

# Appointments and Remuneration Committee Charter

Board approved September 2019

## Constitution

The Board of Fonterra Co-operative Group Limited (“the Board”) has established a committee of the Board, known as the Appointments and Remuneration Committee (“the Committee”).

## Purpose

The purpose of the Committee shall be to assist the Board in fulfilling its corporate governance responsibilities relating to the recruitment, retention, remuneration and development of directors, executives and other employees and any other matters referred to it by the Board.

## Responsibilities

The following are the functions of the Committee:

### Appointments & Terminations

- Recommend to the Board in relation to the appointment and termination of the CEO, including applicable terms and conditions, and in relation to the performance of the CEO.
- Approve appointments or terminations relating to executive direct reports to the CEO.
- Review and approve major organisational structure changes proposed by the CEO, including major changes to the accountabilities of executive direct reports to the CEO.
- Recommend to the Board the appointment processes and final, preferred candidates for any Director appointments under clause 12.4 of the Constitution.
- Recommend and approve the entering into or amendment of any contracts with Appointed Directors for services as a Director, or in any other capacity, and the content of such contracts.
- Recommend to the Board the strategy for Director development.
- Approve the appointment of external parties to the role of legal advisors and any other key professional advisors, other than appointments made through other Board Committees.
- Approve the appointment by Fonterra of persons to governance positions, and the indemnification of such appointees.

### Remuneration

- Review and approve the global remuneration strategy: the base pay structure (including, our fixed pay position in key labour markets); design of variable pay/incentive plan components at the global/BU level (measures, weightings, etc.) and our global recognition and benefits programme frameworks.
- Review and recommend to the Board the performance, fixed annual pay and incentive/bonus opportunity of the CEO (as recommended by the Chairman) and, subsequently recommend to the Board actual

payments under the designated incentive/bonus plan and any remuneration changes for the CEO.

- Appoint an independent remuneration advisor to the Committee and the Board, and access independent objective advice on remuneration matters as required. Management will assist and provide advice to the Committee in relation to the appointment of an independent remuneration advisor but the Committee will have full and direct control and decision-making rights in relation to the selection, appointment and terms of engagement of any independent remuneration advisor.
- Exercise discretion to increase, decrease, suspend or otherwise adjust the terms relating to any remuneration or incentive payment as the Committee thinks fit (to the fullest degree legally possible). Without limiting this discretion, the Committee may, in determining incentive payments, have regard to the outcomes delivered by the relevant incentive plan relative to Fonterra's actual and expected performance and profitability, including (without limitation) the impact of any of the following:
  - The Farmgate Milk Price (as calculated under the Milk Price Manual) and the amount actually paid as milk price;
  - One-off and extraordinary items and events that impact Fonterra's overall performance but are not appropriately reflected in the performance measures of the relevant incentive plan (including litigation or asset impairment);
  - Any unintended consequences that would arise from payment of incentives at a particular performance level;
  - any non-financial matters such as engagement and reputation
- Approve the performance, fixed annual pay, incentive/bonus opportunity of executive direct reports to the CEO (as recommended by the CEO) and supporting payment calculation methodology. Approve other remuneration changes for executive direct reports to the CEO not delegated through established policy or precedent nor mandated by local legal or contractual requirements.
- Review, recommend and approve remuneration and other benefits relating to Appointed Directors.
- Approve remuneration paid to Fonterra appointees to governance positions, or to Fonterra Directors in accordance with clauses 34.3 or 34.4 of the Constitution.
- Ensure remuneration strategy, policies and practices align with Fonterra's risk management framework.

### People Strategy, Talent, Development & Engagement

- Review and note Fonterra's People Strategy including key priorities and milestones and ensure that People Strategy includes a focus on health and wellbeing.
- Review, provide counsel on, and note progress on the culture roadmap, talent and leadership activities, diversity and what we stand for aligned with aspirations articulated in This is Fonterra.
- Review, the succession plans for executive direct reports to the CEO.
- Review, provide counsel on, and note the outcomes of surveys and activities related to organisational health and engagement.
- Review, provide counsel on, and note the Workforce Plan as part of the annual business plan review.
- Review and provide counsel on the leadership and behavioural aspects of health and safety.

### Governance

- Review and approve high level policy to provide assurance of compliance with employment-related statutory requirements, including Privacy, Industrial Relations, and Ethical Behaviour.
- Review policy on delegated financial authorities to provide assurance of appropriate employment and remuneration expenditure.
- Note any statutory requirements regarding the publication of data relating to employee remuneration (such as the 100k list requirements in New Zealand).
- Note the Ethics Review.
- Monitor and manage real and potential conflicts of interest involving executive direct reports to the

CEO.

## **Variations to the Standard Terms of Reference**

The Board Committee Standard Terms of Reference shall apply, except where modified by this Charter.

## **Membership**

### **Directors**

The Chairman of the Board shall be a member of the Committee.

The Committee shall include at least one [1] director appointed under clause 12.4 of the Constitution ("Appointed Director").

### **Observers**

The Chair of the Audit and Finance Committee may attend any meeting of the Committee as an Observer.

## **Meeting Procedure**

### **Attendance**

The Chief Executive Officer and the Managing Director People and Culture shall be available to attend all meetings.

The Committee may hold confidential sessions excluding management or advisors as they determine appropriate.