

# Co-operative Relations Committee Charter

Board approved June 2023

## Introduction

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

## Purpose

The purpose of the Committee is as follows:

- To assess, for determination or recommendation to the Board, matters relating to New Zealand milk supply terms and aspects of milk pricing.
- To support strong and effective engagement between the Co-operative and its farmer shareholders.
- To assess, for determination or recommendation to the Board, the rules relating to shareholding, and the risk management policy as referred to in the Constitution.
- To assist the Board in the management of Fonterra's relationships with key external stakeholders and Fonterra's community initiatives.
- To review Fonterra's co-operative principles periodically in conjunction with the Fonterra Co-operative Council.
- To consider Shareholder complaints before they can be referred to the Milk Commissioner.
- To appoint the Returning Officer, and approve the rules for election and code of conduct, for the annual Fonterra Co-operative Council elections.

## Responsibilities

The following are the functions of the Committee:

- Assist the Board in governance responsibilities relating to the New Zealand milk supply:
  - Review and approve standard terms and conditions for the supply of milk by supplying shareholders and any non-shareholder suppliers;
  - Review and approve standard terms and conditions for the supply of specialty milks and milk components;
  - Review and approve parameters for the variation by management of standard terms and conditions for the supply of milk; and
  - Review and approve parameters of management's delegated authority for the enforcement of non-standard terms and conditions for the supply of milk, including in respect of the payment of liquidated damages.

- Assist the Board in governance responsibilities relating to milk payments and pricing signals for New Zealand milk supply:
  - Review and develop recommendations for submission to the Board for milk component pricing (including volume charges and fat-protein ratios).
- Develop recommendations for submission to the Board in relation to:
  - Pricing signals for the payment of milk to shareholders with particular emphasis on retaining and maximising the comparative advantage of New Zealand's farming systems;
  - Strategic plans for, and the approach for pricing, specialty and winter milk and when requested by the Board approve the pricing of specialty and winter milk;
  - Pricing of any unshared milk supply; and
  - Seasonal and competitive milk pricing.
- Assist the Board in governance responsibilities relating to the oversight of management of climate risk and sustainability initiatives in relation to on-farm practices, associated change management and regional community initiatives, working in conjunction with the Sustainability and Innovation Committee.
- Assist the Board in governance responsibilities relating to the rules for shareholding and the risk management policy:
  - Review and approve the rules from time to time relating to associated shareholders, transfers of shares to sharemilkers, permitted transferees and the exit timeframe for shareholders that cease without providing notice in accordance with the Constitution;
  - Review the risk management policy from time to time in consultation with the Fonterra Co-operative Council and develop recommendations for submission to the Board in relation to any changes.
- Assist the Board and management in developing and building relationships with key external stakeholders regionally, nationally and globally (for example, government, industry, Māori and other community relationships), including:
  - Recommend appropriate actions to the Board or management as appropriate, including on-farm environmental, sustainability, animal wellbeing and other policy positions;
  - Develop and execute strategic stakeholder engagement plans (including local advisory boards (where appropriate)).
- Assist the Board by reviewing Fonterra's co-operative principles from time to time in conjunction with the Fonterra Co-operative Council and provide advice to the Board in relation to any changes.
- Act as the final arbiter for Fonterra in respect of complaints lodged by shareholders that Fonterra management is not able to resolve, prior to complainants referring such complaints to the Milk Commissioner. The Committee may approve settlements outside management's delegated authority.
- Appoint the Returning Officer for the annual Fonterra Co-operative Council elections, approve the rules for the election of Fonterra Co-operative Councillors and approve the code of conduct for candidates during Fonterra Co-operative Council elections.
- Address any other matters that the Board asks the Committee to consider from time to time.

## Variations to the Standard Terms of Reference

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

## Membership

The Fonterra Board shall ask the Fonterra Co-operative Council to nominate up to four (4) of its members to

attend Committee meetings as non-voting attendees.

The Board, on the recommendation of the Committee, may nominate a Māori shareholder representative to attend Committee meetings as a non-voting attendee. The Committee may approve the payment of remuneration and expenses of the Māori representative. The terms on which the Māori representative is nominated will be determined by the Directors appointed to the Committee, in their sole discretion and on such terms as they deem fit.

The Committee may co-opt up to two independent advisors in relation to its consideration of matters relating to milk payments and pricing signals. The Committee may approve the payment of remuneration and expenses of the independent advisors. Co-option shall be approved by the Directors appointed to the Committee, in their sole discretion and on such terms as they deem fit.

## **Meeting Procedure & Protocols**

### **Management attendance**

The Managing Director Co-operative Affairs and Group Director Farm Source (or successor equivalent) shall be expected to attend all meetings.

### **Quorum**

A quorum for a meeting of the Committee is three (3) directors.

### **Protocols**

The Chair shall be responsible for ensuring the Committee meetings allow for robust and constructive conversations with all decisions and/or recommendations being ratified and supported by members once made.

The Committee shall provide guidance to management in areas requiring the Committee's focus. To do so, the Committee may form non-decision making focus groups (which include one or more Committee Directors) to provide support and feedback to management in specific areas which require a level of engagement not practicable during the Committee's normal meetings. Fonterra Co-operative Council can identify such issues directly with the Chair as required.