

FSF MANAGEMENT COMPANY LIMITED

**CHARTER FOR THE
BOARD OF DIRECTORS**

(“BOARD CHARTER”)

October 2012

FSF MANAGEMENT COMPANY LIMITED

Board of Directors

Charter

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PREAMBLE

This document outlines the key values and practices of FSF Management Company Limited ("Company"), as they apply to the activities of the board of the Company ("Board").

The Company has been established to act as the manager of the Fonterra Shareholders' Fund ("Fund"), a unit trust under the Unit Trusts Act 1960. The Fund is listed on the ASX and NZX. This charter ("Charter") reflects the Corporate Governance Code 2017 issued by NZX and the ASX Corporate Governance Principles and Recommendations and the waivers from the listing rules of those stock exchanges that have been obtained.

The objective of this document is to provide a reference point for the Board as a whole, and the individual directors ("Directors"), in the execution of their role.

This document is not legally binding, and the Board may amend or adapt it to deal with specific situations. However, compliance with the Charter is intended to create "best practice" in the governance activities.

The Charter is also to be interpreted and applied in the context of the obligations imposed on Directors and the Board by the Company's constitution and any relevant legislation.

1. THE ROLE OF THE BOARD

1.1 *The Board*

The Board has a principal governance role. The Board has statutory responsibilities for the affairs and activities of the Company and the Fund. The roles and responsibilities of the Board include:

- (a) monitoring the performance of the Fund and the implementation of its objectives;
- (b) monitoring compliance with regulatory requirements and ethical standards; and
- (c) monitoring compliance with the constituent documents for Trading Among Farmers as they relate to the Fund.

1.2 *Management*

There are no functions delegated to management as there are no employees of the Company.

2. DIRECTOR APPOINTMENT AND ORIENTATION

2.1 *Appointment*

The constitution of the Company provides for between three and five Directors and sets out how they are appointed. Up to three Directors may be appointed by unit holders ("Elected Directors") in accordance with the procedure set out in the trust deed establishing the Fund. The remaining two Directors of the Company are appointed by Fonterra. Each Director will receive a letter of appointment setting out the key terms and conditions of their appointment.

2.2 *Orientation*

Directors newly elected/appointed to the Board will receive induction training following their appointment.

3. BOARD COMPOSITION

3.1 *Size of the Board*

The size of the Board and term of appointment of each Director are determined in accordance with the Company's constitution.

3.2 *Chairperson*

In accordance with the Company's constitution, the Elected Directors may elect an Elected Director as Chairperson of the Board and determine the period for which he or she is to hold office.

3.3 *Independence*

The Elected Directors must satisfy the criteria of "Independent Director" as specified and required by the NZX Listing Rules.

All Directors have a duty to act in the best interests of the Company, and are expected to disclose and manage any conflicts of interest in accordance with section 3.6 below.

3.4 *Investment in the Company*

Unless an independent director of Fonterra Co-operative Group Limited, the Directors may acquire units in the Fund. To the extent any such units are acquired, these acquisitions are to be disclosed to the market as required by law.

Directors must strictly observe the Company's Securities Trading Policy, the provisions of the Company's constitution, and all relevant legislative obligations or regulatory procedures.

3.5 *Code of Conduct*

The Board has established a Code of Conduct, which guides Directors as to:

- (a) the practices necessary to maintain confidence in the Company's integrity; and
- (b) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

3.6 *Conflicts of Interest*

Directors must ensure that all relevant interests in transactions or proposed transactions between them and the Company are advised to the Board and recorded in the Company's interests register.* Where appropriate, Directors will excuse themselves from discussion or voting on matters in which they have an interest. The Board regulates its procedures to manage conflicts of interest.

Directors should only accept appointments to the Board of another company where the appointment does not detrimentally affect the Director's performance as a Director of the Company.

* Companies Act 1993 ss 139-149

3.7 *Responsibilities, Duty of Care, Indemnities and Insurance*

The conduct of Directors is consistent with their duties and responsibilities to the Company. The Board is disciplined in carrying out its role, having regard to the role of the Company as the manager of the Fund. Directors act within any limitations imposed by the Board on their activities.

Directors are expected to strictly observe the provisions of the Companies Act 1993 applicable to the use and confidentiality of Company information and any Company policies in relation to Company information applying from time to time

Any Director is entitled to obtain independent professional advice relating to the affairs of the Company or to his or her other responsibilities as a Director. Directors are expected to consult the Chairperson prior to obtaining the advice, to ensure independence and to avoid duplication.

With the prior approval of the Chairperson, the reasonable cost of any such advice will be reimbursed by the Company.

In accordance with the Company's constitution, the Company indemnifies, and provides Directors with liability insurance cover while acting in their capacities as Directors, to the fullest extent permitted by the Companies Act 1993.

4. MEETING PROCEDURES

4.1 *General Procedures*

All meetings of the Board are convened and conducted in accordance with the applicable provisions of the constitution relating to proceedings of Directors. Except as provided in the constitution, the Board regulates its own procedure.

A meeting of the Board may be held either:

- (a) by a number of the Directors who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or
- (b) by means of audio, or audio and visual, communication by which all Directors participating and constituting a quorum can simultaneously hear each other throughout the meeting.

A Director may convene a meeting of the Board by giving notice in accordance with the constitution.

A quorum for a meeting of the Board is three Directors. No matter is considered at a meeting of the Board if a quorum is not present.

Directors use their best endeavours to prepare thoroughly for, and to attend, all Board meetings. Directors are expected to participate fully, frankly and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board.

The Board holds at least three scheduled meetings per year, and also holds additional meetings as the occasion requires.

Written minutes of each meeting are prepared, and presented for approval at the next normal meeting of the Board. In addition, an official record of papers and presentations submitted to the Board is kept and made available to directors at all times.

4.2 *Agenda Preparation*

The Board has sole authority over its agenda and exercises this through the Chairperson. Any Director may, through the Chairperson, request the addition of an item to the agenda.

5. DIRECTOR EVALUATION, COMPENSATION AND EDUCATION

5.1 *Performance Assessment*

The Board annually assesses its performance against its role and this Charter. A regular programme of peer review of individual Directors also occurs.

The Board and individual Directors use the findings of these reviews to identify areas for the development or more effective use of relevant skills.

5.2 *Remuneration*

Fonterra Co-operative Group Limited is responsible for the payment of all reasonable fees payable to the Directors.

The remuneration of the Directors may be reviewed and adjusted from time to time.

The Board may not exercise the power conferred by section 161 of the Companies Act 1993 to authorise any payment or other benefit of the kind referred to in that section to or in respect of a Director in his or her capacity as such, without the prior approval of Fonterra Co-operative Group Limited.

5.3 *Continuing Education*

Directors are expected to keep themselves abreast of changes and trends in the business and in the Company's environment and markets and to keep abreast of changes and trends in the economic, political, social and legal climate generally.

Directors are also expected to keep up to date with governance issues, and the expectations on the role of Directors in companies.

6. BOARD COMMITTEES

6.1 *Audit Committee*

The Board will act as the audit committee for the Fund. The chairperson of the audit committee will be the chairperson of the Board.

The Board acting as audit committee will be responsible for:

- (a) providing oversight in relation to financial reporting and regulatory compliance; and
- (b) reviewing financial reporting processes, internal controls, the audit process and the process for monitoring legal and regulatory compliance.

A formal Audit Committee Charter sets out the responsibilities of the audit committee in full.

The Board acting as audit committee will also act as a forum for communication between the Board and external auditors where appropriate.

6.2 *Other committees*

There are no other committees of the Board.

7. BOARD CHARTER

7.1 Review

This Charter is reviewed annually by the Board.