



1 Scope

This policy applies to a2MC and its operations globally. Some terms used in this policy are defined in section 12 at the end of this policy.

2 Purpose

a2MC is committed to meeting high standards in the ways it manages its business. a2MC's risk management approach is centred on achieving its objectives and goals. Effectively managing risk creates shareholder value and protects a2MC and a2MC Team Members, shareholders, consumers and other stakeholders. The Company considers ongoing risk management to be a core component of the management of a2MC.

This policy outlines the principles adopted by a2MC to ensure appropriate risk management within its systems and culture.

3 Risk Management Programme

a2MC's risk management programme comprises a series of processes, structures and guidelines that are designed to assist it to identify, assess, monitor and manage its material risks, including any material changes to its risk profile.

To achieve this, the Company has clearly defined the responsibility and authority of the Board to direct and oversee the risk management programme, while conferring responsibility and authority on the Audit and Risk Management Committee to develop and maintain the risk management programme in light of a2MC's day-to-day needs. The Audit and Risk Management Committee is governed by the Audit and Risk Management Committee Charter, a copy of which is available on a2MC's website.

The management of workplace health and safety is monitored by the Board rather than the Audit and Risk Management Committee and is the subject of a separate Workplace Health & Safety Policy.

a2MC's commitment to food safety and quality is set out in the a2MC Food Safety and Quality Policy and Quality Objectives.

Regular communication and review of risk management practice provides important checks and balances to ensure the efficacy of the risk management programme.

The key elements of the risk management programme are set out below.

4 Risk Principles

Risks are possible outcomes that, if they occurred, would have a materially adverse impact on a2MC's financial performance, assets, reputation, people, or the environment.

a2MC adopts a systematic and ongoing risk management framework to:

- identify risks, including emerging risks;
- analyse those risks to determine their likelihood and severity;



- put in place measures to eliminate, reduce or mitigate those risks; and
- monitor and report on those risks.

The Group Head of Risk and Internal Audit maintains a risk register which records the likelihood and impact of each risk and notes the steps taken to mitigate the risk.

Risks identified are classified into the following high-level categories:

- strategic risks;
- financial risks; and
- operational risks.

(The various identified risks relating to sustainability form a component of each of these categories.)

a2MC adopts the three lines model to provide a simple and robust governance for risk accountability. This is illustrated in the diagram in the Appendix.

5 Responsibilities of the Board

The Board acknowledges that it is responsible for the overall system of internal control but recognises that no cost effective internal control system will preclude all errors and irregularities.

The Board is responsible for directing and overseeing the risk management programme, determining a2MC's risk appetite, and leading and modelling a culture of responsible risk management. The Board has delegated responsibility for reviewing the risk profile (including material financial and non-financial risks) and reporting on the operation of the internal control system to the Audit and Risk Management Committee. However, the Audit and Risk Management Committee and the CEO and other designated ELT members may also refer particular risk management issues to the Board for final consideration and direction.

The Board reviews the effectiveness of a2MC's risk management and internal control system annually and tracks the development of any existing risks and the emergence of new risks to its business and operations.

6 Responsibilities of the Audit and Risk Management Committee

Ongoing oversight of the risk management programme is the responsibility of the Audit and Risk Management Committee in accordance with the Audit and Risk Management Committee Charter. The Committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and processes and provides regular reports to the Board on these matters.

7 Responsibilities of Management

The ELT is responsible for designing and implementing a2MC's risk management framework and internal control systems which identify material risks for a2MC and aim to provide warnings of risks before they escalate. ELT members must implement the action plans developed to address material risks across a2MC.



ELT members should regularly monitor and evaluate the effectiveness of the action plans. In addition, they should promote and monitor the culture of risk management within a2MC and compliance with the internal risk control systems and processes. The CFO and other designated ELT members will regularly and appropriately report to the Audit and Risk Management Committee regarding the operation of the risk management programme. Such reports will highlight the main risks identified through a2MC's risk management framework and how these are being managed.

8 Responsibilities of a2MC Team Members

a2MC Team Members play an important part in the risk management programme and are responsible for implementing the measures to manage risk adopted under a2MC's risk management framework.

9 Review of Risk Management Programme

The Company regularly evaluates the effectiveness of the risk management programme to ensure that its internal control systems and processes are monitored and updated on an ongoing basis.

The division of responsibility between the Board, the Audit and Risk Management Committee and management aims to ensure that specific responsibilities for risk management are clearly communicated and understood. The reporting obligations of the Audit and Risk Management Committee ensure that the Board is regularly informed of material risk management issues and actions. This is supplemented by the evaluation of the performance of the risk management programme.

10 Review of this Policy

This policy will be reviewed regularly by the Board to check that it is effective and having regard to a2MC's changing circumstances and changes in law or practice. At a minimum, this policy will be formally reviewed once every two years.

11 Questions

Any person who has questions about this policy or requires further information should contact the Company Secretary.

12 Definitions

In this policy, the following definitions apply:

a2MC means the Company and its related companies (as that term is defined in the Companies Act 1993 (NZ)) or any company that is managed, advised or controlled by any of the above;

a2MC Team Members means all Employees, directors and officers, consultants, contractors or subcontractors (and their employees), volunteers, employees of labour hire organisations, work experience students, trainees and volunteers employed or engaged by a2MC in any jurisdiction;

Board means the board of directors of the Company;



Company means The a2 Milk Company Limited; and

ELT means the a2MC Executive Leadership Team.

Employee means all employees (including full time, part time, fixed term, maximum term and casual employees, unless stated otherwise) of a2MC in any jurisdiction.

Appendix

