



Constitution

The Board of Fonterra Co-operative Group Limited (“the Board”) has established a committee of the Board to be known as the 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 risks other than those risks that are overseen by the AFC (Audit & Finance Committee) and by PCS (People, Culture & Safety Committee), such risks to include Food Safety Quality & Regulatory, Security (Including Cyber Security) and Incident/Crisis management.

Responsibilities

The responsibilities of the Committee include:

1. Reviewing the adequacy of Fonterra’s risk management framework and the 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 Health & Safety, Food Safety & Quality, Security (including Cyber Security), Incident Management/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 ensure that individuals appreciate and acknowledge that risk management is all employees’ responsibility and that the necessary behaviours are encouraged and can be monitored.
2. Oversight of risk management practices and processes used by management.
 - Reviewing and approving with Management the Company’s risk governance structure, risk assessment and risk management practices and the guidelines, policies and processes for risk assessment and risk management. This includes the Company’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 ensure compliance with 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, 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 the Company’s methods for identifying, managing, and reporting risks and risk management deficiencies.
- Reviewing and discussing with Management the Company’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 the Company’s Annual Report and 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 PCS 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 taking into account risks that are governed by the AFC and the PCS.
- 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

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

Meeting Procedure

Attendance

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