

GOVERNANCE REPORT

Governance, Nomination and Sustainability Committee Report



Philip Toomey
Chairman of the
Governance, Nomination and
Sustainability Committee

Dear Shareholder,

On behalf of the Governance, Nomination and Sustainability Committee, I am pleased to present our report for the year ended 31 December 2020. This report sets out the Committee's key activities in 2020 as well as the Committee's priorities for 2021.

The Governance, Nomination and Sustainability Committee is responsible for evaluating the structure, size, composition and successional needs of the Board and its Committees and making recommendations on same, with due regard for Board diversity. Additionally, the Committee is responsible for the review of the results of the annual Board evaluation process as it relates to the Board and Committee performance and composition. The role of the Committee was expanded during the year to provide guidance and oversight on the implementation of the Group's sustainability strategy. The Terms of Reference were reviewed and updated accordingly.

During the year under review, the Committee continued to lead the Board refreshment process ensuring that the composition of the Board and its Committees has the correct balance of skills, knowledge, experience, diversity and independence. We engaged with executive recruitment consulting firms to conduct a search for new independent non-Executive Directors. Potential non-Executive Directors were considered by the Committee and a shortlist was interviewed after assessing their qualifications against the above criteria and their other time commitments. This culminated in the appointment of Ms. Emer Gilvarry and Mr. Jinlong Wang to the Board. Ms. Emer Gilvarry was appointed to the Board and the Audit Committee on 1 November 2020. She is a highly experienced professional who brings legal, business and corporate governance expertise to the Board. On the recommendation of the Committee, the Board also approved the appointment of Mr. Jinlong Wang as a non-Executive Director effective on 5 January 2021. His extensive knowledge of the Food & Beverage industry coupled with his in-depth understanding of Asian markets, brings a key set of skills and experience to the Board. The Committee also recommended changes to the composition of the Board Committees as outlined on page 116. The Committee continues to engage with executive recruitment consulting firms to identify an appropriate pipeline of candidates to join the Board as independent non-Executive Directors in the future.

Ms. Joan Garahy will not seek re-election at the 2021 AGM and will retire from the Board as Senior Independent Director and as Chair of the Remuneration Committee on 29 April 2021 having served nine years on the Board. She will be succeeded as Senior Independent Director by Dr. Hugh Brady and as Chair of the Remuneration Committee by Mr. Tom Moran.

I will have served nine years as a Director, including less than three years as Chairman, on 19 February 2021. The Committee is aware of the Provisions of the Code in respect of Chairman tenure and is undertaking a formal succession process which is being led by Ms. Joan Garahy as Senior Independent Director. The Committee and the Board have recommended that I continue as Chairman until the AGM in 2022, to allow appropriate time to identify a successor and to enable an orderly succession to the role.

The Committee also reviewed senior management development and succession plans having regard to business growth and geographic expansion and taking account of diversity goals below Board level.

During 2020, the Committee reviewed the Company's corporate governance policy and processes and monitored developments in corporate governance best practice.

An internal review of the effectiveness of the Board and its Committees was conducted during 2020 and the outcome of this review is that the Board and its Committees consider that they are operating effectively. Further details are outlined on page 105.

The Committee's priorities for 2021 will focus on Board and Committee refreshment, taking account of all skill sets required, diversity (beyond gender) and planned retirements over the coming years. The Committee will ensure that senior management development and succession planning can support the delivery of Group strategy and will also continue to focus on diversity and inclusion in the wider workforce.

Philip Toomey
Chairman of the Governance,
Nomination and Sustainability
Committee

Roles and Responsibilities

The main roles and responsibilities of the Committee, which were reviewed and updated during 2020, are set out in written terms of reference which are available from the Group's website www.kerrygroup.com or upon request.

The key responsibilities outlined in the Terms of Reference are included in the following table:

Primary Responsibilities of the Governance, Nomination and Sustainability Committee

- evaluating the balance of skills, experience, independence, knowledge and diversity of the Board to ensure optimum size and composition;
- ensuring an appropriate nomination process is in place for Board appointments;
- reviewing a candidate's other commitments to ensure that on appointment, a candidate has sufficient time to undertake the role;
- making recommendations to the Board on the appointment and re-appointment of both Executive and non-Executive Directors;
- ensuring a formal induction plan is in place for each new Director on appointment;
- making recommendations to the Board concerning membership of Board Committees in consultation with the Chairs of the Committees;
- ensuring plans and processes are in place for succession planning for Directors, including the Chairman, Senior Independent Director, non-Executive Directors and senior management positions;
- reviewing the Board diversity policy;
- overseeing the conduct of the annual evaluation of the Board and its Committees;
- monitoring and reviewing developments in law, regulation and best practice relating to corporate governance and making recommendations to the Board and Committees on changes or additional actions as appropriate; and
- providing guidance and oversight on the implementation of the Group's sustainability strategy.

Committee Membership

The Governance, Nomination and Sustainability Committee currently comprises three independent non-Executive Directors; Dr. Hugh Brady, Dr. Karin Dorrepaal, Mr. Tom Moran and is chaired by Mr. Philip Toomey. Mr. James C. Kenny retired from the Board and the Governance, Nomination and Sustainability Committee on 30 April 2020. Mr. Tom Moran joined the Governance, Nomination and Sustainability Committee on 1 November 2020. Biographical details for the members of the Committee are outlined on pages 85-87.

The quorum for Committee meetings is two and only Committee members are entitled to attend. The Governance, Nomination and Sustainability Committee may extend an invitation to other persons to attend meetings or to be present for particular agenda items as required. The Company Secretary acts as Secretary of the Committee.

During 2020, the Committee continued to work with SpencerStuart and Korn Ferry, executive recruitment consulting firms, to assist with Board refreshment. SpencerStuart has no other connections to the Group and Korn Ferry has no other connections to the Group other than acting as the advisor to the Remuneration Committee.

Committee Meetings

The Committee met six times during the year and attendance at these meetings is outlined on page 103.

Board Refreshment Policy

On an ongoing basis, the Governance, Nomination and Sustainability Committee reviews and assesses the structure, size, composition, diversity and overall balance of the Board and makes recommendations to the Board with regard to refreshment.

Appointments to the Board are for a three year period, subject to shareholder approval and annual re-election, after consideration of annual performance evaluation and statutory provisions relating to the removal of a Director. The Board may appoint such Directors for a further term not exceeding three years and may consider an additional term if deemed appropriate.

During the year, the Chairman conducted a rigorous review of all other non-Executive Directors as part of the Board evaluation process, taking into account the need for progressive refreshment of the Board. The Board explains to shareholders, in the papers accompanying the resolutions to elect and re-elect the non-Executive Directors, why it believes the individual should be re-elected based on the results of the formal performance evaluation. Details of Board refreshment activities during the year are outlined on pages 117-118.

Nomination Process

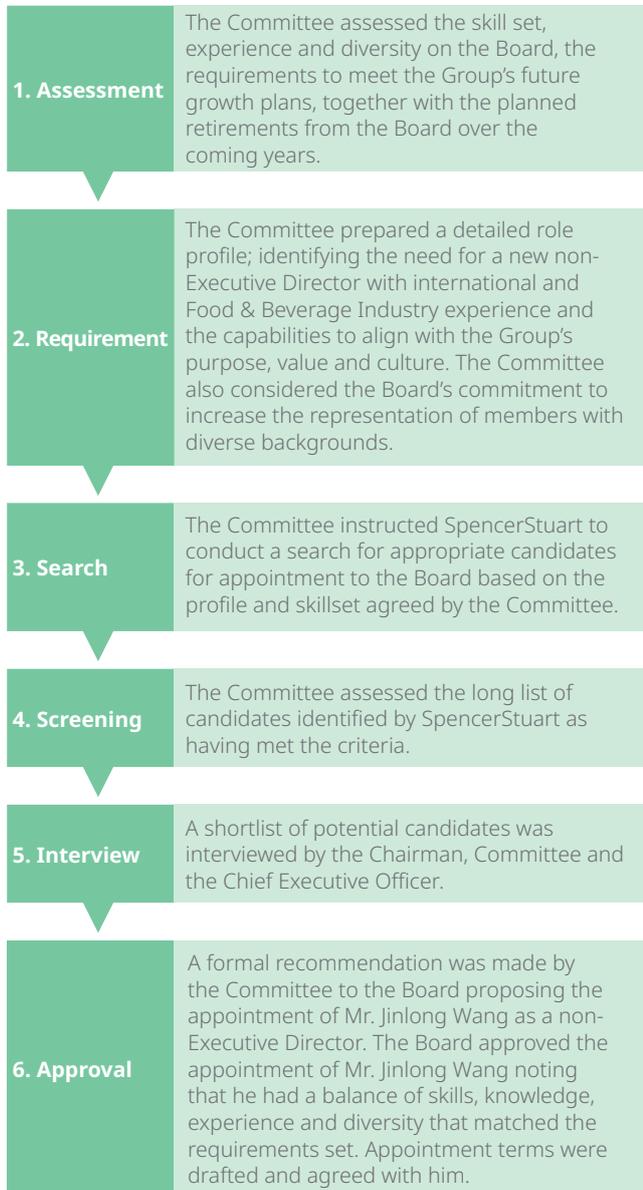
There is a formal, rigorous and transparent procedure in appointing new Directors to the Board. Details of this process are outlined in the Governance in Action table.

The Committee also makes recommendations to the Board concerning the re-appointment of any non-Executive Director at the conclusion of their specified term and the re-election of all Directors who are the subject of annual rotation. The terms and conditions of appointment of non-Executive Directors are set out in formal letters of appointment, which are available for inspection at the Company's registered office during normal office hours and at the AGM of the Company.

Governance in Action

Non-Executive Director Appointment

Mr. Jinlong Wang was appointed to the Board with effect from 5 January 2021. The key stages of the nomination process are outlined below.



Succession Planning

The Governance, Nomination and Sustainability Committee reviews the succession plans for the Board and its Committees on an ongoing basis to ensure an orderly refreshment of membership, taking into account Group strategy, the challenges and opportunities facing the Group and the skills, knowledge and experience required.

The Committee also reviews succession plans for senior management, which form part of the Group's overall annual approach to succession planning and agrees these with the Chief Executive Officer before being presented to the Board. The succession planning process includes defining success criteria for prioritised key roles, identifying and evaluating candidate pools and aligning successor development activities with individual and business needs to ensure leadership continuity and improve the depth of the leadership succession pipeline. This process is fully documented and monitored throughout the year in conjunction with the Committee. Details of succession planning activities during the year are outlined in Our People on page 18.

Diversity, Inclusion and Belonging Policy

Diversity, Inclusion and Belonging is fully embraced at Kerry and the Group is committed to having a work environment that is respectful of everyone. We recognise the value that different perspectives and cultures bring to the organisation. Valuing differences creates a work environment which is positive and productive, where people can and want to do their best and where each individual can bring something unique to contribute to the overall success of Kerry.

The Group's Diversity, Inclusion and Belonging Policy is an integral part of the Group's Code of Conduct ensuring that diversity and inclusion are embedded in Kerry Group's core values. Within this, the Group seeks to recruit, hire and retain the best talent from a diverse mix of gender, background, nationality, ethnicity and other attributes with the skills and experiences to drive innovative thinking to enable a sustained competitive advantage.

The Board believes in the benefits of having a diverse Board and the value that it can bring to its effective operation. In accordance with the Board Diversity Policy, differences in background, gender, skills, experiences, nationality, ethnicity and other attributes are considered in determining the optimum composition of the Board with the aim to balance it appropriately. All Board appointments are made on merit, with due regard to diversity. The Board currently has a 31% female representation. In line with its diversity policy, and recommended best practice, the Board is committed to maintaining an appropriate gender balance and has an ambition to increase the representation of members with diverse backgrounds such as nationality, ethnicity and other attributes. In reviewing Board composition and agreeing a job specification for new non-Executive Director appointments, the Committee considers the benefits of all aspects of diversity including, but not limited to, those described above, in order to complement the range and balance of skills, knowledge and experience on the Board. As part of the identification process executive recruitment consultants are required to present a list of potential candidates, who meet the stated specification and requirements comprising candidates of diverse backgrounds, for consideration by the Committee.

In 2019, diversity goals were agreed for senior management succession pools with the Executive Directors and approved by the Board to improve the diversity profile of senior leadership teams and ensure internal candidate pools better reflect the broader cultural mix of people within the Group. The Committee reviews progress against these diversity goals each year, whilst taking account of business growth and geographic expansion within the organisation.

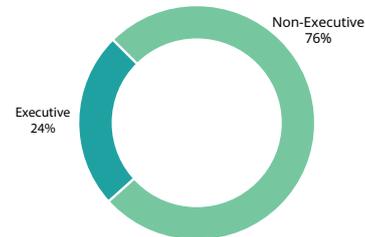
Further details of the Group's approach to Diversity, Inclusion and Belonging, including our broader organisational goals focused on building an inclusive and diverse workplace are outlined in our Sustainability Report on page 59 and in Our People on page 17.

Sustainability

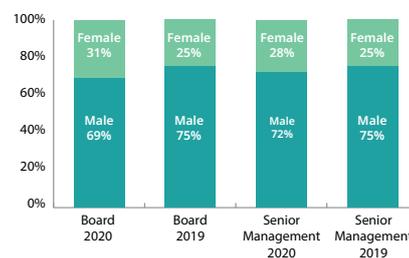
The role of the Committee was expanded to provide guidance and oversight on the implementation of the Group's 2030 sustainability strategy *Beyond the Horizon* following its launch in October 2020. The Committee will be supported in this work by the Global Sustainability Council whose members will be invited to Committee meetings to share their views on a variety of sustainability topics and to update the Committee on the implementation of the sustainability strategy. Details of the Group's sustainability performance, policies and programmes are outlined in the Sustainability Review on pages 46-70.

A summary of the Group's current position relating to Board and senior management diversity is provided below:

Executive/Non-Executive Directors



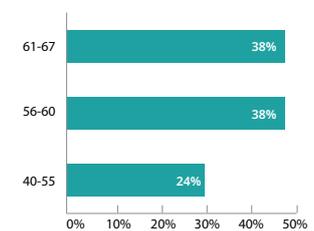
Gender Diversity



Board Tenure (Years)



Board Age Profile



Changes to the composition of the Board and its Committees for the year ended 31 December 2020

Mr. James C. Kenny

Retired from the Board, the Remuneration Committee and the Governance, Nomination and Sustainability Committee on 30 April 2020.

Mr. Christopher Rogers

Appointed to the Remuneration Committee on 30 April 2020.

Mr. Tom Moran

Stepped down from the Audit Committee and appointed to the Governance, Nomination and Sustainability Committee on 1 November 2020.

Ms. Emer Gilvarry

Appointed to the Board and the Audit Committee on 1 November 2020.

Mr. Jinlong Wang

Appointed to the Board with effect from 5 January 2021.

Key Activities

The key activities of the Committee throughout the year are detailed below:

Subject	Committee Activity
Board Size and Composition	<p>In 2020, as part of its remit, the Committee considered the size and composition of the Board. At 31 December 2020, the Board comprised 12 members. The Board size reduced to 11 following the retirement of Mr. James C. Kenny on 30 April 2020 and increased to 12 following the appointment of Ms. Emer Gilvarry on 1 November 2020.</p> <p>The Board size increased further to 13 on 5 January 2021 following the appointment of Mr. Jinlong Wang. The Committee will continue to consider both Board size and composition during 2021.</p>
Chairman Succession	<p>During 2020, the Committee recommended to the Board that Mr. Philip Toomey continue as Chairman until the Annual General Meeting in 2022 which was formally approved by the Board.</p> <p>The Committee is undertaking a formal succession process which is currently being led by Ms. Joan Garahy as Senior Independent Director and will be continued by Joan's successor as Senior Independent Director on her retirement at the conclusion of the 2021 AGM.</p>
Senior Independent Director Succession	<p>Ms. Joan Garahy will retire as Senior Independent Director and from the Board at the conclusion on the AGM to be held on 29 April 2021 having served nine years on the Board. The Governance, Nomination and Sustainability Committee has completed a formal process and has recommended to the Board the appointment of Dr. Hugh Brady as Senior Independent Director at the conclusion of the 2021 AGM.</p>
Board Refreshment	<p>Mr. James C. Kenny retired from the Board on 30 April 2020.</p> <p>New non-Executive Directors, Ms. Emer Gilvarry and Mr. Jinlong Wang were appointed to the Board on 1 November 2020 and 5 January 2021 respectively, following searches conducted by the Committee in conjunction with executive recruitment consulting firms.</p> <p>The Committee and the Board agreed that Ms. Emer Gilvarry and Mr. Jinlong Wang had a balance of skills, knowledge, experience and diversity that matched the requirements set.</p>
Committee Refreshment	<p>Mr. James C. Kenny retired from the Remuneration Committee and the Governance, Nomination and Sustainability Committee on 30 April 2020.</p> <p>Mr. Christopher Rogers was appointed to the Remuneration Committee on 30 April 2020; Mr. Tom Moran stepped down from the Audit Committee and was appointed to the Governance, Nomination and Sustainability Committee on 1 November 2020 and Ms. Emer Gilvarry was appointed to the Audit Committee on 1 November 2020 on the same date as her appointment to the Board.</p> <p>There were no other changes to the composition of the Board Committees during the year. The Committee will continue to consider Committee refreshment with a particular focus on the Audit and Remuneration Committees in 2021.</p>
Remuneration Committee Chairperson	<p>Ms. Joan Garahy will retire as Chairperson of the Remuneration Committee and from the Board at the conclusion on the AGM to be held on 29 April 2021 having served nine years on the Board. The Governance, Nomination and Sustainability Committee has completed a formal process and has recommended to the Board the appointment of Mr. Tom Moran as Chairman of the Remuneration Committee at the conclusion of the 2021 AGM.</p>

Key Activities (continued)

Subject	Committee Activity
Re-appointment of non-Executive Directors	<p>During the year, Ms. Joan Garahy completed eight years as a non-Executive Director and Dr. Hugh Brady and Dr. Karin Dorrepaal each completed terms of six years as non-Executive Directors. Following a rigorous review of their skills, knowledge, experience and independence, the Board on the recommendation of the Committee, agreed that Dr. Hugh Brady, Dr. Karin Dorrepaal and Ms. Joan Garahy continue to be effective and independent and make a valuable contribution to the Board, and re-appointed them to serve additional terms.</p> <p>During the year, Mr. Gerard Culligan and Mr. Con Murphy each completed a three year term as non-Executive Directors. After detailed consideration, including a review of their performance and independence, the Board, upon the recommendation of the Committee, agreed that they would serve additional terms.</p>
Board and Committees Effectiveness Evaluation	<p>As outlined in detail on page 105, an internal evaluation of the Board and its Committees took place in 2020 in line with the provisions of the 2018 UK Corporate Governance Code and the Irish Annex.</p> <p>The Committee considered the outcome of this evaluation and identified the areas relevant to the Governance, Nomination and Sustainability Committee. Each recommendation was assessed, and an action plan was developed to address areas for potential improvement. These recommendations will be reviewed and considered by the Committee in 2021.</p>
Senior Management Development and Succession	<p>During the year, the Committee reviewed senior management development and succession plans having regard to agreed diversity goals to ensure the appropriate level of skills and diversity will exist to support the delivery of the Group's strategy.</p>
Corporate Governance Review	<p>During 2020, the Committee reviewed the Company's corporate governance policy in the context of the 2018 UK Corporate Governance Code and monitored developments in corporate governance best practice.</p>
Sustainability Strategy	<p>Following the launch of the Group's sustainability strategy <i>Beyond the Horizon</i> in October 2020, the role of the Committee was expanded to provide guidance and oversight on the implementation of the sustainability strategy.</p>
Terms of Reference	<p>During the year, the Committee reviewed and updated its Terms of Reference. A copy of these terms is available on the Group website www.kerrygroup.com.</p>