“Our aim is to anticipate and address changes to the Group’s business and risk environment that may impact the delivery of our strategic objectives. We do this by ensuring that a robust risk management culture exists throughout the organisation.”

Paul Haran
Senior Independent Director

The Board has ultimate responsibility for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives, and for ensuring that risks are managed effectively across the Group. Risk management is a regular agenda item at Board and Audit Committee meetings and the Board considers the impact of the Group’s principal risks in detail during the annual Group strategy process. This is designed to ensure that the Board understands the key risks within the business and the methods by which these risks are managed.

2014 RISK MANAGEMENT HIGHLIGHTS

Throughout 2014, the Group focused on responding to a dynamic operating environment and managing risk in several key areas.

Supplier risk
We successfully addressed the US milk procurement challenges encountered in early 2014 by Global Ingredients through a combination of measures. These included sustainable cost reductions, pricing changes and achieving greater security of supply with two year milk supply contracts now in place with the vast majority of our local suppliers. We expect our Idaho plants to operate at full capacity in 2015 and will keep our milk procurement policies under review in order to maintain supply security.

Building team engagement
In 2014 we launched the ‘Our Glanbia’ programme to ensure that the business retains and attracts talented and motivated employees as they are the life blood of the Group. We have already experienced enhanced employee engagement across the Group. This was driven by the global employee roadshow undertaken by the Group Managing Director and senior executives and an ongoing global and local programme of activities.

Delivery of capital investment programme
The Group continued to invest significantly behind its two growth platforms with:

- Global Performance Nutrition commissioning the first phase of a new $75 million investment in a state-of-the-art manufacturing facility in Aurora, Illinois; and
- Global Ingredients further developing the strategy of maximising the value of our ingredient pool through the $85 million high end whey and lactoferrin programme announced during 2014 at our Idaho facilities. The project is on schedule for full commissioning by the end of 2015.

These investments will strengthen our production capabilities and facilitate our goal of being a leader in the development of market insight-led and technology driven solutions and systems.

We also continue to invest in our Dairy Ireland and Joint Ventures & Associates segments, in particular:

- The completion of the greenfield Glanbia Ingredients Ireland milk processing facility;
- The development of the Agribusiness food grade oats milling facility; and
- The commissioning of Consumer Products new long-life milk and cream plant.

These developments will not only better serve existing customers but offer our Ireland based businesses extra capacity for further growth in international markets.
OUR RISK MANAGEMENT FRAMEWORK

While the Board has ultimate responsibility for the Group’s systems of risk management and internal control, there are defined roles within the process for the Group Operating Executive, the Audit Committee, Internal Audit and the Group Senior Leadership Team.

The diagram below outlines the key stakeholder risk management responsibilities within our risk management framework. It is designed to ensure that there is input across all levels of the business to the management of risk; this allows us to remain responsive to the ever changing environment in which we operate.

See page 61 for more information about our governance framework.
OUR RISK MANAGEMENT PROCESS

Our risk management process aims to support the delivery of the Group’s strategy by managing the risk of failing to achieve business objectives.

By focusing our risk management system on the early identification of key risks, it enables us to conduct a detailed consideration of the existing level of mitigation and the management actions required to either reduce or remove the risk.

Where the reduction or removal of the risk is not possible, the Group formulates a management action plan to respond to the risk should the risk materialise. Our risk management process is as follows:

Group Senior Leadership Team

On a quarterly basis, each business unit management team and functional lead are requested to perform a detailed risk review exercise and to update the Group risk register. The register ensures consistency of approach in reporting of risks and requires management to:

• Identify and classify each risk as financial, operational, strategic or regulatory;
• Assess the inherent risk impact and likelihood, and the speed at which the impact of the risk could materialise;
• Identify mitigation measures;
• Allocate an owner who has responsibility for the timely implementation of the agreed action plan; and
• Report on implementation of strategies to address residual risk exposures.

Glanbia has a continuous risk assessment process comprising five key stages.

RISK ASSESSMENT PROCESS

Consolidation and review of the Group key risk summary

Internal Audit prepares a Group summary report based on the quarterly information submitted by management. The Group Operating Executive review the report on a quarterly basis while the Audit Committee and the Board perform a bi-annual review, with an interim update from management if significant issues arise. The report includes:

• An analysis of the key Group risks in terms of impact (assessed over the following 12 months within defined monetary terms), likelihood of occurrence (assessed based on defined probabilities of occurrence) and velocity (the speed at which the impact of the risk could materialise);
• A summary of the key movements in the identified risks;
• Management action plans and owners to help manage the key residual risk exposures; and
• An overview of the broader organisational and business risks.

Management and Board review

The focus of the Board is on ensuring that the Group residual risk position is within their risk appetite. The Group Operating Executive and the Audit Committee, supported by Internal Audit, are entrusted with ensuring that appropriate measures are in place to validate the strength of internal controls and risk mitigation.

Ongoing monitoring

The quality and consistency of risk reporting is supported through a number of other monitoring and reporting processes including:

• Annual Group strategy process and Board presentations;
• Bi-annual control self-assessment and management representation letter processes;
• Monthly Chief Executive business review reports of the key financial and operational performance levels within each business unit; and
• Monthly detailed finance reviews.

Senior management are also required, when presenting a business update to the Board or Audit Committee, to provide detailed presentations on their individual business unit key risks, the mitigating controls and the residual risk exposures.

The Audit Committee continues to operate a programme of evaluating key areas of risk through a series of presentations from management and Group functional leads on matters such as food safety and quality, operational site risk management and IT.

PRINCIPAL RISKS AND UNCERTAINTIES

Key risks are identified based on the likelihood of occurrence and potential impact on the Group using the processes outlined. The Board has carefully considered the nature and extent of the significant risks it is willing to take in achieving the Group’s strategic objectives and delivering a satisfactory return for shareholders.

The performance of the Group is influenced by global economic growth and consumer confidence in the markets in which it operates. In 2015 the principal risks and uncertainties affecting the Group’s performance are:

• The competitive landscape for Global Performance Nutrition, recognising the impact of a stronger dollar on the purchasing power of consumers in certain international markets;
• The overall impact on margins of movements in dairy pricing, particularly in whey markets; and
• The potential impact of geopolitical unrest and macro-economic uncertainty on our international growth strategy.

The Group’s approach to financial risks, including currency risk, interest rate risk, liquidity risk, price risk and credit risk is to centrally manage these risks against comprehensive policy guidelines, details of which are outlined in note 3.1 ‘Financial risk factors’ on pages 137 and 138 of this report. The Board regularly reviews these policies.
RISK PROFILE

The Group’s principal risks are summarised in the risk profile table below according to the strategic objective to which they relate, together with an overview of the risk trend during 2014. There may be other risks and uncertainties that are not yet considered material or not yet known to us and this list will change if these risks assume greater importance in the future.

Likewise some of the current risks will drop off the key risks schedule as mitigating management action plans are implemented or changes in the operating environment occur. The nature of each principal risk is described in detail on pages 54 to 57.

GROUP STRATEGIC PRIORITIES

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<th>PRIORITY ONE</th>
<th>PRIORITY TWO</th>
<th>PRIORITY THREE</th>
<th>PRIORITY FOUR</th>
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<tr>
<td>Sustain current and drive further market leadership in our B2B and B2C growth platforms</td>
<td>Acquire or partner with complementary businesses to grow our current portfolio</td>
<td>Deliver our strategic capital investment programme</td>
<td>Develop talent, culture and values in line with our growing global scale</td>
</tr>
</tbody>
</table>

Risk trend

- Increasing
- Stable
- Decreasing

- Economic and industry risk
- Strategy risk
- Customer concentration risk
- Market risk
- Supplier risk
- Product safety and compliance risk
- Acquisition risk
- Investment risk
- Site compliance risk and environment, H&S regulation risk
- Talent management risk
- Liquidity risk
- Infrastructure capacity risk

See pages 28 and 29 for more information about our strategic priorities
See pages 54 to 57 for more information about our principal risks and uncertainties
## Principal risks and uncertainties

### Strategic Priority One:
**Sustain current and drive further market leadership in our B2B and B2C growth platforms**

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>Impact</th>
<th>Mitigation</th>
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</thead>
<tbody>
<tr>
<td>Economic and industry risk</td>
<td>Our performance is strongly influenced by global economic growth and consumer confidence in the markets in which we operate.</td>
<td>Deterioration in economic growth or consumer confidence, significant currency movements, political instability or civil disturbances may impact business unit performance and the achievement of organic growth targets.</td>
<td>• Our strategy is aimed at the continued extension of our geographic spread, focusing on key customer relationships and investment in new product development which will help to shelter the Group from short-term economic fluctuations.</td>
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<td>• The Group Operating Executive and the Board regularly assess key market trends and implications for Group performance and strategy objectives. Corrective actions are identified and implemented as required.</td>
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<td>Strategy risk</td>
<td>We may adopt an incorrect business strategy in relation to market opportunities or fail to obtain accurate and relevant competitive intelligence before entering particular international markets.</td>
<td>Sudden or extreme changes in local conditions or in regulatory requirements may result in negative impact to financial performance, possible restrictions on future growth opportunities or potential impairments.</td>
<td>• As an established international business, the Group already operates in many countries with differing, and in some cases potentially fast-changing, competitive, economic, social and political conditions. Detailed market knowledge is assembled using a team of internal and external experts and potential risk exposures are assessed in advance of establishing operations.</td>
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<tr>
<td>Customer concentration risk</td>
<td>The Group benefits from close commercial relationships with a number of key customers.</td>
<td>The loss of one or more of these customers, or a significant deterioration in commercial terms, could have a material impact on Group profitability.</td>
<td>• The Group has developed strong relationships with major customers by focusing on superior customer service, product innovation, quality assurance and cost competitiveness.</td>
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<td>• The Board regularly reviews its exposure to individual customers and considers the impact of potential acquisitions where relevant.</td>
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<td>• Credit exposure is actively reviewed and managed including the use of credit insurance where possible. The Group’s credit risk management policy and controls were reviewed and approved by the Audit Committee in 2014.</td>
</tr>
<tr>
<td>Market risk</td>
<td>Increasing competition across certain channels through high promotional activity and competitor product innovations provides an ongoing challenge.</td>
<td>Potential adverse effect on the Group’s financial performance if we fail to adapt successfully where and when required to meet market challenges.</td>
<td>• Continued channel and international expansion by leveraging the strength of our brands limits the impact of prolonged aggressive competitor challenges in specific areas.</td>
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<td>• Our strategy of embedding in-market sales teams allows us the opportunity to drive increased penetration of our products.</td>
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<td>• We protect our market positions through the active monitoring of the major macro trends which could impact our businesses.</td>
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<td>• Research and development expenditure is focused on value-added and customer-specific solutions in sectors where Glanbia has significant technical and market knowledge.</td>
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<td>• A new role of Chief Science &amp; Technology Officer was created in 2014 to strengthen the focus on developing our innovation pipeline and quality systems, which will allow us to further deepen our key customer relationships and enhance our market leadership position.</td>
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</tbody>
</table>

See page 24 for more information about what makes us different
STRATEGIC PRIORITY ONE continued:
Sustain current and drive further market leadership in our B2B and B2C growth platforms

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
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<th>Mitigation</th>
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</table>
| Supplier risk   | Risk of not achieving an appropriate balance between sustainable milk supply and cost. Milk availability can fluctuate from quarter-to-quarter and year-to-year with resulting impacts on plant production levels. The relative whey pricing dynamic between base and high end whey can also have a significant impact when our ability to pass pricing volatility back to suppliers is constrained by competitive pressures. | Adverse impact on earnings.                                                              | • Market pricing is continually evolving and the market environment can change quickly. As a result, our milk procurement strategy teams are working to ensure the business remains competitive in its supplier offerings, which is in the interests of our milk suppliers, customers and Glanbia.  
• The vast majority of our existing Idaho suppliers have signed two year supply agreements with Glanbia including our revised milk price formula.  
• Management will continue to ensure that the focus is not solely on pricing but also on the non-pricing value added initiatives that can be used to ensure continued milk supply. |
| Product safety and compliance risk | A breakdown in control processes may result in contamination of products and/or raw materials resulting in a breach of existing food safety legislation and potential customer or employee illness. | Potential impacts include reputational damage, regulatory penalties or restrictions, product recall costs, compensation payments, lost revenues and reduced growth potential. The sudden introduction of more stringent regulations such as additional labelling requirements may also cause operational difficulties. | The Group conforms to food safety and quality regulations and aims to employ best practice across all its production facilities to maintain the highest standards by focusing on:  
• Employing suitably qualified and experienced staff;  
• Operating a supplier certification programme whereby suppliers, their processes, facilities and products are audited for conformance to Group standards;  
• Monitoring overall food safety through the Glanbia Quality System (GQS), which is used to assist management responsible for food safety. Results of GQS testing are presented to and considered by the Audit Committee on a regular basis; and  
• Ensuring that product liability insurance is maintained. |
### Strategic Priority Two:
**Acquire or partner with complementary businesses to grow our current portfolio**

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<th>Risk</th>
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</table>
| Acquisition risk | The anticipated benefits of such investments may not be achieved if the Group is unable to identify suitable targets, conduct full and proper due diligence, raise the required funds, complete the transaction or properly integrate the operations of the acquired businesses.                                         | Below expected performance of the acquired business and the diversion of management attention to integration efforts could result in significant value destruction, impacting the Group’s profitability and growth objectives.                                                                                           | - The Group has acquisition integration and partnership processes in place to monitor the integration and performance of acquired businesses and to implement corrective actions as required.  
- Board approval of the business case and funding requirements for all acquisitions and significant partnership arrangements is obtained.                                                                 |
|                  |                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | - Acquired entity management teams are typically strengthened by the transfer of experienced Glanbia managers, which assists in increasing the efficiency of integration efforts.  
- The Group has strong ongoing relationships with debt providers. New financing arrangements are typically negotiated at least 12 months prior to expiration.                                                                                               |
|                  |                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | - During 2014 we refinanced and increased our committed bank facilities.  
- Group Treasury is responsible for ensuring tight management of debt and interest rate exposures, with significant headroom maintained against current covenants.                                                                                                      |
|                  |                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | - The Board routinely reviews and approves Group financing options.  
- All key development projects are well planned in advance of execution by dedicated and experienced teams with regular Group reporting requirements to ensure projects are delivered on time and on budget.                                                                                              |
|                  |                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | - All business units have business continuity plans in place in the event of unexpected issues arising. Our key sites undergo regular simulation testing to ensure the operating effectiveness of our business continuity plans.                                                                                                           |

### Strategic Priority Three:
**Deliver our strategic capital investment programme**

<table>
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<th>Risk</th>
<th>Description</th>
<th>Impact</th>
<th>Mitigation</th>
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| Investment risk           | The risk of the Board making a sub-optimal capital allocation decision.       | Lost opportunities to maximise shareholder value.                                         | • The Group manages capital by operating within defined return on capital employed metrics and debt ratios.  
• All significant investment and divestment decisions are considered and approved by the Board in a portfolio context to ensure that Group resources are directed to business segments and projects which will maximise overall Group performance.                                                                                       |
| Infrastructure capacity risk | Failure to deliver on planned facilities expansion.                           | Inability to service new and existing customer requirements and potential operational efficiency impacts. | • All key development projects are well planned in advance of execution by dedicated and experienced teams with regular Group reporting requirements to ensure projects are delivered on time and on budget.  
• All business units have business continuity plans in place in the event of unexpected issues arising. Our key sites undergo regular simulation testing to ensure the operating effectiveness of our business continuity plans.                                                                                                                |
### STRATEGIC PRIORITY THREE continued:
**Deliver our strategic capital investment programme**

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<tr>
<th>Risk</th>
<th>Description</th>
<th>Impact</th>
<th>Mitigation</th>
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<tbody>
<tr>
<td>Site compliance risk and environment, H&amp;S regulation risk</td>
<td>The risk of non-compliance with regulations pertaining to building and fire codes and/or zoning restrictions resulting in a loss of capacity at a major site or a breach of environment or H&amp;S regulations.</td>
<td>Potential impacts include H&amp;S risks, reputational damage, regulatory penalties and an inability to service customer requirements.</td>
<td>The Group limits the risk of a major event impacting capital investment programmes, existing operations or the environment by:</td>
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<td>• Monitoring overall safety and loss prevention performance through the Glanbia Risk Management System (GRMS). This system assists operational management responsible for site risk. An independent third party conducts the GRMS reviews, the results of which are presented to and considered by the Audit Committee on an annual basis;</td>
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<td>• Continual investment in energy efficiency advancements, carbon reduction and emission management programmes to ensure compliance with environmental regulations;</td>
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<td>• Ensuring all business operations have business continuity plans in place including identification of alternative production locations where relevant; and</td>
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<td>• Maintaining a comprehensive insurance programme for all significant insurable risks and major catastrophes.</td>
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### STRATEGIC PRIORITY FOUR:
**Develop talent, culture and values in line with our growing global scale**

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<tr>
<th>Risk</th>
<th>Description</th>
<th>Impact</th>
<th>Mitigation</th>
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</thead>
<tbody>
<tr>
<td>Talent management risk</td>
<td>The Group is dependent upon the quality, ability and commitment of key personnel in order to sustain, develop and grow the business in line with our key objectives.</td>
<td>Growth targets may be at risk by failing to attract, retain and manage key personnel.</td>
<td>The Group has put in place strong recruitment processes, effective HR policies and procedures, long-term incentives, robust succession management planning and a range of talent management initiatives including the Group Management Development Programme.</td>
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<td>The completion of the Remuneration Committee’s three year remuneration policy review which is designed to assist the Group in meeting our strategic ambitions by attracting, retaining and motivating talent.</td>
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<td>The ‘Our Glanbia’ programme was launched in 2014 to drive enhanced employee engagement, together with a programme of global and local activities.</td>
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<td>Our graduate recruitment programme is focused on recruiting talented, motivated, young professionals capable of developing into future business leaders.</td>
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</tbody>
</table>

See page 44 for more information about our people  
See page 80 for more information about remuneration