



SYNLAIT MILK LIMITED

REMUNERATION & GOVERNANCE COMMITTEE CHARTER

March 2016



This charter (**Charter**) was approved by the Board of Directors (**Board**) of Synlait Milk Limited (**Company**) on 11 July 2013, as amended in March 2015.

1 OBJECTIVE

- 1.1 The objectives of the Remuneration & Governance Committee (the **Committee**) are to:
 - 1.1.1 establish a clear framework for oversight and management of the Company's Human Resource Policy and Remuneration structure, policy, procedure and practice;
 - 1.1.2 ensure the Company and the Board has in place selection and succession policies for Directors and senior executives, and induction and on-going training programmes for Directors; and
 - 1.1.3 procedures and practices to ensure compliance with all laws, rules and regulations applicable to the Company, its employees and the Directors (not covered by other Committees), including the Directors' Conflict of Interest Policy, the Board Charter and the Synlait Standards.

2 AUTHORITY

- 2.1 The Board authorises the Committee, within the scope of its role and responsibilities, to:
 - 2.1.1 perform its activities in accordance with this Charter;
 - 2.1.2 ensure that the Company achieves and fulfils the role of a good employer, through the establishment of effective policy and procedures to achieve a skilled and motivated workforce to enable the Company to attract, develop and retain people at all levels of the business;
 - 2.1.3 define the respective roles and responsibilities of the Board and Management (in accordance with the Board Charter and the Constitution);
 - 2.1.4 ensure the on-going development of governance structure, policy, procedure, practice and capability;
 - 2.1.5 ensure the Company and the Board has in place and adheres to policies, procedures and practices to ensure compliance with all laws, rules and regulations applicable to the Company and the Directors, including the Board Charter and the Synlait Standards;
 - 2.1.6 ensure there is in place proper procedures for dealing with concerns of employees, complaints, performance and disciplinary matters;
 - 2.1.7 ensure there are adequate on-going training, development and support programmes for employees;
 - 2.1.8 request the attendance of any Company employee, including the Chief Executive, at Committee meetings; and
 - 2.1.9 obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the Company's expense.

3 COMPOSITION AND TENURE

- 3.1 The Committee will consist of at least 3 members at the discretion of the Board. The Managing Director may not be a member of the Committee. The Board will appoint the Chair of the Committee. The Committee will consist of a majority of independent Directors.
- 3.2 The Chief Executive, the Chief Financial Officer, and the other Directors will not be members of the Committee, but may attend meetings as observers at the invitation of the Committee.
- 3.3 The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Company. At least one member of the Committee should have listed company experience with an understanding of applicable board responsibilities.
- 3.4 Membership of the Committee will be reviewed annually by the Board and membership on the Committee will be for rolling 12 month terms, which will be staggered so as not more than 1 member is ever expiring at the same time. Initial terms for members will be set by the Board in its discretion. The Board may add, remove and/or replace any member of the Committee at any time during those terms.

4 ROLE AND RESPONSIBILITIES

- 4.1 The Remuneration & Governance Committee does not remove from the full Board of Directors any of its responsibilities and legal obligations. Rather it is a working party established to assist the Board in the conduct of its responsibilities and will report back to the full Board on all material matters and issues requiring decisions in principle.
- 4.2 The Committee is directly responsible and accountable to the Board for the exercise of its responsibilities.
- 4.3 The Committee assists the Board in fulfilling its responsibility for oversight and management of the Company's Human Resource Policy and Remuneration structure, policy, procedure and practice. The Committee also assists the Company and the Board in ensuring there are policies, procedures and practices in place and adhered to which ensure compliance with all laws, rules and regulations applicable to the Company and the Directors, including the Board Charter and the Synlait Standards.
- 4.4 The Committee may also have such other duties as may from time to time be assigned to it by the Board.
- 4.5 The Committee is not responsible in any way for hiring or employing any officers or employees of the Company. This is the responsibility of management.
- 4.6 The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Board from time to time.

5 GOVERNANCE

- 5.1 The Committee's responsibilities are to:
 - 5.1.1 monitor, review and report on the compliance with the Company's corporate

- governance principles, making recommendations to the Board based on such review;
- 5.1.2 monitor the implementation and operation of the Synlait Standards and the Directors' Code of Conduct (as set out in the Board Charter);
- 5.1.3 monitor and report on Directors' Conflicts of Interest; and
- 5.1.4 identify and recommend on-going governance training for Directors and Management (as appropriate).

6 HUMAN RESOURCES

The Committee's responsibilities are to establish and review the overall human resources strategy, policies and procedures and monitoring their implementation.

7 SENIOR MANAGEMENT

- 7.1 The Committee's responsibilities are to:
 - 7.1.1 review candidates to be appointed to the position of Chief Executive Officer, with the ultimate selection to be made by the full Board;
 - 7.1.2 recommend to the Board the remuneration and compensation for the Chief Executive Officer;
 - 7.1.3 recommend to the Board the key performance objectives for the Chief Executive Officer, and review and evaluate the performance of the Chief Executive Officer against those objectives;
 - 7.1.4 establish principles for employment agreement structures for the Company and review employment agreements for the Chief Executive Officer and Senior Leadership Team;
 - 7.1.5 oversee compensation and performance management for the Senior Leadership Team;
 - 7.1.6 approve the Chief Executive Officer's recommendations on compensation for the Senior Leadership Team;
 - 7.1.7 approve the Chief Executive Officer's recommendations on the performance of members of the Senior Leadership Team; and
 - 7.1.8 undertake succession planning processes for positions within the Senior Leadership Team and other critical positions.

8 BOARD OF DIRECTORS

- 8.1 The Committee's responsibilities are, to ensure the Board is in compliance with the Board Charter.
- 8.2 The Committee will assist the Board to put in place processes to review the performance of the Board and individual Directors on a regular basis (including an external review at least every three years). This will include a process for separately reviewing the performance of the Managing Director, and each of the Chairs of the Remuneration & Governance Committee and Audit & Risk Committee, and the Chair of the Board.
- 8.3 The Committee will also assist the Board in succession planning by ensuring that rigorous and formal processes are in place, designed to give the Board a range of relevant skills and experience. The Committee will:

- 8.3.1 make recommendations to the Board in respect of the criteria for the selection or nomination of new Directors;
- 8.3.2 ensure there is an appropriate induction programme in place for all new Directors; and
- 8.3.3 ensure there are succession plans in place to maintain an appropriate mix of skills, experience, expertise and diversity of thought on the Board.
- 8.4 The Committee will also monitor and review the time commitment required by Directors to Board matters, to ensure that each Director can commit the time needed to be fully effective in their role on the Board. The Chair of the Committee will raise any concerns identified from time to time promptly with the Chair of the Board.

9 REMUNERATION

Company

- 9.1 The Committee's responsibilities are to:
 - 9.1.1 review the Company's Strategic Remuneration Policy; and
 - 9.1.2 review and agree the policy and principles that govern the periodic and structural remuneration adjustments for the Company's employees.

Board

- 9.2 The Committee's responsibilities are to:
 - 9.2.1 review the structure of remuneration for the Chair of the Board, Chairs of Board Committees and non-Executive Directors;
 - 9.2.2 review non-Executive Directors' remuneration having regard to any relevant factors and recommending to the Board changes to non-Executive Director remuneration, such changes to be subject to shareholder approval, as appropriate; and
 - 9.2.3 conduct an annual audit to ensure remuneration practices are consistent with the Board policy, the Board Charter, the Constitution and remain aligned to best practice for organisations similar to the Company.

10 COMPLIANCE

- 10.1 The Committee's responsibilities are to ensure that the Company and the Board puts in place and adheres to:
 - Conflicts of Interest Policy
 - Synlait Standards
- 10.2 The Committee will ensure the Company puts in place and monitors policies to ensure compliance with all employment and workplace laws, regulation, industry standards and procedures. This includes the Employment Relations Act, Health & Safety in Employment Act, Parental Leave and Employment Protection Act, ACC requirements and procedures, Privacy Act and Protected Disclosures Act.
- 10.3 The Committee will ensure the Company and the Board has in place procedures to deal with complaints from staff and third parties (including whistleblowing protections), addressing concerns over financial controls, improper behaviour (including sexual harassment,

workplace bullying, discrimination), health & safety, misuse of company property, abuse of position or any other activity, problem or issue relating to the affairs of the Company, staff, Directors, customers or suppliers.

11 RESPONSIBILITIES OF COMMITTEE MEMBERS

- 11.1 Members of the Committee are expected to:
 - 11.1.1 contribute the time needed to study and understand the papers provided;
 - 11.1.2 apply good analytical skills, objectivity, and good judgement;
 - 11.1.3 act in good faith and in what they believe is in the best interests of the Company; and
 - 11.1.4 express opinions frankly, ask questions that go to the core of the issue, and pursue independent lines of enquiry.

12 REPORTING

- 12.1 The Committee will regularly, but at least once a year, report to the Board on its operation and activities during the year.
- 12.2 The report should include a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year.
- 12.3 The Committee will report to the Chief Executive or the Board at the next appropriate opportunity on any substantive matters raised and addressed by the Committee. In addition, at any time an individual Committee member may request a meeting with the Chief Executive or the Board.

13 MEETINGS

- 13.1 A quorum of any meeting will consist of a majority of Committee members, meaning at least half of the total number of Committee members must be present at the meeting.
- 13.2 All Board members are entitled to attend meetings. The General Manager Culture, Capability & Strategy will be invited to attend each meeting (as required), unless requested not to do so by the Chair of the Committee. The Committee may also ask the Chief Financial Officer or other Company employees to attend Committee meetings or participate for certain agenda items.
- 13.3 Meetings will be held at least 3 times a year. Special meetings may be convened as required. The secretary will convene a meeting on request by any Director.
- 13.4 The secretary will circulate the agenda and supporting documents to Committee members within a reasonable time before each meeting. The secretary will also circulate the minutes of meetings to the Board and members of the Committee.
- 13.5 Members of the Committee should attend every meeting of the Committee.

- 13.6 The Committee may meet with in-house legal counsel at any time, and from time to time, without management present. A meeting with external legal counsel should be held if considered necessary.
- 13.7 Meetings can be held in person, by telephone, or by video conference.
- 13.8 A meeting plan, including dates and agenda items, will be agreed by the Committee each year. The meeting plan will cover all of the Committee's responsibilities as detailed in this Charter. The standard template for matters to be addressed each year is set out in Appendix 1.

14 ADMINISTRATIVE ARRANGEMENTS

14.1 Conflicts of interest

- 14.1.1 Once a year, Committee members will provide written declarations to the Chair of the Board stating they do not have any conflicts of interest that would preclude them from being members of the Committee.
- 14.1.2 Committee members must in addition declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately recorded in the minutes.
- 14.1.3 Where any member is deemed to have a real, or perceived, conflict of interest at a Committee meeting, it may be appropriate that they are excused from Committee deliberations on the issue where the conflict of interest exists.

14.2 Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities, in accordance with the induction plan for new Directors or new Committee members.

14.3 Assessment arrangements

The Chair of the Committee, in consultation with the Chair of the Board, will initiate a review of the performance of the Committee at least once every three years.

14.4 Review of Charter

- 14.4.1 At least once a year, the Committee will review its performance against this Charter, as well as the appropriateness of the Charter itself. This review will include consultation with the Board.
- 14.4.2 Any substantive changes to the Charter will be recommended by the Committee to the Board for the Board's consideration and approval.

[Last Updated March 2016]



APPENDIX 1 – ANNUAL COMMITTEE TEMPLATE