



Dairy for life



Suppliers of Warehouse and Distribution Services Fonterra Food Safety and Quality Requirements



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 consumers.

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

**Safe Food.
World Class Quality.
It's Our Promise.**



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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.

WAREHOUSING AND DISTRIBUTION SERVICES

Introduction

Fonterra is committed to produce and supply safe, quality food. Quality is everyone's responsibility.

Every step of the way, from our farms to the market, Fonterra is trusted by customers and consumers to supply them the best.

To earn this trust, we will ensure food safety and quality throughout the supply chain – from grass to glass.

As a supplier of warehousing and distribution services 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 third-party suppliers of warehousing and distribution services.

This includes:

- Bulk milk and dairy derivative transport
- Storage of finished dairy products
- Storage of ingredients for dairy manufacture, including packaging
- Transport and distribution of finished dairy products by land, sea and air.

These requirements set our core expectations of you as a supplier of warehousing and distribution services to Fonterra. The majority of requirements have been based on globally recognised standards for the warehousing and distribution of food.



Food Safety and Quality System

All warehouse and transport operators must have a food safety and quality management system in place. The system will ensure the following:

- There is a person, with appropriate capability and responsibility, nominated to implement and uphold Fonterra Food Safety and Quality Requirements.
- Documented and current Standard Operating Procedures are implemented for all core activities relating to services provided to Fonterra.
- All staff are appropriately trained to enable competent performance of all work affecting food safety, quality and security.
- All new staff are screened for security risk and appropriately inducted.

Fonterra recommends that the system is based on the requirements of an internationally recognised standard for storage and distribution.

All operations 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, are working correctly and that the desired outcomes are being met.



Risk Management

Every supplier must assess potential risks to Fonterra product during the dispatch, transfer, receipt and storage operations. The assessment must identify the risk of physical, chemical or microbiological contamination, including, but not limited to:

- Dirty storage or transfer environment
- Equipment and facilities that are in poor condition or dirty
- Glass and hard plastic breakage
- Damaged pallets
- Pests
- The use of cleaning and fogging chemicals, a refrigerant leak or vehicle fumes
- Cross-contamination from non-food items or allergenic food materials
- Product temperature requirements are not met.

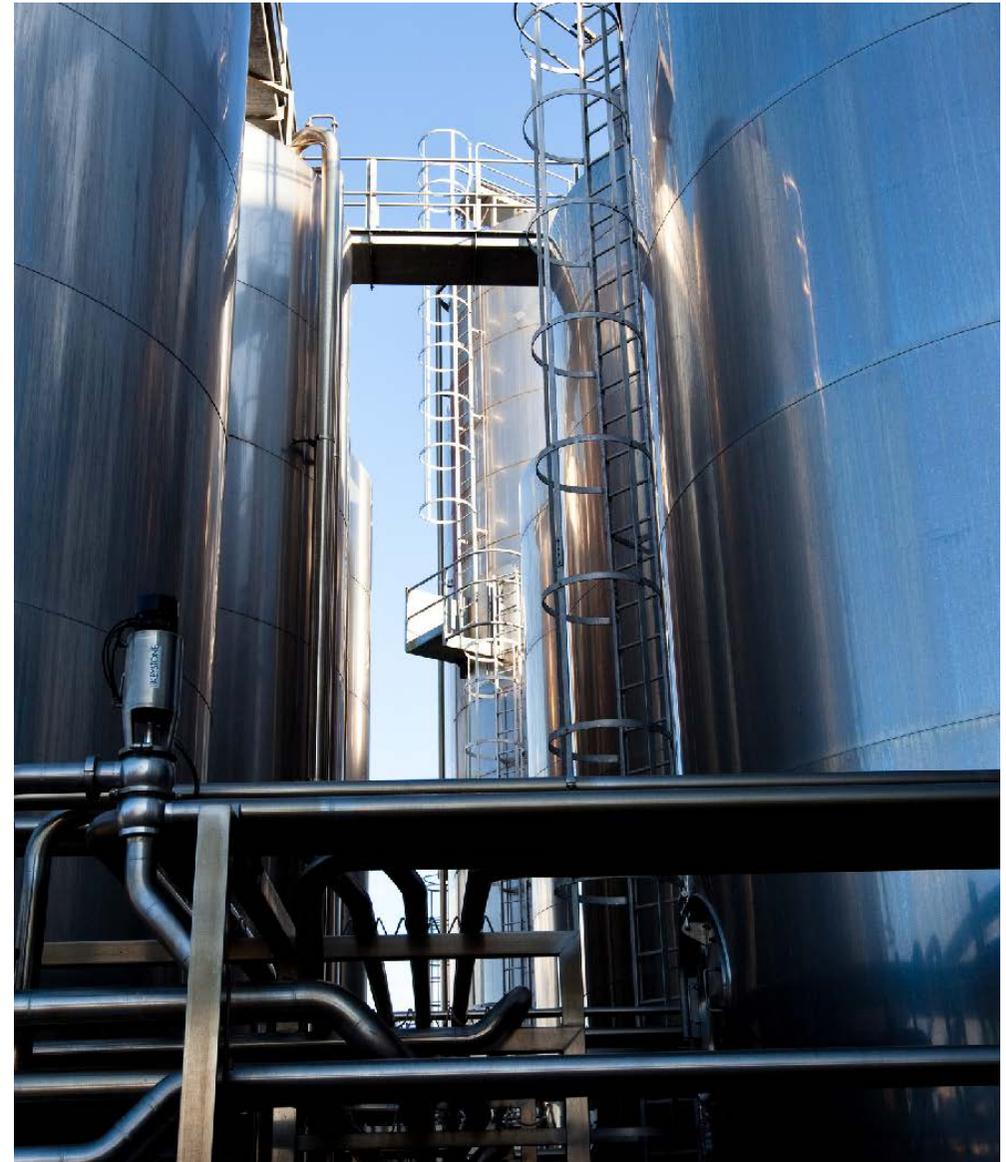
All identified risks must be eliminated or controlled to protect Fonterra product. A documented process and/or plan demonstrating how this will be achieved must be in place.

Fonterra recommends the use of HACCP for risk assessment.

The HACCP Guideline is available as the Annex to CODEX CAC/RCP

1-1969, Recommended International Code of Practice General Principles of Food Hygiene.

A formal documented HACCP Plan is compulsory for bulk transport operators involved in the transport of liquid dairy products.



Storage Facilities

Storage buildings must be fit for purpose and appropriate for the safe storage of food including, but not limited to, the following:

- Situated in a location that minimises risks from natural (e.g. flood, earthquake) or environmental (e.g. other industry) factors
- Designed to protect the product during receipt, storage and dispatch
- Constructed from inert materials that are structurally sound and can be easily maintained
- Have sufficient lighting for product handling and inspection
- The immediate external environment must not provide opportunity for harbourage of pests, e.g. stored equipment, pallets and trees
- Designed to prevent pest access to the warehouse environment
- No unprotected cracks, gaps or openings in the cladding and roof
- Be free of potential foreign objects, such as wire, paper, metal fastening, tape, loose paint and rust, that may contaminate products and prevent effective cleaning of surfaces
- Secure access controls to eliminate the risk of non-approved persons having access to Fonterra products at any time
- Clean, hygienic staff amenities, with appropriate sanitation facilities.

Transport Vehicles

Transport vehicles and equipment must be fit for purpose and appropriate for the safe transport of food products.

Shipping containers and transport vehicles must be:

- Designed to protect the product during transfer and handling
- Be constructed from inert materials that are structurally sound
- Fully inspected prior to loading to ensure they are fit for purpose and do not introduce any risk to the quality or integrity of the product
- Containers must meet the international Convention on Safe Containers.

Vessels used for the shipment of liquid bulk dairy products must be:

- Constructed of food grade material with hygienic welds
- Free draining and able to be effectively cleaned
- Have inspection access and suitable vents
- Use food grade hoses and pumps
- Be cleaned using a recognised cleaning system and food grade chemicals.

Rejection of transport vehicles or containers must be recorded.

Lifting Equipment

Forklifts and other lifting equipment must:

- Not pollute the product storage and distribution environments
- Be maintained in good condition and have a routine service schedule implemented
- Have any temporary repairs documented and controlled
- Be used as specified within performance specifications
- Have well designed battery-charging stations that do not pose a risk to the product.



Atmospheric Control Equipment

For all temperature and humidity equipment:

- Cooling capacity must meet the peak chilling demands of the warehouse or transfer unit
- Temperatures and humidity (where applicable) must be monitored to demonstrate that the product storage and shipping conditions meet requirements at all times. An escalation process must be documented for out of range results.
- A routine service schedule for temperature equipment must be implemented to ensure equipment is always fit for purpose
- Monitoring equipment must be calibrated on a regular basis, and calibration information must be readily available
- A documented spill response plan must be able to be implemented in the event of a refrigerant leak. This plan should clearly define activity required to clean the environment and ensure it remains fit for food storage.
- Condensation must be contained so that it doesn't drip onto product.

Inwards Goods Receipt

Procedures for the receipt and approval of goods into the warehouse must include:

- Acceptance only if the goods are expected
- Acceptance criteria for the product (e.g. clean, dry, free of pests and undamaged)
- No cross contamination between companion loads, inwards goods or from the environment
- Checking that there is no evidence of product tampering and/or broken security seals. All seal identifications are correctly recorded on the consignment document
- Ensuring products are clearly identified and match consignment documentation
- Monitoring and recording of the temperature of goods prior to acceptance (where required)
- Clear procedures for inwards goods that are not accepted
- Documentation that ensures and provides traceability information.
- For refrigerated products handled within the cool chain, acceptance procedures must ensure the time that product is outside the specified storage temperature conditions is minimised, to ensure quality and food safety of the goods is not compromised.



Storage and Distribution Practices

Product safety, quality, integrity, security and traceability must be maintained at all times during storage and distribution.

A high standard of housekeeping and absence of foreign matter is required to prevent the contamination of product, through the following measures:

- Safe, organised storage and loading of goods
- Regular cleaning routines using approved chemicals
- Management of cleaning equipment to prevent cross contamination (zoning of equipment required to ensure differentiation of equipment between inside and outside usage, including being clearly identified. Cleaning equipment is routinely renewed)
- All chemicals stored securely
- Suitable ventilation to remove odours or excessive moisture
- Management of product spills and drainage
- Removal of rubbish and other wastes.

Any requirements for products that may have specific needs associated with preservation of identity status e.g. allergens, religious status, organic must be clearly defined. This includes segregation, pest control etc.

Goods must:

- Be maintained in a clean, dry and tidy state
- Be stacked using configurations and protective measures that ensure quality and food safety are not compromised
- Not be stored directly on the floor
- Be handled in such a manner to minimise damage.

Cross contamination between dairy and non-dairy products (e.g. non-edible goods, chemicals, allergens and other foods) must be prevented at all times.

Goods such as soaps, detergents, toiletries, highly flavoured foods and food colourings, where there is a high risk of cross contamination, i.e. odour transfer, must not be stored in the same room or area as dairy products, nor transported on the same deck.

Frozen or chilled marine products, including fish, must not be stored in the same enclosed space.

Exposure of product to sunlight, high temperatures and moisture must be minimised through the implementation of suitable storage and transfer controls.

Transport and storage of refrigerated products must ensure that product temperature remains within the parameters agreed with Fonterra.

Temperature control must be validated and verified if non-refrigerated transfers of temperature-controlled products are used at any point in the supply chain.

In the event ambient temperature, humidity and air quality can affect the product, controls must be implemented to ensure product safety and quality is maintained.

Non-standard activities such as opening, sampling, re-packing, labelling of Fonterra product must have specific written permission or instruction from authorised Fonterra personnel. Such activities require the development and approval of Standard Operating Procedures for each activity.

Exclusion of Pests

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

The programme must include:

- Identifying the person who is responsible for ensuring the PMP is implemented
- Defined licensing/qualification requirements for suppliers providing services
- What pests need to be controlled and how they are controlled
- A monitoring programme which includes location of pest control devices, frequency of monitoring and evaluation of findings
- Critical limits are set and results are trending with a response plan documented.
- Training of warehouse staff to ensure appropriate actions in the event of pest intrusion, excessive bait disturbance and monitoring trends that indicate increased pest activity
- Records of monitoring, bait and pesticide applications, and any corrective actions
- A requirement to review the PMP at least annually. Involvement of a third-party expert is strongly recommended.

If events such as multiple pest infestations and pest complaints indicate that the PMP is not effective, an independent pest control expert must be engaged to review the PMP.

Changes to pest service provider practices must be reviewed by the person responsible for implementation of the PMP, prior to these changes being introduced.

Waste disposal, drainage, site vegetation and outside storage must be managed and controlled to minimise the risk of pest harbourage.

All personnel involved in pest control must be fully trained to a level that is appropriate to their involvement in the pest programme.

Goods must be stored in a manner to enable appropriate inspection. A clear zone of at least 50cm between walls and palletised product is required unless racking enables appropriate access for cleaning and inspection.

If a product unit shows evidence of pest contamination, the whole pallet or bin must be rejected. If it is part of a larger consignment, a full manual inspection must be conducted to ensure no other goods are affected.

Where a bird has breached the warehouse environment product shall be inspected for contamination.

Poison baits are a risk to food products and must not be used inside 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 Fonterra products. Appropriate controls must be implemented prior to use. Such actions must be discussed and agreed in writing by the Fonterra Food Safety and Quality personnel prior to implementation.

All activities associated with monitoring pests must not introduce any risk of cross contamination to products.

Exclusion of Pests

Chemical poisons or pesticides used for pest control must:

- Be approved as safe to use in a food environment
- Not pose a risk to the safety of people and product
- Be handled and applied by trained personnel in compliance with local regulations, in accordance with the recommended instructions
- Be stored securely to prevent contamination of product and product packaging.

Any use of chemicals must be recorded, including the date of application, application rate and concentration.

Dispatch

Dispatch procedures must ensure the following:

- Every load out has appropriate authorisation
- Goods are suitably packed and in good condition pre-shipment
- Transport vehicles and containers are inspected, clean and fit for purpose
- All consignment documentation is available and products or packaging loaded are checked against the documentation
- Security seals are applied when required
- Loading and carriage practices must ensure that risk to people and product is minimised
- The cleaning status of liquid dairy bulk carriers is verified prior to loading.

Management of Non-Conforming Product

Management of non-conforming product is important to Fonterra and must be stringently managed. Non-Conforming product includes damages and product that has been identified as not meeting Fonterra's requirements for food safety, quality or market access.

Non-Conforming product remains the property of Fonterra unless otherwise agreed with Fonterra.

Product disposal must be conducted in a manner authorised by Fonterra personnel.

Procedures to identify, isolate and dispose of damaged or rejected stock must include:

- Handling of sub-standard goods including returned goods
- Transfer of sub-standard goods to a quarantine area
- Managing the risk of cross-contamination from non-conforming goods to fit-for-purpose goods
- Notification of the owner of the goods
- Controlled disposal of damaged goods, ensuring brand reputation is not compromised and potential for fraudulent activity is eliminated.

Traceability and Recall

Stock management systems and associated records must ensure:

- There is full traceability of all Fonterra owned product
- That all stored and dispatched goods are accounted for at all times
- That stock rotation principles such as 'First Expired, First Out' are implemented
- Physical stock takes are undertaken at a minimum, annually to verify stock management system
- The effective recovery during product recall/withdrawal event.

Security

There must be security systems in place to protect Fonterra property during storage and distribution including:

- Controlled access for employees, visitors and contractors to storage facilities and transport vehicles
- Access to, and storage of confidential Fonterra information must be controlled
- The application of appropriate security seals to shipments where an unacceptable level of risk is present. The seal types and application thereof should be determined and agreed with Fonterra. The application and management of all such seals must be fully traceable.

Property Risk

There must be building controls in place to minimise risk to people, property and product including:

- No smoking in the warehouse
- Rules controlling maintenance (hot work) and handling of flammable or combustible materials
- An effective, well maintained and regularly tested fire protection system
- Storage racking and/or stacking configurations that are stable and take local conditions (e.g. earthquake, flooding) into account
- Emergency response plan in place and tested annually.

An event (e.g. interruption to energy supply) that causes major disruption to warehousing and distribution capacity must be managed, to ensure that product released in safe and fit-for-purpose.



Food Safety & Quality Culture

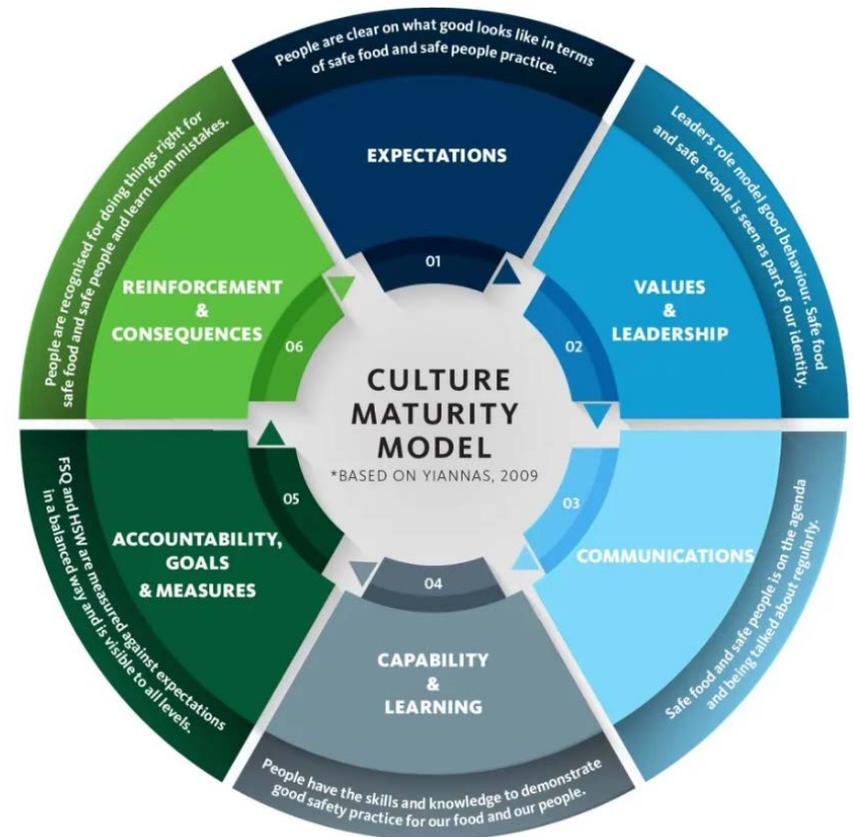
Food Safety & Quality Culture is doing the right thing at 2am, when no one is watching.

As part of Fonterra's Trust in Source strategy, Fonterra is focusing on Food Safety and Quality Culture to fulfil our promise to customers and consumers of uncompromising food safety and world class quality.

Fonterra recognise that the mindsets and behaviours of our people are a key influence on our food safety outcomes. You can have the best FSQ systems in the world, but if you don't have staff engaged with FSQ Culture those systems are meaningless.

Fonterra follows the Yiannas Food Safety Culture framework. Fonterra has worked closely with Frank Yiannas, the creator of the framework, to develop it further and build a complimentary maturity model, which is the basis of our global approach. The approach identifies six dimensions that are needed to deliberately shift the culture of an organisation, in a successful and 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 of warehousing and distribution, you need to have committed towards cultivating a positive food safety and quality culture in the workplace.



Communication

Reporting

Regular reporting as specified in the contractual agreement between Fonterra and the supplier must be compiled with. All notifications must be reported to the Fonterra relationship owner.

Fonterra must be notified in the event:

- Product is damaged, rejected or has been tampered with
- Product is contaminated and may pose a food safety and quality risk
- Structural changes are made to the warehouse or distribution environment
- The supplier foresees a disruption to supply
- The certification status of the supplier changes
- The supplier is involved in legal action from any party
- The business changes ownership
- The business is subject to public question/enquiry either through a government or consumer organisation.

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 to Fonterra's contractual requirements.

Should a supplier refuse access to Fonterra auditors, the business relationship between Fonterra and the supplier must be reviewed.

Regulatory Compliance

Fonterra is committed to comply with all relevant regulatory requirements for both country of manufacture and country of destination/sale.

Where local regulatory requirements exceed Fonterra requirements, the regulatory requirements must also be complied with.

The supplier will at its own cost, hold and maintain in good standing, all necessary licences, registrations, permits, authorisations, consents and approvals required by or from any governmental, provincial or local department or agency.



Social Responsibility

To Fonterra, acting in a socially responsible manner means 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 both, Fonterra and the suppliers that we work with, seek to operate in a socially responsible manner.

Ensuring the food safety aspect of our warehousing services 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 (including provision of appropriate PPE), 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 Organisation.

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 will 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

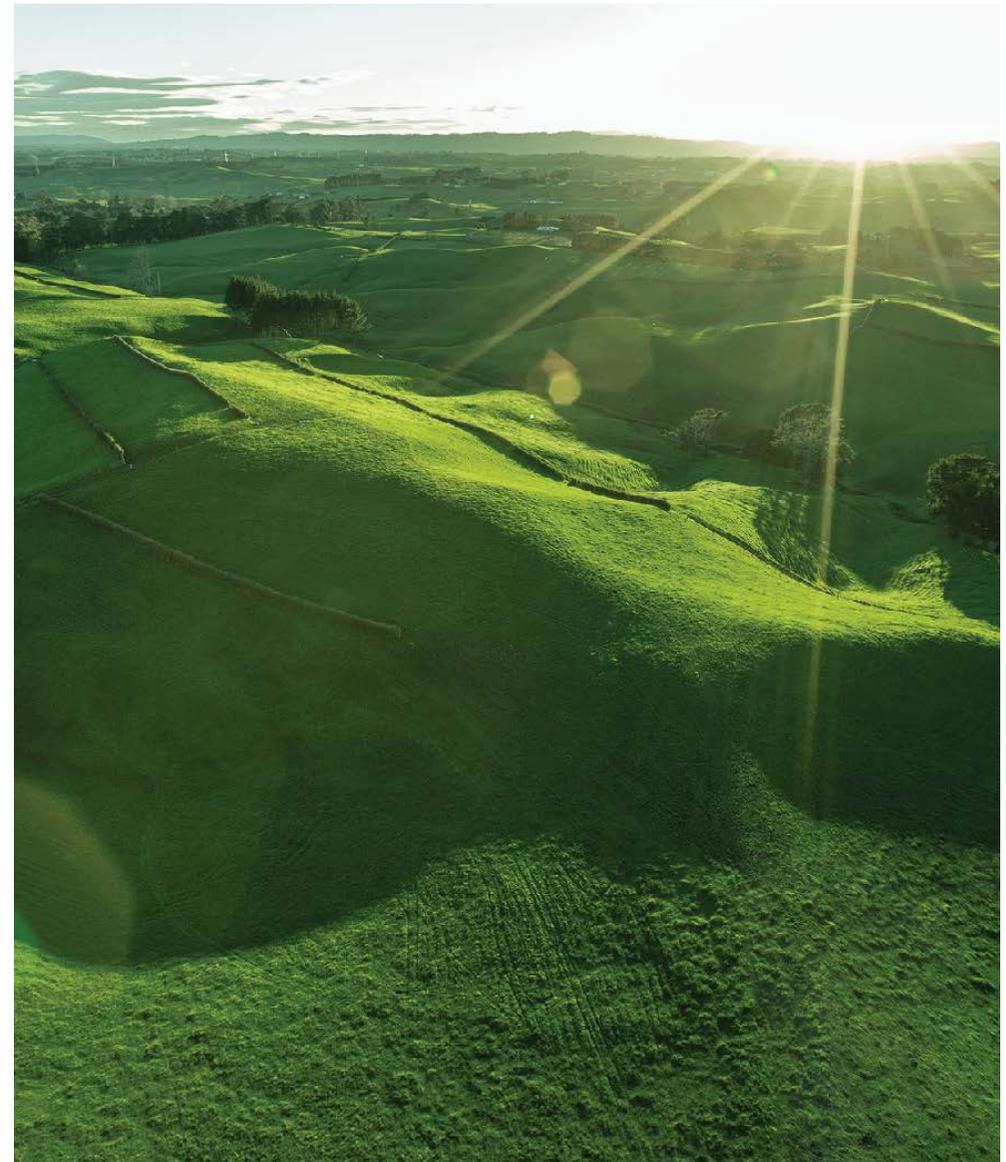
We are committed to safeguarding the resources that our business depends on through reducing environmental impacts across the global value chain, improving efficiency, treating animals with care and respect and supporting the protection and enhancement of the resources and ecosystems that support dairy.

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.

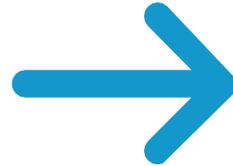


Summary

By having a collaborative relationship between Fonterra and our distributor partners:



1. We can ensure that the quality and integrity of the product is maintained throughout the supply chain



2. We will be able to fulfil our promise of consistent delivery of safe food to customers



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

Tātou Tātou.

Safe Food. World Class Quality.
It's Our Promise.

