



Philip Toomey
Chairman of the Board

Dear Shareholder,

I am pleased to present the Kerry Group Corporate Governance Report for the year ended 31 December 2018.

The Corporate Governance Report describes how we apply the main principles of good governance as set out in the 2016 UK Corporate Governance Code and the Irish Annex (the Code). On behalf of the Board, I can confirm that for the year under review the Group has fully complied with the provisions of the Code. As Chairman, I will ensure, with Board support, that the provisions of the new UK Corporate Governance Code (effective from 1 January 2019) will be implemented maintaining the Group's commitment to achieving high standards of governance.

The Board sets the tone and shared values for the way in which the Group operates. This culture is underpinned by a robust risk management framework consisting of policies, procedures and tasks, including a Code of Conduct which defines business conduct standards for anyone working for, or on behalf of, the Group. Given the importance of culture to the success of the Business Model, the Board will continue to assess and monitor the Group's culture to ensure that it is aligned with the Group's strategy and values and is adequately embedded across the Group.

The Board, in conjunction with the Nomination Committee, ensures that there are robust plans in place to facilitate Board, Executive and senior management succession. During 2018, the Board appointed a new Chairman and Senior Independent Director, oversaw the CFO transition process and undertook a formal process to recruit a new non-Executive Director and Chairman of the Audit Committee. Details of the Executive and non-Executive Director and Committee changes that occurred during the year, are set out in the Nomination Committee Report on page 109.

Diversity at Board level has been a focus for the Nomination Committee for a number of years and continues to be a key factor when considering Board refreshment. Improving and monitoring diversity beyond gender and below Board level will be a key area of focus for the Board and the executive team in 2019.

In order to operate effectively companies must understand those resources and relationships that matter most to their success. The Group's stakeholders include shareholders, employees, customers, suppliers and the community in which it operates. In line with the requirements of the new revised Code, the Board will ensure effective engagement with all stakeholders.

Each year the Board undertakes a formal evaluation of its effectiveness and that of its Committees. In 2018, this was an internal self-assessment which was conducted by the Chairman of the Board and the Senior Independent Director. The evaluation concluded that the Board and its Committees are performing well. Details of the process and resulting actions arising from this review can be found on page 99.

Details of the Group's activities and the operations of the Board, contained in the following report, outline the manner in which the Group has achieved compliance with the Code through the activities and operations of the Board and its Committees during the year.

A handwritten signature in black ink, appearing to read 'Philip Toomey', with a stylized flourish at the end.

Philip Toomey
Chairman of the Board

Leadership

Board Composition and Membership

The Board is responsible for ensuring the long term sustainable success of the Company through experienced leadership and establishing effective control and oversight of the Group's activities.

There are 12 members of the Board, which comprises of a non-Executive Chairman, Chief Executive, Chief Financial Officer, one other Executive Director, and eight non-Executive Directors.

Mr. Philip Toomey was appointed as Chairman of the Board on 3 May 2018, succeeding Mr. Michael Dowling who retired as a non-Executive Director and Chairman on the same date. On his appointment Mr. Toomey met the independence requirements as set out in the Code.

The Directors are of the opinion that the composition of the Board provides the extensive relevant business experience needed to oversee the effective operation of the Group's activities and that the individual Directors bring a diverse range of skills, knowledge and experience, including financial as well as industry and international experience, necessary to provide effective governance and oversight of the Group.

Board Role and Operations

The Board's role is to promote the long-term sustainable success of the Company generating value for all its stakeholders, including shareholders, employees, customers, suppliers and the communities in which it operates, while exercising business judgement on developing strategy, delivering objectives and managing the risks that face the organisation. It is also responsible for instilling the appropriate culture, values and behaviours throughout the organisation. The Board has a formal schedule of matters specifically reserved to it for decision as noted below and has delegated other responsibilities to management for day-to-day operations within the context of the Kerry Group Governance Framework as outlined on page 98.

Schedule of Matters Reserved for the Board

- Appointments to the Board;
- Ensuring compliance with corporate governance, legal, statutory and regulatory requirements;
- Approval of the overall Group strategic and operating plans;
- Monitoring and review of risk management and internal control systems;
- Approval of acquisitions and divestitures;
- Approval of significant capital expenditure;
- Treasury policy including approval of changes to the Group's capital structure;
- Approval of dividend policy and dividends;
- Approval of annual budgets;
- Approval of preliminary results, interim management statements and interim financial statements;
- Assessment of the long term viability of the Group and the going concern assumption; and
- The preparation of, and confirmation that, the annual report and financial statements present a fair, balanced and understandable assessment of the Company's position, performance and prospects.

The Directors are responsible for strategic oversight of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes, to any directions given by shareholders in General Meetings and to the Company's Memorandum and Articles of Association. The fundamental responsibility of the Directors is to exercise their business judgement on matters of critical and long term significance to the Group.

The Chairman ensures that all Directors have full and timely access to such information as they require to discharge their responsibilities fully and effectively. Board papers are issued to each Director at least one week in advance of Board meetings and include the meeting agenda, minutes of the previous Board meeting and all papers relevant to the agenda. The Chairman, in conjunction with the Company Secretary, has primary responsibility for setting the agenda for each meeting. All Directors continually receive comprehensive reports and documentation on all matters for which they have responsibility to allow them to fully complete their duties as a Director. All Directors participate in discussing strategy, trading updates, financial performance, significant risks and operational activities. Board meetings are of sufficient duration to ensure that all agenda items and any other material non-agenda items that may arise are adequately addressed.

Each Director has access to the advice and services of the Company Secretary, whose responsibilities include ensuring that Board procedures are followed, assisting the Chairman in relation to corporate governance matters and ensuring the Company complies with its legal and regulatory obligations. In accordance with an agreed procedure, in the furtherance of their duties, each Director has the authority to engage independent professional advice at the Company's expense. There is a Directors and Officers liability policy in place for all Directors and Officers of the Company against claims from third parties relating to the execution of their duties as Directors and Officers of the Company and any of its subsidiaries.

Strategy

2018 was the first year of the Group's new strategic plan which was communicated to the market at a Capital Markets Day held in October 2017. During the year the Board received presentations from Group and divisional management on progress to date implementing the strategies for growth, margin expansion and return on investment that underpin the plan and its associated financial targets. During the presentations the Board provided input and strategic guidance as required. The Board is happy with the progress achieved in 2018 and remains confident that the Business Model and strategies will deliver sustained value for all stakeholders in the years to come.

Meetings and Attendance

The Board meets sufficiently regularly to ensure that all its duties are discharged effectively. All Directors are expected to prepare for and attend meetings of the Board and the AGM. Should any Director be unable to attend a Board meeting in person, conferencing arrangements are available to facilitate participation. In the event that a Board member cannot attend or participate in the meeting, the Director may discuss and share opinions on agenda items with the Chairman, Chief Executive, Senior Independent Director or Company Secretary in advance of the meeting.

During 2018, the Board met seven times and there was full attendance by all members at meetings held during their time in office.

Chairman and Chief Executive

The roles of the Chairman and Chief Executive are separate and the division of duties between them is formally established, set out in writing and agreed by the Board. The Chairman is responsible for leadership of the Board and ensuring its effectiveness in all respects. The Executive Directors, led by the Chief Executive, are responsible for the management of the Group's business and the implementation of Group strategy and policy.

Senior Independent Director

Ms. Joan Garahy is the Group's Senior Independent Director (SID). The principal role of the SID is to provide a sounding board for the Chairman and to act as an intermediary for other Directors as required. The SID is responsible for the appraisal of the Chairman's performance throughout the year. She is also available to meet shareholders upon request, in particular if they have concerns that cannot be resolved through the Chairman or the Chief Executive.

Independence

The Board, as a whole, has assessed the non-Executive Directors independence and confirmed that, in its opinion, all non-Executive Directors are independent in accordance with the Code.

Board Committees

The Board has three Committees, the Audit Committee, the Nomination Committee and the Remuneration Committee, which support the operation of the Board through their focus on specific areas of governance. Each Committee is governed by its terms of reference, available from the Group's website (www.kerrygroup.com) or upon request, which sets out how it should operate including its role, membership, authority and duties. Reports on the activities of the individual Committees are presented to the Board by the respective Committee Chairpersons.

Further details on the duties, operation and activities of all Board Committees can be found in their respective reports on pages 101-131 and these reports form part of the Governance Report.

Kerry Group Governance Framework

Kerry Group has a clear Governance Framework with defined responsibilities and accountabilities as outlined in the diagram below. This Governance Framework is designed to safeguard long term shareholder value.



Board Effectiveness

Board Induction and Development

On appointment to the Board, each new non-Executive Director undergoes a full formal induction programme. This induction includes an overview of their duties and responsibilities as a Director, presentations on the Group's operations and results, meetings with key executive management and an outline of the principal risks and uncertainties of the Group.

Throughout the year, the Board as a whole engages in development through a series of consultations with subject matter experts on a range of topics including risk management, corporate governance and strategy. Presentations are also made by Executive Directors and senior management on various topics throughout the year in relation to their areas of responsibility.

On an annual basis, a Board meeting is combined with a comprehensive schedule of visits, over a week-long period, to the Group's operating facilities to allow Directors further develop their understanding of the Group's activities and meet with local senior management. The June 2018 Board meeting was held in Kerry's Regional Application Centre, in Durban, South Africa. The visit focused on Kerry's Taste & Nutrition Strategy for Sub Saharan Africa (SSA) and Middle East, North Africa and Turkey (MENAT) sub-regions. It also afforded Board members the opportunity to meet and engage with key leaders and emerging talent from many countries in the sub-regions. Whilst in South Africa the Board visited the site for the Group's new manufacturing facility in Durban and undertook a market immersion tour during which the Board saw firsthand the different markets for the Group's products in South Africa as well as having the opportunity to meet with major customers.

As part of their personal development plans, individual non-Executive Directors were also afforded the opportunity to visit a number of the Group's international facilities and operations during 2018.

Individual Board members training requirements are reviewed with the Chairman and Company Secretary and training is provided to address these needs.

Board Performance Evaluation

In accordance with provisions of the Code, a performance evaluation of the Board is carried out annually and facilitated externally every third year. In 2018, the Board performed an internal self-evaluation of the performance of the Board, Board Committees, the Chairman and individual Directors against a set of pre-defined key criteria. The review was conducted by the Chairman of the Board and the Senior Independent Director and was facilitated by the Company Secretary. The review was undertaken using Thinking Board, Independent Audit Limited's governance self-assessment process. Independent Audit Limited, based in the UK, is recognised as a leading firm of board reviewers, and has no other connections to the Group.

The Chairman appraised the performance of each of the non-Executive Directors by meeting each Director individually. The key areas reviewed were independence, contribution and attendance at Board meetings, interaction with Executive Directors, the Company Secretary and senior management, ability to communicate issues of importance and concern, their knowledge and effectiveness at meetings and the overall time and commitment to their role on the Board. During his appraisal the Chairman considered the recent appointment of Mr. Christopher Rogers as Interim Executive Chairman at Walker Greenbank plc. The Chairman and the Board are satisfied that this appointment is temporary and it has not impacted on Mr. Rogers' time commitment to Kerry where he continues to make a valuable contribution to the Board. Prior to accepting the appointment Mr. Rogers discussed the nature of the role and the time commitment involved with the Chairman.

In addition, the Senior Independent Director formally appraised the performance of the Chairman. This appraisal was similar to the non-Executive Director evaluation process which included feedback from all Directors on the Chairman's performance during the year.

During the year, the non-Executive Directors met without the presence of the Executive Directors and, led by the Chairman, undertook a formal review of the performance of the individual Executive Directors.

To conclude on the appraisal of the non-Executive Directors, the Chairman and the Executive Directors, results were collated, summarised and presented to the Board. The appraisal process concluded that each Director is performing well and is committed to their role in terms of dedication of time and attendance at meetings.

At the December Board meeting, the Board considered the outcome of the Board evaluation report (including the Board Committees).

Topics Covered During Board Performance Evaluation Included

- Board Remit and Responsibilities
- Board Skills and Dynamics
- Board Meetings
- Strategy, Risk and Performance
- Decision Making Process
- Board Communications
- Support for the Board

Overall, the Board concluded that no area of significant weakness had been identified and that it and its committees operated effectively throughout the period under review. A number of points for improvement were identified and action plans established to address them.

Progress against recommendations from the previous evaluation was also considered and the Board is satisfied that improvements have been made that have enhanced the operation and effectiveness of both the Board and its Committees.

The Chairman, along with the Company Secretary, will ensure that suggestions from the 2018 self-evaluation report and areas for consideration arising from the Directors' appraisal, where identified, will be addressed during 2019. As required by the Code, the performance evaluation of the Board, its Committees and Directors will be externally facilitated in 2019, as the last externally facilitated evaluation was completed in 2016.

Accountability

Risk Management and Internal Controls

The internal control framework in Kerry Group encompasses the policies, processes, tasks and behaviours, which together facilitate the Group's effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieve its business objectives. The systems which operate in Kerry Group provide reasonable, but not absolute, assurance on:

- the safeguarding of assets against unauthorised use or disposition; and
- the maintenance of proper accounting records and the reliability of the financial information produced.

The Board has delegated certain duties to the Audit Committee in relation to the ongoing monitoring and review of risk management and internal control systems. The work performed by the Audit Committee is described in its report on pages 101-105.

Full details of the risk management systems are described in the Risk Report on pages 73-75.

The principal risks and uncertainties facing the Group, including those that could threaten the business model, future performance, solvency or liquidity are described on pages 75-86. The Directors confirm that they have carried out a robust assessment of these risks and the actions that are in place to mitigate them.

The Directors confirm that they have also reviewed the effectiveness of the systems of risk management and internal control which operated during the period covered by these financial statements and up to the date of this report. Based on the review performed, the Directors concluded that for the year ended 31 December 2018, the Group's systems of risk management and internal control were effective. The procedures adopted comply with the guidance contained in Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (2014) as published by the Financial Reporting Council in the UK.

Features of Internal Control in Relation to the Financial Reporting Process

The main features of the internal control and risk management systems of the Group in relation to the financial reporting process include:

- The Board review and approve a detailed annual budget and monitor performance through periodic Board reporting;
- Prior to submission to the Board with a recommendation to approve, the Audit Committee review the Interim Management Statements, the Interim and Annual Consolidated Financial Statements and all formal announcements relating to these statements;
- Adherence to the Group Code of Conduct and Group policies published on the Group's intranet ensures the key controls in the internal control system are complied with;
- Monthly reporting and financial review meetings are held to review performance at business level ensuring that significant variances between the budget and detailed management accounts are investigated and that remedial action is taken as necessary;
- The Group has a Financial Compliance function to establish compliance policies and monitor compliance across the countries in which the Group operates;
- The Group operates a control self-assessment system covering the key controls for a number of key Financial and Operational functions within the Group;
- A well-resourced and appropriately skilled Finance function is in place throughout the Group;
- Completion of key account reconciliations at reporting unit and Group level;
- Centralised Taxation and Treasury functions and regional Shared Service Centres established to facilitate appropriate segregation of duties;
- The Group Finance Committee has responsibility for raising finance, reviewing foreign currency risk, making decisions on foreign currency and interest rate hedging and managing the Group's relationship with its finance providers;
- The Board, through the Audit Committee, completes an annual assessment of risks and controls;
- Appropriate ICT security environment; and
- The Internal Audit function continually reviews the internal controls and systems and makes recommendations for improvement which are reported to the Audit Committee.

Fair, Balanced and Understandable

The Directors have concluded that the Annual Report and financial statements, taken as a whole, provides the information necessary for shareholders to assess the Company's and Group's position and performance, business model and strategy and is fair, balanced and understandable. This assessment was completed by the Audit Committee and the activities undertaken in reaching this conclusion are discussed on page 103.

Relations with Shareholders

Shareholder Communications

The Board ensures that an effective channel of communication with existing and potential shareholders exists. The Group is committed to interacting with Kerry's investment community to

share details of its Strategic Plan, long term targets and trading performance.

The Group annual and interim reports together with its Interim Management Statements are the principal mediums through which the Company communicates with its shareholders.

Where necessary, the Board and Committee Chairpersons engage with shareholders on specific topics and, where relevant, provide feedback to other Directors. The Chairman and Senior Independent Director are also available throughout the year to meet shareholders on request.

During the year, the Chief Executive, the Chief Financial Officer, other members of Kerry's Leadership team, the Sustainability Officer and the Investor Relations team engaged with investors through a variety of formats including hosting Kerry Investor events and visits to Kerry Technology & Innovation Centres in Ireland and Singapore as well as facilitating both foodservice and supermarket investor tours. In October, Kerry hosted its first Investor Day in Asia at the Technology & Innovation Centre in Singapore. Focused on South East Asia, the local team provided a deep dive into the business to showcase the proven track record in the region, growth potential and Kerry's winning business model. Group Chairman Mr. Philip Toomey, attended the investor day on behalf of the Board.

Overall the Investor Relations team engaged with over 700 investors through participation in roadshows, meetings and attendance at conferences in 19 cities.

Executive management supported by the Investor Relations team maintains constant engagement with the investment community in relation to many topics including Group strategy, financial performance, capital allocation and investment decision making, sustainability, Board composition and succession planning. In addition, a significant amount of published material including results releases, presentations, share price information and news releases are accessible to all shareholders on the Group's website (www.kerrygroup.com) and through the Kerry Group Investor Relations online application, which is available on iPad, iPhone and Android. Through the investors section of the website, shareholders and others can subscribe to receive automated email alerts when new information is posted to the site.

Annual General Meeting

The AGM provides an opportunity for the Directors to deliver presentations on the business and for shareholders, both institutional and private, to question the Directors directly.

All Directors attend the AGM and are available to meet with shareholders and answer questions as required. Notice of the AGM, proxy statement and the Annual Report and financial statements are sent to shareholders at least 20 working days before the meeting. A separate resolution is proposed at the AGM on each substantially separate issue including a particular resolution relating to the adoption of the Directors' and Auditors' reports and the financial statements. Details of the proxy votes for and against each resolution, together with details of votes withheld are announced after the result of the votes by hand. These details are published on the Group's website following the conclusion of the AGM. At the AGM held on 3 May 2018, there were no material votes cast against any resolutions.