

# Safety and Risk Committee Charter

October 2019

## Constitution

The Board of Fonterra Co-operative Group Limited (“the Board”) has established a committee of the Board to be known as the Safety and Risk Committee (“the Committee”).

## Purpose

The purpose of the Committee is to assist the Board in fulfilling its corporate governance responsibilities relating to Fonterra’s management of Health and Safety (including promoting a safe and healthy working environment for all Fonterra employees, contractors and members of the public as required) and risks other than those risks that are overseen by the Audit & Finance Committee (“AFC”). Such risks to include Food Safety Quality & Regulatory, Security (Including Cyber Security), Incident/Crisis management, and any other matters referred to it by the Board.

## Responsibilities

The responsibilities of the Committee include:

1. Provide an active leadership commitment to health, safety and wellbeing in Fonterra including:
  - Informed understanding of key health and safety business risks and hazards, including regulatory and compliance requirements
    - Review, approve, and monitor Fonterra’s health and safety strategy and be kept up to date with planning and deployment progress
    - Engage with managers and employees in relation to health and safety and wellbeing regularly in their workplaces
    - Encourage worker participation at all levels of health safety and wellbeing within Fonterra
  - Review and approve high level policy to provide assurance of compliance with employment-related statutory requirements, including Health and Safety, Privacy, Industrial Relations, and Ethical Behaviour
  - Approve annual KPI’s including lead and lag measures in relation to Health and Safety
  - Monitor Fonterra’s performance against KPI’s relating to risk (excluding financial risk)
  - The Committee has full discretion as to the health and safety matters or areas it wishes to consider or review
2. Reviewing the adequacy of Fonterra’s risk management framework and principal risks to Fonterra:

- Ensuring management has a risk management framework that is based on best practice and effectively identifies, addresses and monitors significant business risks and preparedness around emerging risks, and approving for recommendation to the Board, that risk management framework. This includes making regular enquiry on emerging trends in risk.
- Receiving and considering reports on selected risk topics with regular management updates from Food Safety and Quality, Security (including Cyber Security), Incident/Crisis Management and others as the Committee deems appropriate.
- Making regular enquiry of management, Internal Audit and where required specialist risk advisors about significant risks or exposures. Reviewing the steps management has taken to address such risks to Fonterra including adequacy of preparedness activities and receiving and considering reports from Internal Audit and specialist risk advisors on the results of risk management reviews and assessments.
- Ensuring that management has appropriate approaches in place to certify that individuals appreciate and acknowledge that risk management is all employees' responsibility and the necessary behaviours are encouraged and can be monitored.

### 3. Oversight of risk management practices and processes used by management:

- Reviewing and making recommendations to the Board regarding Fonterra's risk appetite statement;
- Reviewing and approving with management Fonterra's risk governance structure, risk assessment and risk management practices and the guidelines, policies and processes for risk assessment and risk management. This includes Fonterra's strategy relating to assessing and managing key risks, including operational risk, product and market risk, and reputational risk, as well as the guidelines, policies and processes for monitoring and mitigating such risks.
- Ensuring that appropriate processes are in place to certify compliance with risk appetite statement, risk management policies and procedures together with appropriate escalation to the Committee and to the Chair of the Committee as provided for under the Board Charter, and the reporting of any non-compliance.
- Reviewing Fonterra's risk management process, the behaviours and risk discussions required of its people and its guidelines, policies and processes for monitoring and mitigating risks. In doing so, the Committee will ensure that the broader aspects of risk are considered including the opportunities and advantages that can arise from the active management of risk.
- Receiving and, where appropriate, approving for submission to the Board regular reports by management summarising Fonterra's methods for identifying, managing and reporting risks and risk management deficiencies.
- Reviewing and discussing with management Fonterra's Incident Management framework and practices and the guidelines, policies, and processes for crisis management including:
  - Plan and/or structure to be established between management and the Board
  - Establishment of a specially trained and multi-disciplinary incident management team;
  - On-going training for the Incident Response Team;
  - Compliance with incident management framework, practices, guidelines, policies and processes
- Ensuring that appropriate processes and pathways are in place to allow a risk framework to be identified and applied by management in relation to the consideration or execution of any major transaction, having regard to Fonterra's risk management processes and any particular risks that may arise in relation to the transaction.
- Reviewing disclosure regarding risk contained in Fonterra's Annual Report and the other reports or documents as the Committee or the AFC considers appropriate.

- In carrying out its responsibilities, the Committee will in conjunction with the AFC and other Committees, ensure that there is oversight of all significant business risks by the Board and the committees of the Board.
- The Committee will avoid overlap as well as highlight potential gaps in overseeing risks considering risks that are governed by the AFC.
- Discharging any other duties or responsibilities delegated to the Committee by the Board.

## **Variations to the Standard Terms of Reference**

The Board Committee Standard Terms of Reference shall apply, except where modified by this Charter.

## **Membership Current Reporting & Measurement**

The Committee shall include at least two (2) appointed Directors, and shall include the chair of the Audit and Finance Committee.

## **Meeting Procedure**

### **Attendance**

The attendance of the Managing Director Co-operative Affairs is expected at all meetings. The Chief Executive Officer shall be requested to attend as requested by the committee.