to farmers are stubbornly low at the moment and there's no doubt that dairy farmers all over the world are doing it tough. We're doing everything we can to get as much cash as possible to our farmer owners, but the reality is global dairy prices are outside of our control.

Our farmer owners are the reason for our existence, so naturally we act in their best interests. It's simply not true to suggest that we are not paying out every cent possible to our farmers.

Because New Zealand exports 95 per cent of the milk produced by New Zealand farmers, we are more vulnerable to fluctuations in global dairy prices than other nations, say the EU and U.S. that export 15 per cent and 14 per cent respectively. You may have seen this reflected in our pay out recently. But if you look at our pay out to New Zealand farmers compared to other countries over the long-term, we are more than competitive.

Forecasting can be seen as an area of frustration. Often our Co-operative, the banks and industry analysts all have different views on what prices will do. We always aim for the most accurate forecast at the time it is given, but events can quickly change the picture. If there is good new information to support a change to the forecast Farmgate Milk Price, we update it and let farmers know straight away.

THE FACTS:

We're using the collective strength of the Co-operative to help farmers get through these tough times. Our Co-operative Support Loan is an interest-free loan scheme that has been taken up by 76 per cent of farmers and \$383 million was paid out. It has enabled our farming businesses to better weather the challenging dairy climate.

Primarily, Farm Source stores provide farming supplies for our farmers at the best possible prices. During times of particularly low Farmgate Milk Price, Farm Source has offered extended interest free deferred payment terms to farmers. In 2015, more than 4,000 shareholders and sharemilkers took advantage of this scheme, in addition to enjoying \$8.5 million worth of Farm Source rewards.

GR IPE 6

"DAIRY PRODUCTS ARE BAD FOR YOU"

Dairy is an incredible source of nutrition and it has something to offer everyone. Whether it's nutrition for infants boosting development and cognition, nutritionally fortified products for nourishment and energy, or products to boost mobility, dairy nutrition can help people live fuller, richer lives.

We are committed to delivering superior dairy nutrition based on protecting the natural goodness of dairy and championing dairy nutrition understanding, awareness and accessibility.

We are improving our nutritional product portfolio to use minimum quantities of added sugars, without compromising quality, taste, texture and safety. In recent years, we have been reviewing products and prioritising those that deliver the goodness of dairy to children.

We also love to see people enjoying their dairy and the connection they feel to iconic Kiwi brands like Tip Top and Anchor. Some of our products, like ice cream or chocolate milk aren't designed to be eaten every day.

We think there's a place in life for people to treat themselves from time to time, so these products come with honest nutritional information to help people make balanced choices.

THE FACTS:

Anchor Uno was launched as a smooth, probiotic yoghurt with an added bundle of vitamins and minerals, free from artificial colours, flavours or sweeteners, to support a healthy immune system in kids. It also contains zero artificial colours, flavours or sweeteners. Although this product used to contain similar levels of added sugar to our competitors, this year we successfully reduced the added sugars content in the product without compromising its taste.

Tip Top has always prided itself on producing iconic Kiwi treats using fresh local ingredients, such as milk and cream. We are aware of New Zealand's growing preference for natural ingredients. That's why Tip Top has replaced all artificial colours and flavours with natural alternatives across our range of products.

With more than 80 years' experience in dairy nutrition, our Research and Development Centre is the world's leading dairy innovation hub, and it supports our regional technical centres to deliver customer support and commercialise a range of everyday consumer products. We provide world-leading ingredients, technical services and application science support to customers to help them realise their innovation potential in dairy.

GRIPE 7

"FONTERRA JUST SELLS A COMMODITY. WHY NOT ADD VALUE TO THE MILK?"

Every day, half of the pizzas sold in China are made with our cheese. That doesn't happen if you just dry milk and ship it off overseas.

Our job is simple. We collect all of the milk off our farms and then work out the best way to maximise the value of every drop. At our scale, that means producing a mix of commodity, speciality ingredients, and higher value consumer and foodservice products that our customers and consumers enjoy all over the world.

We do make milk powder. In fact we are one of the best in the world at it. In the last five years we've built the largest milk powder dryers in the world, helping our ingredients business to generate significant revenue for our farmers.

Our milk powder dryers help us to process milk at scale. That's important because it means we can continue to process all of our existing farmers' milk, and give them room to grow their individual farming businesses. They also help us to meet our obligations to New Zealand.

Legislation requires us to have enough capacity to process any new milk – not just the milk of our own farmers.

More capacity also means more choice around our product mix. In the first half of this year that extra capacity meant we could move an additional 235 million litres of milk into higher value foodservice and consumer products. That's on top of the additional 600 million litres we did the year before.

Our milk is used in a large variety of value-added products in New Zealand and around the globe. We remain focussed on growing demand, especially in the eight markets where we currently hold or aim to achieve leadership and a very strong position: New Zealand, Australia, Malaysia, Chile, China, Sri Lanka, Indonesia and Brazil.

Whether you're enjoying a cheesecake in China, chicken parmigiana in Singapore, pizza in Japan, drinking a milkshake in Dubai or biting into a croissant in Australia, there's a very good chance it's our dairy products that will make the meal memorable.

THE FACTS:

Our consumer and foodservice business has grown by \$2.5 billion from 2009-14 – the same value as New Zealand’s total horticultural exports.

We are one of the world's largest investors in dairy innovation, having invested over \$1 billion in the last 10 years.

The first batches of our slice-on-slice cheese, the most in-demand food product used in foodservice and home kitchens, are now coming off the line at Eltham. This plant will produce 2.3 billion slices of cheese annually, destined for more than 100 markets around the world.

Clandeboye’s new mozzarella plant is running 24 hours a day, making enough cheese to top 300 million pizzas a year in our global markets. The premium-performance mozzarella is one of our most sought after cheeses, destined for pizzas across China, Asia and the Middle East.

GR IPE 8

"FONTERRA PAYS ITS EXECUTIVES TOO MUCH"

WE ARE A GLOBAL LEADER IN THE DAIRY INDUSTRY AND AN \$18 BILLION BUSINESS. TO ENSURE THAT WE CAN CONTINUE TO GROW AND REMAIN COMPETITIVE ON THE WORLD STAGE, WE NEED TO ATTRACT THE BEST TALENT FROM NEW ZEALAND AND AROUND THE WORLD.

People with the skills and experience to consistently drive the performance of a business of our scale and complexity are in high demand. To continue to attract these people to New Zealand, we need competitive remuneration packages.

Our people are delivering. In the last financial year our net profit increased 183 per cent. New Zealand's other top 10 companies managed an average of less than 20 per cent over that period.

Like many of New Zealand's top businesses, we use salary bands to determine the pay range for each role. The pay ranges are set based on the local employment market using independent survey data. Fonterra's policy is to pay around the median of the market with incentives to reward great performance.

Our employees' annual earnings are reported each year and include any superannuation, performance bonuses and allowances; which vary greatly from each country.

It is also important to understand the strength of our employees' performance has no influence over the global dairy market. Like all commodities, global dairy prices are determined by global supply and demand. Our team's performance primarily contributes to the dividend that is paid to our shareholders, and this has risen steadily over the last three years.

THE FACTS:

We use salary bands to determine the pay range for each role. The pay ranges are set based on the local employment market and using independent survey data.

Our policy is to pay around the median of the market with incentives to reward great performance.

All of our executive team have clear performance targets that must be achieved.

GRIP E 9

"FONTERRA IS NOT DELIVERING ON ITS PROMISE TO MAKE FARMERS AND NEW ZEALAND MORE SUCCESSFUL"

Nothing could be further from the truth. We are farmers; we became a Co-operative so that we could have each other's backs and negotiate better deals.

As a Co-operative, our job is to collect all of our milk and then provide a cost-effective and competitive supply chain to reach customers around the world, to achieve the world's best prices, and to provide transparency to allow our individual farming businesses to make production decisions.

We are a truly global business, owned by 10,500 farmers and supported by over 22,000 Fonterra employees around the world. Our products are enjoyed by 1 billion people in more than 100 countries. We operate 36 sites in New Zealand alone, which process 18 billion litres of milk a year.

Annually, dairy pumps more than \$12 billion dollars into the New Zealand economy. Our largest economic dairy region is Waikato, where 9,322 people are employed in the dairy industry contributing \$2.3 billion to the local economy, followed closely by Canterbury, where we employ 6,775 people and contribute \$2 billion to the region.

Since our formation the gap between what our farmers are paid and what their global counterparts are paid has been closed. On average our farmers are paid the same if not occasionally more than their peers in these markets. High quality dairy protein continues to be biggest global food trend and we are perfectly poised to help deliver this need now and in the future.

THE FACTS:

When Fonterra was formed, the New Zealand and Australian dairy industries were about the same size. Today, New Zealand's dairy industry is twice the size of our Australian counterpart.

Last year, our ingredients business turned in \$14.3 billion, and consumer and foodservice turned in \$6.7 billion.

Our consumer and foodservice business grew by \$2.5 billion from 2009-14. That's the same value as New Zealand's total horticultural exports.

The New Zealand dairy industry poured \$12 billion into the New Zealand economy last year alone.

Dairy represents more than 25 per cent of total New Zealand merchandise exports and seven per cent of the country's Gross Domestic Product (GDP).

Last year, New Zealand exported \$13 billion of dairy products.

For every \$5.00 of value created in the New Zealand economy each year, just under \$1.00 is due directly or indirectly to the agri-food industries.



THANKS FOR LISTENING

AS WE'VE SAID, WE'RE NOT PRETENDING TO BE PERFECT. WE WILL ALWAYS ENSURE WE LISTEN TO WHAT'S BEING SAID AND KEEP IMPROVING EVERY DAY. WE ARE INCREDIBLY PROUD OF WHAT WE HAVE ACHIEVED SO FAR AND EXCITED ABOUT TAKING THE BEST OF NEW ZEALAND OUT TO THE WORLD.

THE FARMERS OF FONTERRA



Dairy for life