Suppliers of Ingredients

Food Safety and Quality Requirements

Fonterra™

Dairy for life

Trust in every drop

Safe, high-quality food

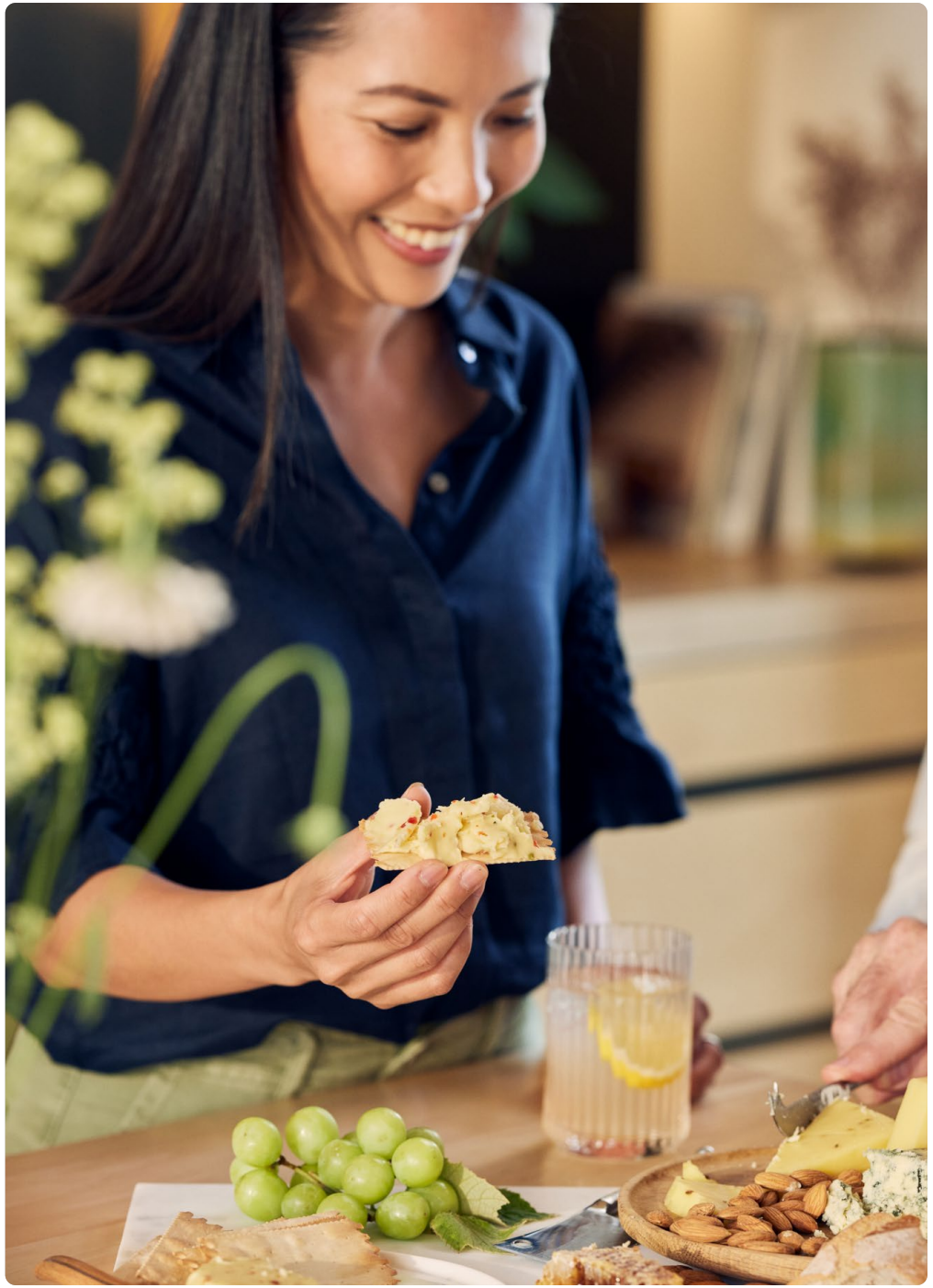
We make food that families everywhere trust.

By partnering with Fonterra you become part of our wider family and part of that promise we make to our customers and their consumers.

Together we keep their trust by showing up every day and doing the right thing for food safety and quality.

Trust in every drop

Safe, high-quality food



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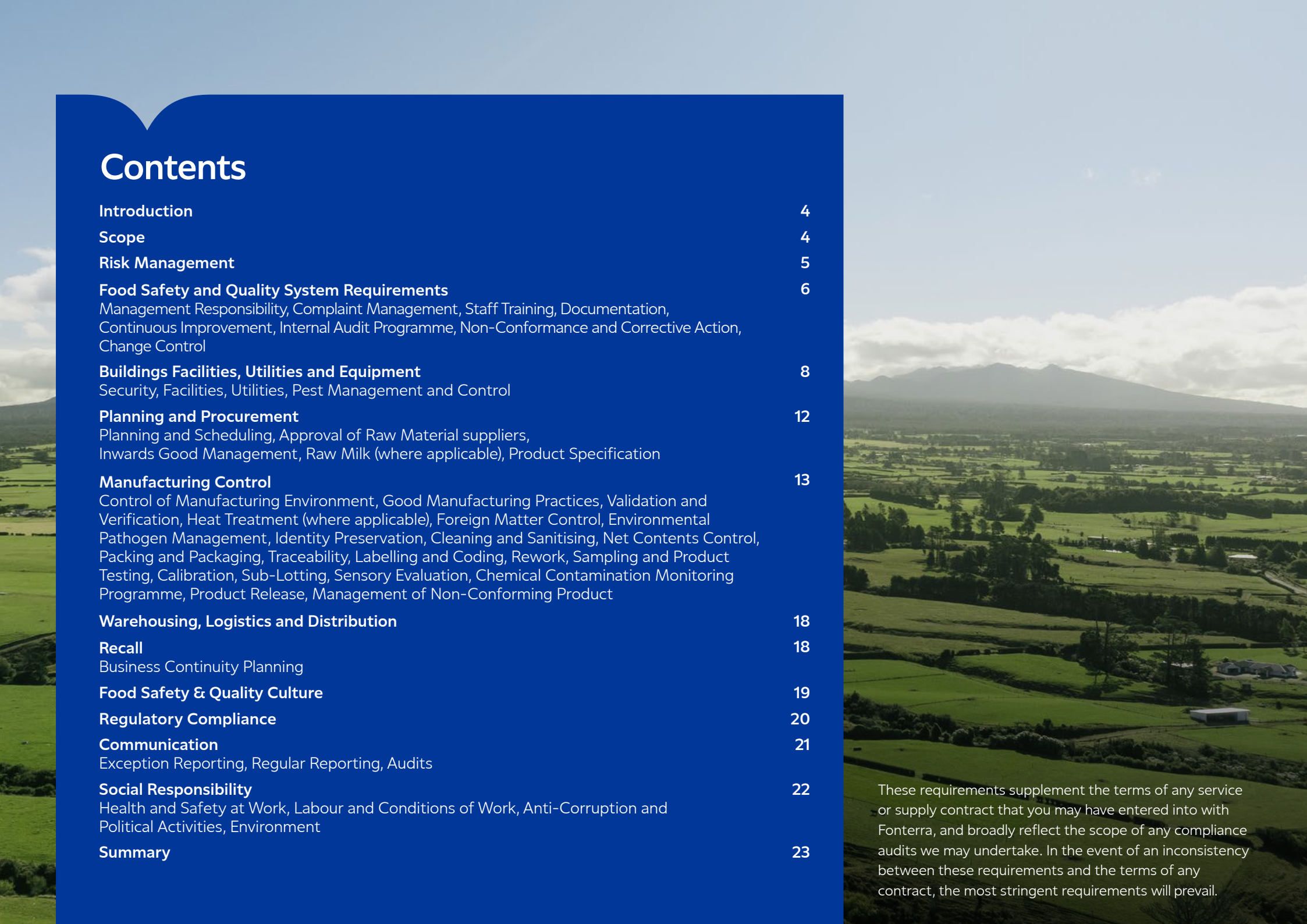


These requirements supplement the terms of any service or supply contract that you may have entered into with Fonterra, and broadly reflect the scope of any compliance audits we may undertake. In the event of an inconsistency between these requirements and the terms of any contract, the most stringent requirements will prevail.

Introduction

Fonterra is committed to produce and supply safe, high quality food. Food safety and quality is everyone's responsibility. Every step of the way, from our farms to the market, Fonterra is trusted by customers to supply them the best.

To earn this trust, we will ensure food safety and quality throughout the supply chain.

As an ingredients supplier to Fonterra you are an integral part of our supply chain and we seek your assistance to meet our objectives, satisfy our customers and deliver on our promise.

Scope

Fonterra's Food Safety and Quality Requirements apply to all suppliers of ingredients purchased directly or indirectly by Fonterra.

These requirements clarify our expectations of you as an ingredient supplier to Fonterra. The majority of requirements have been based on globally recognised standards for manufacturers of food products.

Risk Management

Fonterra has a risk-based approach to the management of food safety and quality, which means that all manufacturing and process controls are based on the level of risk to the final product.

The Hazard Analysis Critical Control Point (HACCP) system must be used to identify, evaluate and control all hazards that are significant to food safety. HACCP must be applied across the complete supply chain, documented in a HACCP Plan, and the Plan validated.

All risks must be eliminated where possible. Where elimination is not possible, the risks must be minimised and/or controlled.

The HACCP Plan must meet the requirements of CODEX CAC/RCP 1-1969 Recommended International Code of Practice General Principles of Hygiene including:

- Use of a trained multidisciplinary team for development and review.
- Consideration of all processes – inwards goods, manufacturing, warehousing and distribution.
- Consideration of all inputs to (including ingredients, additives, processing aids, packaging, recycle loops, rework, water, steam, air, gases), and all outputs from (including products, by-products, loss streams, water/steam, gases/vapours) the end-to-end process.
- Consideration of chemical (including allergens), physical, and microbiological hazards.

All Critical Control Points (CCPs) identified in the HACCP Plan must have:

- Critical limits defined and validated (or justified).
- Corrective actions established and documented.
- Suitable monitoring and verification activities established.
- Records retained for all corrective actions made as a result of critical limits being exceeded.

All other Control Points (CP's) identified by the HACCP team must be monitored and recorded.

The HACCP Plan and associated pre-requisite programmes must be documented and reviewed:

- Whenever a change is made to the process and/or product.
- Whenever a change is made to a process input or output.
- At a minimum of annually.

Product Development must include, as a minimum, the review of physical, microbiological and chemical risk assessment data for all activities and ingredients that may impact on product risk.

HACCP Plans must have third party validation.

In the event HACCP is not applicable to your industry, you must be able to demonstrate an alternative food safety risk assessment has been conducted to determine the process and product controls.

Food Safety and Quality System Requirements

Ingredient suppliers are to have a quality management system in place, based on an internationally recognised (preferably Global Food Safety Initiative (GFSI) endorsed) quality system standard.

The quality management system must be certified by an independent third-party audit body.

Management Responsibility

There must be a nominated person, with appropriate capability, responsibility and authority, to implement and uphold the Quality System.

Management must regularly review the quality management system to ensure the desired outcomes are being achieved, and to identify and implement opportunities for continuous improvement.

Complaint Management

A complaint management process will be implemented to ensure that:

- Appropriate investigation of complaints is conducted, and corrective action taken.
- Timely escalation occurs for repeat events and/or major food safety and quality complaints to ensure management is informed and immediate actions are taken.
- Effectivity review of actions taken must be documented.

Staff Training

A staff training plan must be documented including the identification of the training needs of each position within the company.

The training plan will include:

- Management of food safety risks (HACCP) and regulatory compliance.
- Personal health and hygiene, use of controlled hygiene facilities and housekeeping relevant to the role and appropriate to the manufacturing operation.
- An induction and refresher schedule to demonstrate all staff have been and continue to be trained.

Documented evidence of employee training must be maintained.

Documentation

Good documentation practices must be implemented at all steps in the supply chain to demonstrate the manufacture and supply of safe, quality products.

All issued procedures, forms, and quality manual documents must be reviewed and approved by authorised personnel, prior to use.

All documents must be uniquely identifiable and have version control.

Completed records must be legible and readily retrievable.

All records must be maintained in an up-to-date manner at all times.

All product or premise certification must be current.

Records relating to food safety and HACCP must be retained in a secure manner for the period of the shelf life of the product, or as per applicable regulatory requirements, whichever is longer.

Continuous Improvement

Improvement opportunities should be identified from a wide range of sources, such as employee observations, management reviews, complaints and/or internal investigations and internal and external audits.

A process is used to capture improvement opportunities and monitor the effectiveness of implementation.

Internal Audit Programme

Suppliers must have a documented and implemented internal audit programme. The purpose of this programme is to verify that quality systems/processes have been effectively implemented and that the desired outcomes are being achieved. At a minimum, all elements of the supplier's Quality System must be assessed once per year.

Non-Conformance and Corrective Action

Suppliers must have a quality management system to ensure non-conformances (NCs) are managed including:

- NCs are escalated where there is a high level of product safety or quality risk.
- Data is captured and is available in a format that enables identification of trends and supports root cause analysis.
- Corrective actions are identified and resolved in the agreed timeframe.
- The potential for repeat events is minimised/reduced/eliminated where possible through the use of effectivity checks.

Non-conformance is defined as:

- Variances to agreed specifications.
- Breaches of contractual requirements.
- Internal audit non-compliance.
- External audit non-compliance.

Change Control

- Change Control principles must be used to ensure that changes to systems and processes are made in a controlled manner such that there is no detrimental impact on product quality and safety. There must be a documented change control procedure.
- All process and/or ingredient changes must include a HACCP review to ensure food safety hazards have been considered.
- All changes and associated risk evaluation must be documented for future reference.
- Where changes are made to the manufacturing process or raw material supplier, the supplier must notify Fonterra prior to implementation.

Buildings Facilities, Utilities and Equipment

Security

As a minimum:

- Access to processing buildings and stores must be controlled and all visitors and contractors must be inducted prior to entry.
- Confidential Fonterra information must be stored securely.
- Ingredient packaging must be tamper evident.

Facilities

Manufacturing and storage facilities, process equipment and process support services must be designed, constructed, operated and maintained in a manner such that safe quality product can be manufactured.

Good building design and construction includes:

- Appropriate construction materials for floors, wall, and ceilings:
  - Impervious to dust, moisture and micro-organisms.
  - Able to be easily cleaned and maintained in hygienic condition.
- Constructed to meet relevant building codes and standards.
- Fully enclosed, secured and sealed.
- Hygienic waste disposal and drainage system.

Maintenance of building structures must ensure that:

- Building condition and integrity is maintained.
- Equipment and building structures are free of potential foreign matter (e.g. wire, tape, loose paint and rust), which may contaminate the product and/or prevent effective cleaning of surfaces.
- Adequate controls are implemented where temperature, relative humidity and air quality may impact on the processing environment.
- The external environment of the premises must be maintained in a tidy condition.
- Production facilities located close to operations that may pose a high risk (e.g. other industries, waste facilities) must have controls in place to manage these risks.
- Equipment in direct contact with product must be constructed from stainless steel or other cleanable materials. The material must be compatible with the process such that cross-contamination is prevented. Welds and joints must be smooth and impervious.

Maintenance

Production and storage facilities, process equipment and process support services must be maintained in a manner such that safe quality products are able to be manufactured and stored.

Planned preventative and predictive maintenance programmes for buildings, equipment and other areas of the premises that are critical for the production and storage of safe food, must be documented and implemented (inclusive of the prevention and elimination of building leaks).

Intrusive maintenance procedures must be established, implemented and monitored to ensure foreign matter control, hygiene and sanitation requirements are completed prior to the re-commencement of manufacture, including:

- The environment is maintained pathogen and contamination free.
- Tools, scaffolding or parts introduced from outside the hygiene area are cleaned as to meet the hygiene requirements.
- All parts/tools are accounted for following the repair.
- Equipment is released back to production in a controlled manner, fully cleaned and sanitised as required.

If temporary repairs are necessary, they must be monitored to ensure there is no risk to final product food safety and quality. There must be a set end date for when the temporary repair will be replaced by a permanent solution.

Where there is the risk of product contact, lubricants used must be food grade. There must be a routine inspection programme for monitoring greases and lubricants for leakage into product. Food grade and non-food grade grease and lubricants must be stored separately to prevent cross contamination and inadvertent use. Microbiological risks from food grade greases and lubricants must be understood and managed through the HACCP Plan.

Paint used in food handling areas must be non-toxic and not used on any product contact surfaces.

A system for the management of tools must be implemented to ensure that tools are kept in their place and accounted for and kept clean and ready for use.

Utilities

Compressed Air

Compressed air (or other gasses) introduced into product or used in cleaning food contact equipment must:

- Be managed to ensure product quality and food safety risks are adequately controlled.
- Be routinely monitored for yeast and mould as a minimum and the records available to verify that the air is fit-for-purpose (e.g. free from oil, dust, rust, moisture, extraneous materials and microorganisms).

Oil, microbiological and other filters in the compressed air system must be part of a preventive maintenance programme.

Water and Steam

All food contact water and ice must be of potable quality (e.g. complies with World Health Organisation Guidelines for drinking-water quality as a minimum).

Monitoring programmes must be implemented to verify the water is potable at point of use.

All chemicals used for water treatment (including boiler water) must:

- Be suitable for the intended purpose and have documentation to demonstrate they do not pose a risk to food safety.
- Be applied and tested in compliance with local regulations and manufacturing guidelines.

Steam used for product contact must be:

- Of culinary grade (e.g. compliant with 3A 609 Accepted Practices for a Method of Producing Culinary Steam or equivalent).
- Generated from potable water.
- Treated with approved food grade boiler treatment chemicals.
- Filtered to prevent particulate contamination.
- Reticulated in stainless steel downstream from the filter.
- Routinely condensate tested to verify fitness-for-purpose.

Pest Management and Control

Fonterra maintains a zero-tolerance standard regarding pests. All sites where Fonterra ingredients are manufactured must operate an effective Pest Management Programme (PMP).

Buildings and grounds must be maintained in a condition that prevents pest harbourage and entry.

A Pest Management Programme must:

- Be developed from risk-based principles, documented and implemented to ensure that all raw materials, ingredients, processing aids, packaging and finished product are protected from damage and/or infestation by pests.
- Outline the type of pests, frequency of monitoring and classification of sampling zones.
- Have a documented response plan for when monitoring indicates that pest activity is present.
- Nominate an individual with overall responsibility for the management and implementation of the Pest Management Programme (PMP).
- Define the responsibilities and training requirements for internal and external employees involved with PMP.

Monitoring must demonstrate that the pest control programme is effective. All chemicals used for pest control purposes must:

- Be approved and suitable for use.
- Not pose a risk to the safety of the product, packaging or plant personnel.
- Be handled in accordance with their Material Safety Data Sheets (MSDS) and in compliance with regulatory requirements.
- Be securely stored.

Poison baits are a risk to food products and must not be used inside manufacturing and warehousing environments. If poison is the only option to address a pest infestation, a risk assessment must be undertaken to evaluate the contamination risks to ingredients, packaging and final products and appropriate controls must be implemented prior to use.

Planning and Scheduling

The supplier must have a structured planning and scheduling process to ensure that agreed Fonterra demand is delivered in full, on time and to specification.

There must be a formal approval programme for the supply of all raw materials, including ingredients, processing aids, additives and packaging.

The programme must include:

- Agreed raw material specifications.
- Certificates of Analysis or Conformance for goods supplied.
- Declaration of allergen, genetic modification and religious status of goods supplied.
- Requirement for unique product lot identification/coding of goods supplied.
- Requirement for any change of ingredient or supplier of an ingredient to be notified to the manufacturer.

There must be monitoring systems in place to provide confidence that received goods are fit-for-intended use and must not compromise food safety.

New raw material suppliers must be formally approved prior to the purchase of the raw material by the manufacturer. Verification of raw material supplier performance must occur on a regular basis.

For the raw materials a vulnerability assessment shall be completed on the risk of food fraud and security of supply.

Inwards Goods Management

Inwards goods procedures must ensure that goods received are fit-for-purpose and approved prior to use. Procedures must include:

- Acceptance conditions and any other specific approval criteria e.g. testing, storage temperature, temperature monitoring, and implementation of such conditions.
- Assessment of incoming goods for actual or potential contamination and damage.
- Ensuring that goods received match accompanying documentation. e.g. quantity type, unique identification details.
- Defining processes for managing rejected goods.
- That where control of temperature is critical to food safety, the temperature of inwards goods as received is monitored and recorded.
- Defining the conditions for storage that ensure raw material quality and identification is maintained.

Raw Milk (where applicable)

Raw milk harvesting, collection and transport must ensure that a sustainable supply of safe, high quality and traceable raw milk is used to manufacture safe, quality products purchased by Fonterra. Guidance must be taken from the Fonterra Food Safety & Quality Requirements for Raw Milk Producers & Processors of Raw Milk.

Planning and Procurement

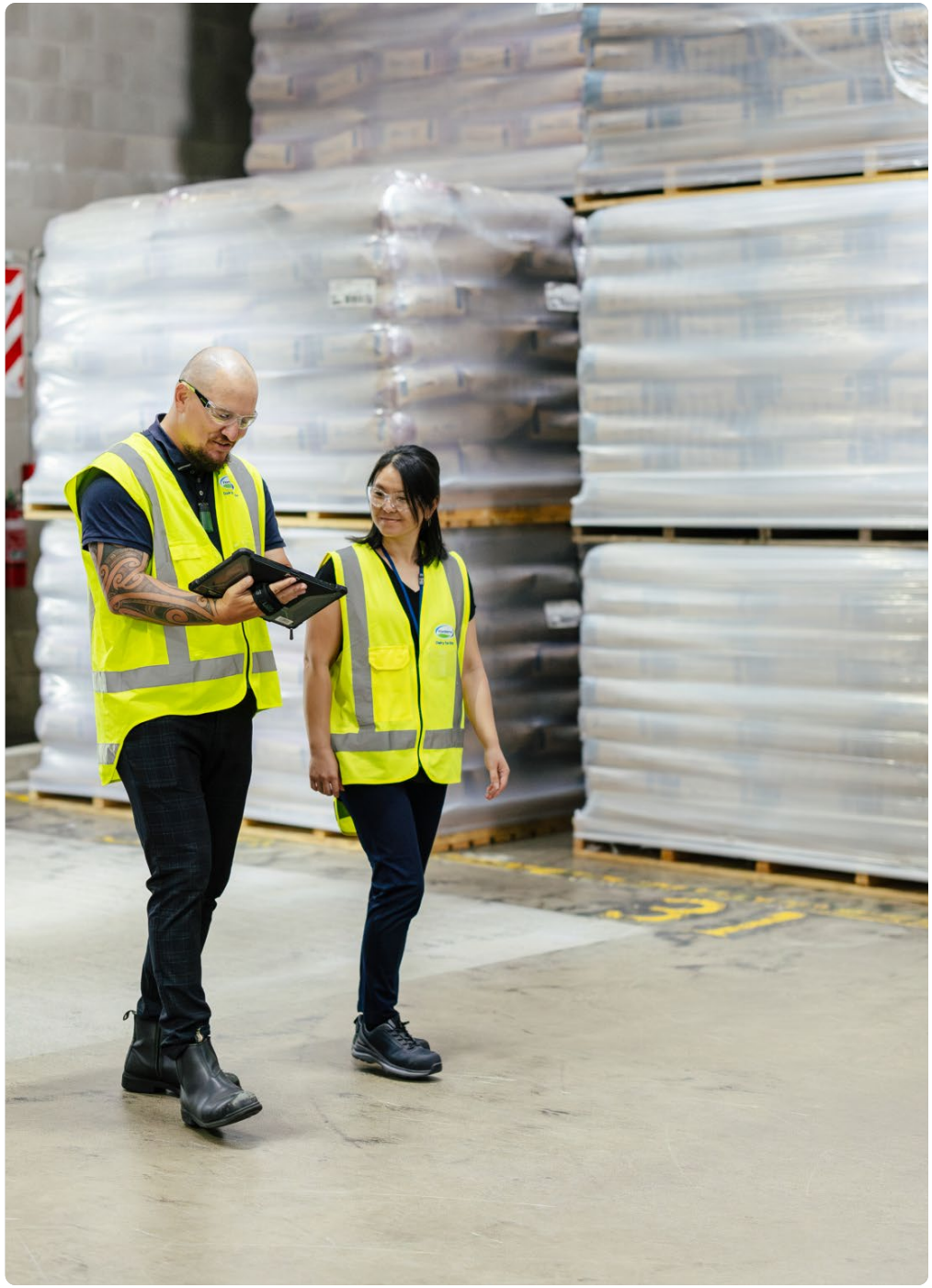
Product Specification

There shall be a signed purchase agreement between the supplier and Fonterra, which includes a Product Specification. The process and responsibility for the development, approval, and amendment of product specifications are to be documented and implemented to ensure:

- Fonterra requirements are correctly captured.
- Specifications are approved and up-to-date.
- The specification change process is controlled.

The specification agreed with Fonterra must be readily accessible.

Additional requirements for suppliers of ingredients used by Fonterra for the manufacture of food for Sensitive Populations may be outlined in the specification agreed between Fonterra and the supplier.



Manufacturing Control

Control of the Manufacturing Environment

All areas in the manufacturing process where, product, product ingredients or product contact packaging are exposed to the environment, or there is a risk that product may be contaminated from the environment, must be identified and designated as a high hygiene environment. High hygiene environments must have programmes in place to eliminate and/or manage all environmental contamination risks.

Physical requirements for high hygiene areas are:

- The use of controlled access for personnel via a hygiene entry transition area, with provision for clothing exchange, hand washing, hand sanitation and boot exchange or boot washing.
- Airlocks must be used for the transfer of equipment and goods entering the high hygiene areas. Airlocks must preferably be interlocked.
- The absence of staff amenities and toilets inside the high hygiene area.
- The use of filtered air suitable to the process, with dust and particulates removed.
- Use of positive air flows from high hygiene to lower hygiene areas.
- The control of waste flows including drainage and waste removal.
- The control of wood, cardboard and other porous materials.

Personnel requirements for high hygiene areas are:

- Staff must be healthy and free from communicable diseases.
- Personnel must wear protective and dedicated clothing. Personal items must be stored in secured lockers.
- Protective clothing worn inside the manufacturing areas must not be worn outside.
- Laundering of clothing used in high hygiene areas must ensure that the clothing is clean and free from foreign matter, and that there is no risk from the laundry process e.g. inappropriate laundry chemicals, inappropriate co-laundering with garments from high risk industries.
- There must be restrictions on eating and drinking, to prevent product contamination.
- No smoking or vaping, fashion accessories or jewellery.
- Cosmetics and aftershave/perfume must neither taint nor have the potential to contaminate product.

Good Manufacturing Practices

Good Manufacturing Practices (GMP) must be implemented to ensure that the manufacturing environment and operating conditions are appropriate for the manufacture of an ingredient to be used in the food industry.

GMP includes, but is not limited to:

- The controlled removal of rubbish and other wastes on a regular basis.
- Maintenance workshops, tools and containers used in the manufacturing process are properly identified and controlled to prevent cross-contamination.
- The control of cleaning and maintenance to ensure that:
  - Food safety is not compromised during maintenance activities and the risk of physical foreign matter, chemical and microbiological contamination is eliminated.
  - Overhead pipes, ceilings and walls do not become a food safety hazard.
  - All food contact surfaces, handling equipment and utensils are cleaned and sanitised before use.
  - Air systems and filters are cleaned and maintained.

Cleaning and maintenance schedules must be documented to specify the method, frequency, cleaning responsibility and how the effectiveness of the cleaning is monitored. Cleaning equipment is routinely renewed.

The control of chemicals includes, but is not limited to:

- Chemicals must be clearly identified.
- Usage and storage conditions, must ensure that any contamination of the food product is prevented.
- The use and availability of Material Safety Data Sheets for all chemicals including those for cleaning, sanitation, pest control, maintenance and process additives.
- Chemicals which could come into contact with product or product contact surfaces, must be certified as being suitable for food contact.

Any equipment which is not routinely used or is decommissioned must be identified, isolated and effectively cleaned and inspected prior to use.

Mobile phones and other mobile technology devices required for the work environment must have appropriate entry controls implemented to control microbiological and foreign matter risks.

Validation and Verification

Processes (including manual and automated cleaning processes and product changeovers), equipment, instrumentation and programmes that are critical to food safety and quality must be identified, validated, monitored and regularly verified, to ensure a high degree of assurance that the product will be safe and will meet the product specification.

Heat Treatment (where applicable)

Heat treatment processes must be validated to ensure that hazards to public health, hazards associated with harmful micro-organisms in the final product are eliminated, and spoilage organisms are reduced to an acceptable level for the shelf-life of the product.

Heat treatment controls must prevent the forward feed of any product that has not received the validated heat treatment.

Where the manufacturing process includes the addition of ingredients post heat treatment, the HACCP Plan must include adequate control procedures to ensure there is no risk to product.

Foreign Matter Control

Effective processes must be implemented to ensure that the risk of foreign matter contamination of the product is identified and prevented. Process control points for foreign matter removal and detection must be specified, and the management of the control points documented.

Prevention processes include:

- Control of intrusive maintenance in product contact areas.
- Regular assessments of the processing environment and equipment, for potential sources of foreign matter.
- Documented management of glass, hard brittle plastics, ceramics and wood.
- Provision of suitable protective clothing (e.g. hairnets, beard nets, overalls).
- Provision of suitable tools and personal equipment (shadow boards, plaster control).

Where a foreign matter detection device e.g. metal detector or x-ray machine, is installed:

- There must be an effective process to reject product that has been detected as containing foreign matter, and to manage the product such that it cannot be returned to the production line.
- The test pieces used to verify that the machine is operating correctly must:
  - Be determined by consideration of the product type being manufactured and the finished product pack size.
  - Be the smallest size that is reliably detected by the device.
- There must be validated evidence to demonstrate that the equipment is capable of detecting the test piece used.
- The testing frequency used to demonstrate effective operation must be documented, implemented and outcomes recorded.
- The procedures to manage product that may be affected by an incorrectly operating detection device must be documented and implemented.
- Where in-process foreign matter removal controls are used (e.g. magnets, in-line product filters, strainers, sifters or screens) monitoring programmes must be documented and implemented to demonstrate that the equipment is operating effectively.
- Where high risk packaging materials such as glass jars are used, the supplier must have in place special handling procedures to prevent product contamination.

Environmental Pathogen Management

A risk assessment must be used to develop the environmental pathogen management programme including:

- Demonstrate which pathogens are considered a risk to the product.
- The classification of hygiene zones.
- The plant environmental controls.
- Frequency of monitoring (this may include consideration of available historical data).
- Response plan for when limits are exceeded.

Pathogen testing must be carried out in dedicated laboratories that are ISO17025 accredited or equivalent, which are physically segregated from production areas.

Environmental monitoring records must be available to verify that the potential for cross contamination is controlled.

Where there is no monitoring programme implemented, the decision-making process (including validated data to support the decision) must be documented and readily available.

Identity Preservation

Where identity preservation status (e.g religious, allergen, GMO, organic) is stipulated in the Fonterra Product Specification, the supplier must identify and control all raw materials, processing aids and process steps (including changeover and start up) that could detrimentally affect the identity status of the final product.

For example:

- The use of animal-based ingredients by the manufacturer may impact on the Kosher or Halal status of the final food product.
- The use of organic raw materials (e.g. soy, wheat based) may affect the allergen status of the final Fonterra product.

Allergen Management

The allergen management process must identify the allergen status of all items that have the potential to impact products, and manage the use of these items to ensure accurate and compliant declarations and labelling.

The allergen risk from direct incorporation and indirect cross contamination of all products with the Fonterra food allergens must be assessed, identified and managed via the HACCP Plan.

Cleaning and Sanitising

Cleaning and sanitising procedures must be implemented to ensure that process and equipment integrity is maintained and product contamination is prevented.

Cleaning processes must be routinely monitored to verify the effectiveness of cleaning.

Net Contents Control

Documented procedures must be implemented to ensure that net content control of packed product meets or exceeds the applicable regulatory and contractual requirements.

Packing and Packaging

Product must be packed in a manner that ensures quality is not compromised. The materials and format used for the packaging is to be food safe, and protect the functional characteristics and integrity of the product for the shelf life of the product.

Traceability, Labelling and Coding

Identification and traceability must be maintained for all raw materials, rework, processing aids, additives, packaging and product throughout manufacturing, storage and distribution.

Traceability must be able to be demonstrated from raw material to finished product and from finished product to raw material (forwards and backwards traceability).

Traceability capability must be tested annually (forwards and back) – this may be part of a mock recall. Time to complete is within 4 hours.

Final product labelling must be specified in the product specification and meet all regulatory labelling requirements.

Rework

The practice of reworking must not compromise the food safety, quality and performance of the final product.

The practice of reworking of any product must:

- Be considered as part of the HACCP.
- Occur in a controlled manner in accordance with documented procedures.
- Ensure all rework is identified and traceability is maintained at all times.
- Not affect the characteristics and integrity of the product for the shelf life of the product.

Any identity preservation status of the new product must not be compromised by the status of the product being reworked.

Sampling and Product Testing

Chemical, physical, microbiological and sensory testing must be performed in accordance with the documented sampling and testing programme.

Sampling locations, sampling techniques, and sub-sampling processes must ensure product testing is representative of the original lot and of the product as packed and supplied.

All product safety and regulatory testing must be conducted by a laboratory that is accredited to a recognised quality standard (e.g. ISO 17025) or have equivalent quality systems in place to ensure method validation, verification and equipment calibration.

Internationally recognised test methods must be used for product safety and regulatory testing, or equivalent validated methods mutually agreed as part of the contractual agreement with the supplier.

Criteria for retesting must be documented, and authorised by personnel with appropriate technical competence and authority. Fonterra does not allow the retesting of the final product if the specification limits for pathogens are exceeded. The affected product must not be released to Fonterra.

A retention sample storage programme must be implemented for finished products. The retention samples must be kept until at least the validated shelf-life of the product or the stated expiry date.

Retention sample management must ensure that the sample must be representative of the condition of the parent product.

Calibration

A calibration programme must be implemented for all in-process and final product measurement devices and reference instruments that are critical for verification of quality and process control.

Sub-Lotting

Where the principles of sub-lotting are used as part of product release, there must be processes in place to ensure consistent application with the outcome that only product meeting specification and food safety requirements is released for sale.

Sensory Evaluation

Routine product sensory evaluation must be carried out by trained panellists, in controlled conditions, to ensure that consistent sensory quality is demonstrated in all finished product that is released to the end-user.

Chemical Contaminants Monitoring Programme

A risk based monitoring programme must be implemented to ensure that all identified chemical contaminant risks are effectively managed and do not exceed the agreed food safety limits or local regulatory requirements, whichever is tighter. Specific contaminants to be monitored may be included as part of the contractual agreement with Fonterra.

Product Release

Procedures for releasing finished goods must be documented and implemented to ensure that each lot of finished products is controlled until it is verified that the lot meets the agreed release criteria.

Management of Non-Conforming Product

Control processes must be implemented to ensure that non-conforming product:

- Is effectively isolated.
- Cannot be released for any purpose without approval from personnel with an appropriate level of technical competence and authority to make such decisions.
- Is not able to re-enter the food chain if unfit for human consumption.
- Complies with applicable regulatory requirements during subsequent disposal processes.

Non-conforming product is defined as:

- Variances to agreed specifications.
- Breaches of contractual requirements.

Warehousing, Logistics and Distribution

All facilities used for the receipt, storage and dispatch of raw materials and final product must be constructed, maintained and operated such that the quality and integrity of the goods is ensured at all times.

Incoming and outgoing trailers/containers, product and pallets must be free of foreign matter, odour, debris, moisture, and infestation. A documented inspection plan must be used to verify the cleanliness. Transport conditions must be appropriate for the type of product being transported.

Dispatch records must include lot numbers and destination details to facilitate traceability. Warehouses must be capable of dispatching on a First-In-First-Out basis.

Where storage temperature and humidity are important criteria for maintaining product quality, these parameters must be monitored and recorded to demonstrate compliance with the required storage conditions.

Recall

Suppliers must have a Product Recall and Withdrawal Plan, to ensure that when required, affected product can be removed from distribution and sale, and returned to the supplier's control.

The recall plan must include annual mock recalls (unless an actual recall/withdrawal has occurred during the preceding twelve months) designed to test the recall and traceability procedures and process, and include a full trace back exercise. The recall plan must be reviewed at the completion of the event and any identified corrective actions documented and implemented.

Business Continuity Planning

Suppliers must have procedures implemented to ensure that any adverse impact to product quality from emergency events and accidents is managed.

Product diversion or recovery processes during or after processing disruptions e.g. power outages, must be managed to ensure there is no risk to, nor compromise of, food safety.

Food Safety & Quality Culture

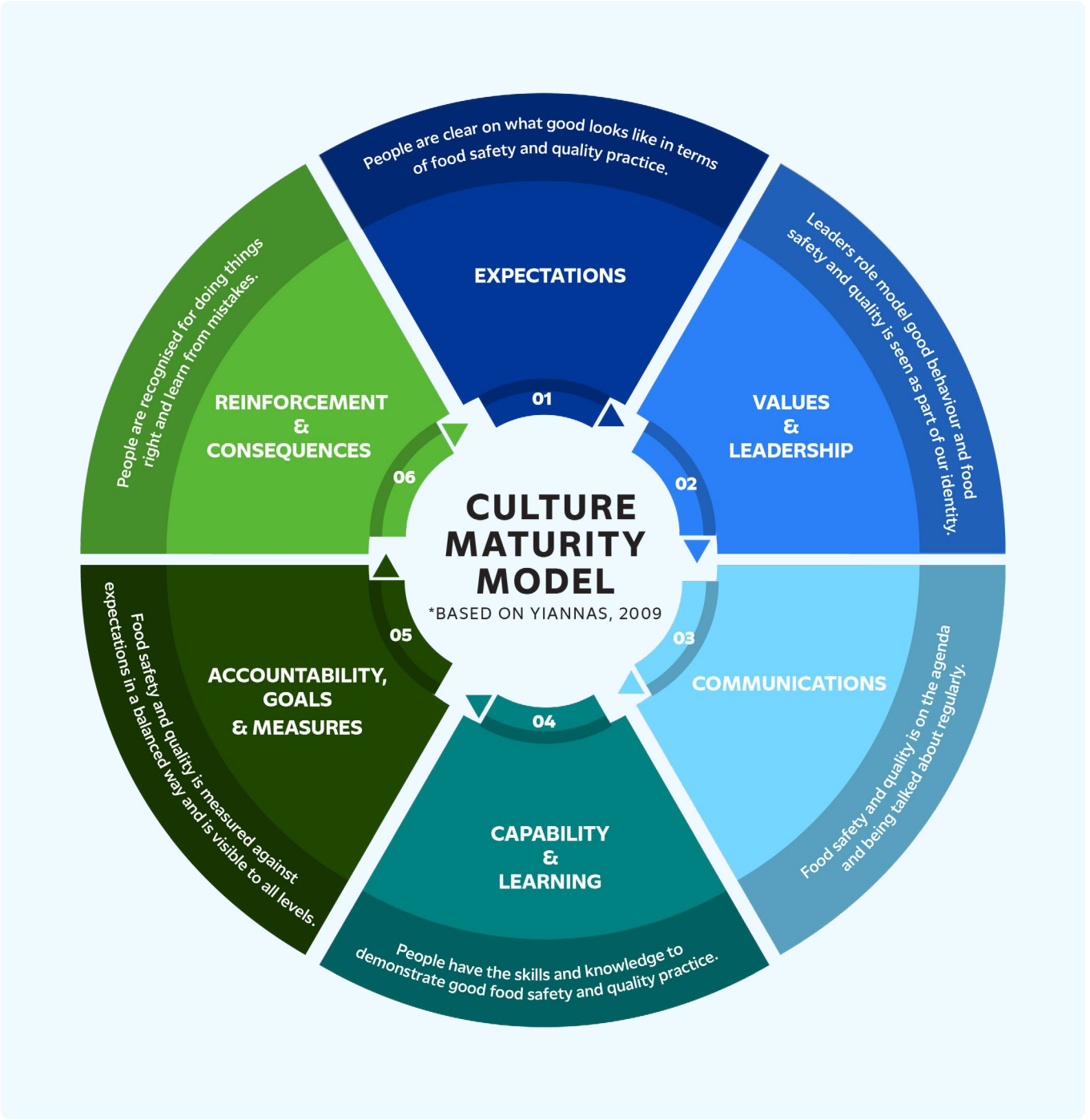
Food Safety and Quality Culture means people will do the right thing at 2am, when no one is watching.

Fonterra is committed to building a strong culture of Food Safety and Quality. This commitment is at the heart of the promise we make to our customers and consumers: to produce food that is safe and high quality.

Fonterra recognise that the mindsets and behaviours of people are a key influence on food safety and quality outcomes. Even the best food safety and quality systems in the world will be meaningless if people aren't engaged with a culture of food safety and quality.

Fonterra follows the Food Safety Culture model based on the work of Frank Yiannas, which is the basis of our global approach. The approach identifies six dimensions that are needed to deliberately build positive culture in a sustainable way. Each dimension needs focus, but activity needs to begin with setting clear expectations of what good looks like and harnessing the power of organisational leaders.

As a supplier, you need to have commitment towards building a positive food safety and quality culture in the workplace.



Regulatory Compliance

All applicable regulatory requirements, for both country of manufacture and country of destination/sale must be complied with at all times, throughout the end-to-end supply chain. Where local regulatory requirements for the supplier exceed Fonterra requirements, the regulatory requirements must be complied with.

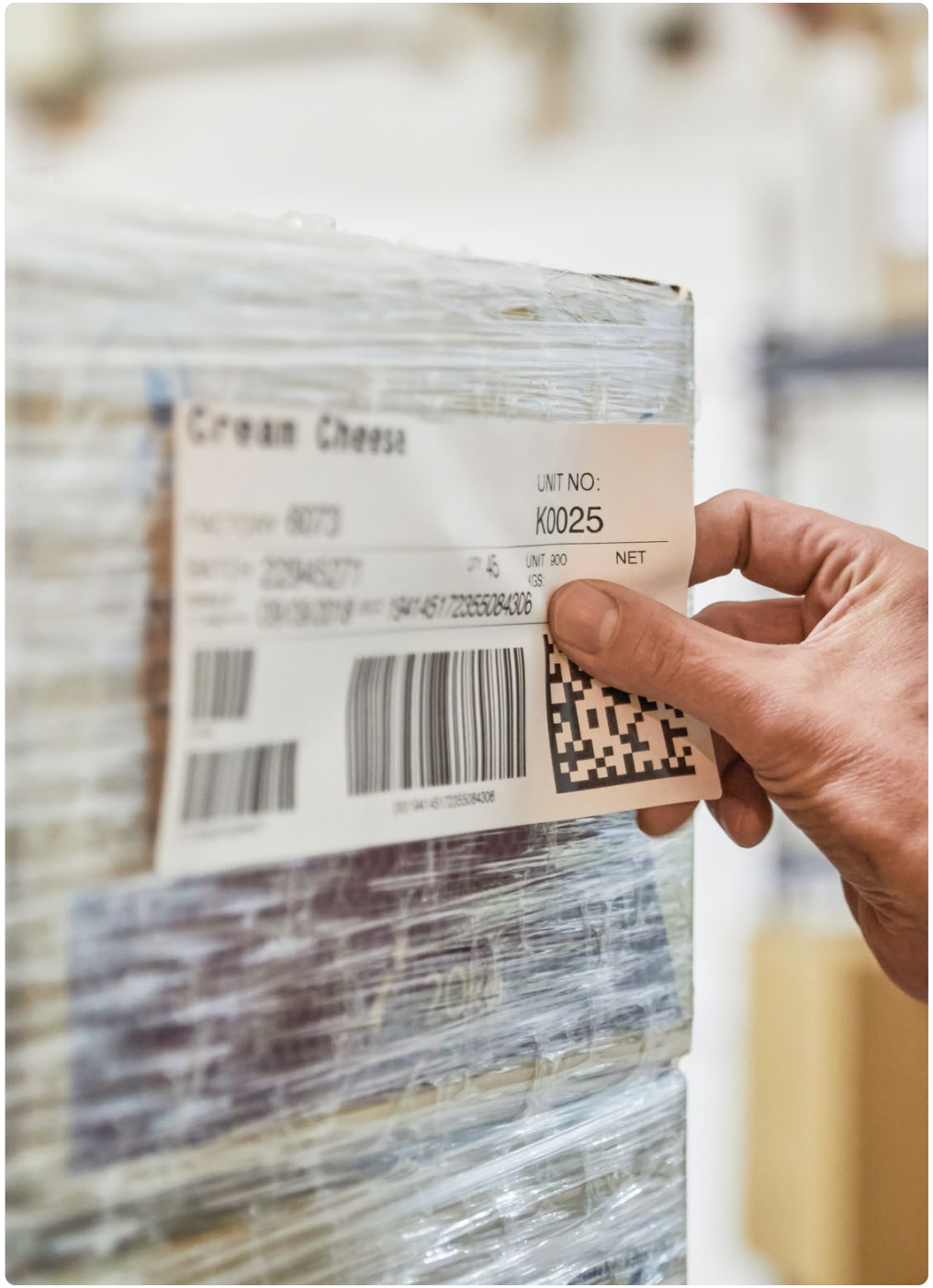
The supplier must at its cost hold and maintain in good standing all necessary:

- Licences.
- Registrations.
- Permits.
- Authorisations.
- Consents.
- Approvals.

as required by a governmental, provincial or local department or agency.

Regulatory assurances relating to radiation or environmental contamination must be available if applicable.

Copies of certifications from the competent authorities of the country of origin must be available.



Communication

The supplier must have documented procedures for communication and reporting to Fonterra. All notification must be reported to the Fonterra Relationship Owner.

Exception Reporting

Notification must be provided to Fonterra as soon as practicable if the supplier becomes aware of any product manufactured for and released to Fonterra that poses a food safety risk.

In addition, notification of the following must be provided to Fonterra within 24 hours of the event where:

- Any quality or food safety event that may cause a disruption to supply.
- Critical non-conformances arising from an external audit that affect or put Fonterra product at risk.
- Any third party certification breaches which impact the certification status.
- Any matter which calls the brand, the product or the production premises to public question or public enquiry, either through a government or consumer organisation. Legal action/takeover from any party must also be reported.
- A product recall or withdrawal is required.
- Product has been produced from non-conforming ingredients, or from ingredients supplied by an alternative supplier.

All events requiring exception reporting must be notified in the first instance verbally to the Fonterra Relationship Owner. Verbal notification must be confirmed by written confirmation within 24 hours. Reporting requirements may be defined as part of the contractual agreement.

Regular Reporting

Where changes are made to the manufacturing process, manufacturing site or raw material supplier, the supplier must notify Fonterra prior to implementation.

Regular reporting must be determined on a case-by-case basis and documented as part of contractual agreements and may include:

- Notification of any significant process, management, ingredient or certification changes.
- Summary of production volumes manufactured for Fonterra and product quality results.
- Achievement against quality and performance KPIs.

Audits

The supplier must at any time upon reasonable notice allow Fonterra representatives and/or agents access to all facilities and relevant records for the purposes of an operational audit and/or technical review to ensure compliance with Fonterra's contractual requirements. Should a supplier refuse access to Fonterra auditors, the business relationship between Fonterra and the supplier will be reviewed.

Social Responsibility

To Fonterra, acting in a socially responsible manner means an organisation taking responsibility for the impacts of its decisions and activities on society and the environment. It is about respecting the perspectives of our stakeholders, behaving transparently and ethically, and thinking for the long term. To achieve this it is important that we, and the suppliers that we work with, seek to operate in a socially responsible manner.

Ensuring the food safety aspect of our ingredients is the main focus of this document. However, this section covers other important aspects where we have specific expectations for our suppliers.

Health and Safety at Work

The supplier must use a proactive approach in establishing and maintaining standards of health, safety, environmental and occupational health management. This includes regular monitoring and verification of progress towards health and safety objectives or targets.

Labour and Conditions of Work

The supplier must not make use of forced or bonded labour. Labour must be freely given and employees must be free to leave in accordance with established rules.

The supplier must not employ children in violation of conventions 138 and 182 of the International Labour Organization.

The supplier must not discriminate in any manner on the basis of race, ethnic background, age, religion, gender, sexual orientation or disability.

The supplier must ensure that working hours and remuneration are in compliance with all applicable laws.

Anti-Corruption and Political Activities

The supplier must demonstrate high standards of business conduct and responsible political behaviour. This includes avoiding involvement in disreputable business measures such as bribes, corrupt payments or kickbacks. Any lobbying activities must comply with all legislative and regulatory requirements.

Environment

We are committed to safeguarding the resources that our business depends on through reducing environmental impacts across the global value chain, improving efficiency, treating animals with care and respect and supporting the protection and enhancement of the resources and ecosystems that support dairy.

The supplier must be committed to protecting the environment through the use of sound environmental practices. This must include an environmental risk management plan to actively identify manage and report environmental risks; and environmental management systems to regularly monitor and verify progress toward environmental objectives or targets.

Of particular interest to Fonterra:

- Water – the supplier must seek to use water responsibly and prevent water pollution.
- Climate and energy – the supplier must establish programmes to reduce energy usage and greenhouse gas emissions.
- Efficiency and waste – the supplier must seek to reduce all forms of waste and other emissions (e.g. dust, noise); and ensure that hazardous substances are managed responsibly and safely.

Summary

By having a collaborative relationship between Fonterra and our Partners, we can:

1. Ensure that the quality and integrity of our product is maintained throughout the supply chain.
2. Fulfil our promise of consistent delivery of safe product to customers.

By working together we meet our promise of delivering safe, high quality food every single day — for our kids, our grandparents, our mates and our communities.

Tātou, Tātou.

Trust in every drop

Safe, high-quality food