

Sustainability and Innovation Committee Charter

Board approved June 2023

Constitution

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

Purpose

The purpose of the Committee is to assist the Board in fulfilling its corporate governance responsibilities relating to the sustainability and innovation aspects of Fonterra’s strategy. The Committee will also assist with any other matters referred to it by the Board.

Responsibilities

The following are the functions of the Committee:

1. Assist the Board with reviewing and overseeing the sustainability aspects of Fonterra’s strategy:
 - Review Fonterra’s sustainability strategy and plans and recommend them to the Board for approval. The Committee’s particular areas of focus include:
 - climate;
 - nature and biodiversity;
 - water use and quality;
 - animal wellbeing;
 - energy use and efficiency; and
 - packaging and plastics.
 - Monitor the execution and effectiveness of Fonterra’s sustainability initiatives to ensure they align with Fonterra’s strategy and address material sustainability risks and opportunities facing the Group, noting that on-farm practices, associated change management and regional community initiatives will be the primary responsibility for the Co-operative Relations Committee.
 - Review Fonterra’s key sustainability metrics, commitments and targets (including Fonterra’s Scope 1, 2 and 3 targets), and recommend them to the Board for approval.
 - Monitor Fonterra’s performance against the agreed sustainability metrics, commitments and targets.
 - Review Fonterra’s Sustainability Report and recommend it to the Board for approval.
 - Review Fonterra’s Climate-related Disclosures, in conjunction with the Audit, Finance and Risk Committee, and recommend it to the Board for approval.
 - Review the governance processes relating to sustainability-related external disclosures.

- Review and discuss with management its analysis of:
 - customer expectations and feedback on sustainability matters, including Fonterra's sustainable value case, and
 - international best practice, future trends and competitor activities with regard to sustainability matters.
 - Review and recommend to the Board for approval Group Policies in relation to Fonterra's sustainability frameworks.
 - Engage with, and receive advice from, the independent Sustainability Advisory Panel on a regular basis.
2. Assist the Board with fulfilling the innovation aspects of Fonterra's strategy:
- Review Fonterra's innovation and research and development strategy and associated investment plans and, if appropriate, recommend them to the Board for approval as part of the annual Budget and Business Plan process.
 - Monitor performance against Fonterra's innovation and research and development goals and review progress against agreed metrics.
 - Periodically review Fonterra's strategic approach to its intellectual property portfolio and strategy.
 - Oversee (in conjunction with the Audit, Finance and Risk Committee) management's exercise of its responsibility to identify, assess and manage risks associated with Fonterra's innovation and research and development programmes.
 - Review and recommend to the Board for approval Group Policies in relation to innovation and research and development.
3. 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

Directors

The Fonterra Board shall appoint at least five [5] Directors to the Committee.

The Committee shall include at least two [2] directors appointed under clause 12.4 of the Constitution.

Meeting Procedure

Frequency

The Committee shall meet at least once a quarter or as frequently as necessary to ensure that its responsibilities are fulfilled in a timely manner.

Attendance

The Chief Innovation and Brand Officer and the Director of Sustainability shall be available to attend all meetings. The Committee may hold confidential sessions excluding management or advisors as they determine appropriate.

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.