Food Safety and Quality Guidelines for Authorised Ingredient Distributors

F S Q
IT'S UP TO
YOU

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.

Delivering What Matters Most to Customers and Consumers

As a global co-operative we feed families everywhere so food safety and quality must sit at the heart of what we do – from the collection of our high quality milk, through every value chain step, to the customer and consumer.

This starts with the commitment of our people, supported by our globally consistent, risk-based Food Safety & Quality system.

Our expectation is uncompromising food safety and world class quality. Regardless of role, everyone in our co-operative plays a part in achieving this. It's a promise we take personally.

Justine Pearce
Director, Food Safety, Quality & Regulatory

Quality systems

At the heart of our promise is our globally consistent, risk based Food Safety & Quality system.

It is highly recommended that all Authorised Distributors have a quality management system in place. We recommend that the system is based on the requirements of an internationally recognised standard, such as BRC Global Standards: Storage and Distribution and is audited by a third-party certification organisation.

A Quality System should:

- specify a staff member to lead food safety and quality. The staff member should have appropriate levels of expertise and authority to be able to influence management decisions
- include documented procedures for all core warehouse activities and services provided
- ensure that all new staff are screened for security risk and inducted before they start their new job
- ensure that all staff are appropriately trained in food safety and quality
- have a formal management review to monitor performance, and to identify and implement opportunities for improvement

Risk management

A risk assessment helps to identify any hazards that may compromise NZMP ingredients.

Formal risk management programmes, preferably based on Hazard Analysis Critical Control Point (HACCP) principles, should be used to identify all foreign matter, physical, microbiological and chemical hazards to quality and food safety, and to implement appropriate mitigation plans, across the end to end supply chain.

Possible hazards to our products are:

- dirty storage or transfer environment
- equipment 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, odorous products or allergenic food materials
- product storage temperature and humidity not controlled

All hazards must be eliminated where possible. Where elimination is not possible, the hazards must be minimised, controlled and monitored. All ‘out of control events’ should be recorded, including the corrective actions undertaken in response to these events and formally reviewed by management.

The recommended HACCP development and plan guideline is CODEX CAC/RCP 1-1969 Recommended International Code of Practice General Principles of Hygiene. http://www.codexalimentarius.org/

Storage facilities

Storage facilities, equipment and process support services should be designed, constructed, operated and maintained in a manner that does not compromise the safety and quality of Fonterra product.

Good building design and construction includes:

- designed for local conditions (for example: earthquake and/or flood risk; ventilation requirements to control humidity)
- use of appropriate construction materials that will protect product during receipt, storage and dispatch:
  - roof and exterior walls constructed of weatherproof materials and maintained in a weatherproof condition
  - internal surfaces smooth for ease of cleaning
  - and maintenance. Surface coatings must be non-toxic, and should be resistant to cleaning chemicals
  - floors made of a material which is easily cleaned, preferably with a smooth, durable surface, free from cracks and crevices. Floor joints and any crevices should be filled to facilitate cleaning and minimise the risk of dirt, dust and product residues building up
- e.g. dust from damaged milk powder bags. These crevices would provide an ideal harbourage for pests such as mites
- security controls, fire protection and traffic management plans
- tight closing and fast acting doors provided on all openings to warehouses to minimise the entry of dust, pests and vermin
- sufficient lighting for product handling and inspection
- temperature and humidity control (where required), and adequate air circulation to prevent “pockets” of undesirable conditions
- assessment of any external location activities that may pose a high risk, such as smelly industrial factories
- canopies over (un)loading and areas where shipping containers are packed and unpacked, of an adequate size to protect the products during handling in adverse weather conditions. Canopies that are cleanable and constructed in a manner that prevents birds roosting and nesting.
- load in and load out areas (including container loading and unloading areas) formed, graded, sealed and sloped to drain
- maintenance and cleaning schedules used to ensure equipment and building floors and structures are kept clean and free of potential foreign objects, e.g. wire, paper, metal fastening, tape, loose paint and rust, which may contaminate the product

Transport vehicles

All product must be protected in such a manner as to prevent product damage and maintain integrity of the product during transport. When any transport vehicle is presented for packing/loading, warehouse staff should carry out an inspection of the vehicle to ensure that vehicles are suitable.

Vehicle checks should include:

- in good condition (fit for purpose), clean and dry
- adequate weather protection
- absence of offensive or objectionable odours
- no sign of pests
- free of protrusions, that may damage the load
- able to be secured
- no chemical fumigation treatment (i.e. chlordane) prior to loading

Checklists should be implemented to monitor and record vehicle condition prior to loading.

Lifting equipment

Forklift operations can damage and contaminate food products.

Forklifts and other lifting equipment should:

- not pollute the product storage or distribution environments. The preferred ‘fuels’ for forklifts are LPG and electric, due to the dirt, dust and fumes created by diesel and/or petrol
- be maintained in good condition and have a routine service schedule implemented
- any temporary repairs documented and controlled
- be used as specified within performance specifications
- have well designed fuelling and/or recharge stations that do not pose a risk to the product

Atmospheric control equipment

The level of atmospheric control required depends on warehouse location and product storage requirements.

Guidelines for temperature and humidity equipment are:

- design capacity must meet the peak demands of the warehouse or vehicle
- temperatures and humidity should be controlled and monitored to demonstrate that the product storage and shipping conditions meet the product requirements at all times
- a routine service schedule should be implemented
- any monitoring equipment should be calibrated at least annually. Calibration of temperature recorders and thermometers should be traceable to an internationally recognised standard and should have written procedures and records to demonstrate traceability
- for all calibrations for all temperature recorders and thermometers. Calibration information should be readily available
- a documented spill response plan that can be implemented in the event of a refrigerant leak
- a reliable power supply
- a business continuity plan for unplanned events e.g. power outages should be documented and in place

Inwards goods receipt

Inwards goods procedures should ensure that product received is in good condition and include:

- inspection of the transport vehicle (clean, no dangerous goods on same load, weather protection)
- a documented check, so goods received match transport documentation e.g. quantity, type, unique identification details
- security seal inspection, the seal must be intact (broken or missing seals are an indication of tampering)
- an assessment for actual or potential product contamination and damage
- a check of any other specific approval conditions e.g. testing, storage temperature, temperature monitoring
- action to be taken where defects occur
- completion of accurate traceable records
- processes for managing rejected goods

Where there is any uncertainty about suitability of a consignment, product should remain on the vehicle and not unloaded.

Loads, which are poorly covered, visibly damaged, suspected of or show evidence of contamination or tampering, should be inspected in greater detail. Where appropriate, the consignment may be unloaded and isolated pending further investigation and disposition decision.

All action taken should be recorded and we suggest taking pictures. Under no circumstances shall dairy products be unloaded into a warehouse in adverse weather conditions, such as rain, if adequate protection is not provided.

Where a full inspection is not possible prior to unloading, inspect the goods during and immediately after unloading, or perform random sample inspection prior to unloading. Pallets can bring pests into a warehouse and should be inspected as well.

Following unloading, the transport vehicle should be inspected again to verify absence of filth or contamination, cracks or crevices which could harbour insects and any other defects, which may have contaminated the consignment.

Where the monitoring of product temperatures is required (temperature controlled consignments), the temperature should be measured immediately on arrival. All temperature measurements shall be recorded. Glass thermometers shall not be used when taking product temperatures. Product temperatures should be taken between blocks/cartons of product, taking care not to compromise packaging integrity.

Dairy product must not be exposed to direct sunlight for extended periods of time.

Storage and distribution practices

Storage capacity should be sufficient to ensure all storage operations can be carried out in an efficient and effective manner and meet the product requirements.

Stacking plans should facilitate sanitation, cleaning and air circulation. All product should be stacked such that product can be moved without damage. Warehouses should not have any odour or taint

that may contaminate product or store other goods that could cause contamination or odour transfer. If goods other than dairy are stored in the warehouse, there must be sufficient segregation to remove the potential for cross-contamination.

Goods such as soaps, detergents, toiletries, highly flavoured foods, spices and flavours are high risk goods which can not be stored in the same room/ 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.

Where a warehouse stores allergenic goods (soy, nuts, egg, fish, shellfish, sesame, grains [wheat, rye, barley, oat and spelt] and their products) other than dairy, systems to prevent cross contamination with dairy products should be developed and maintained.

Dedicated, segregated facilities are the preferred method for storing allergenic goods. Where this is not possible, segregation may be achieved by demarcation of allergen zones, for example, by using painted lines on warehouse floors.

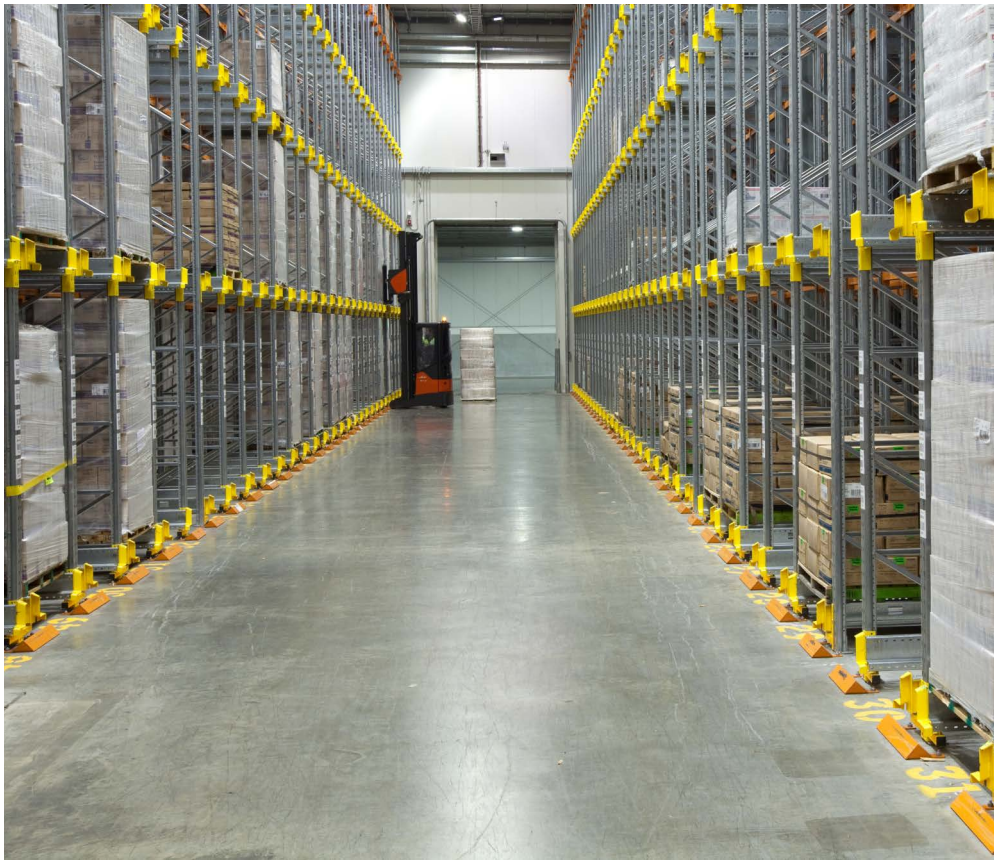
Where segregation of goods is achieved by the use of allergen zones, the zones should be indicated on floor plans which shall be clearly displayed. Allergen storage zones should be used for this specific purpose only.

Temperature controlled warehouses

Insulated walls must not have structural damage that would permit:

- pest harbourage
- water to condense within the insulating foam and then leach into the storage area

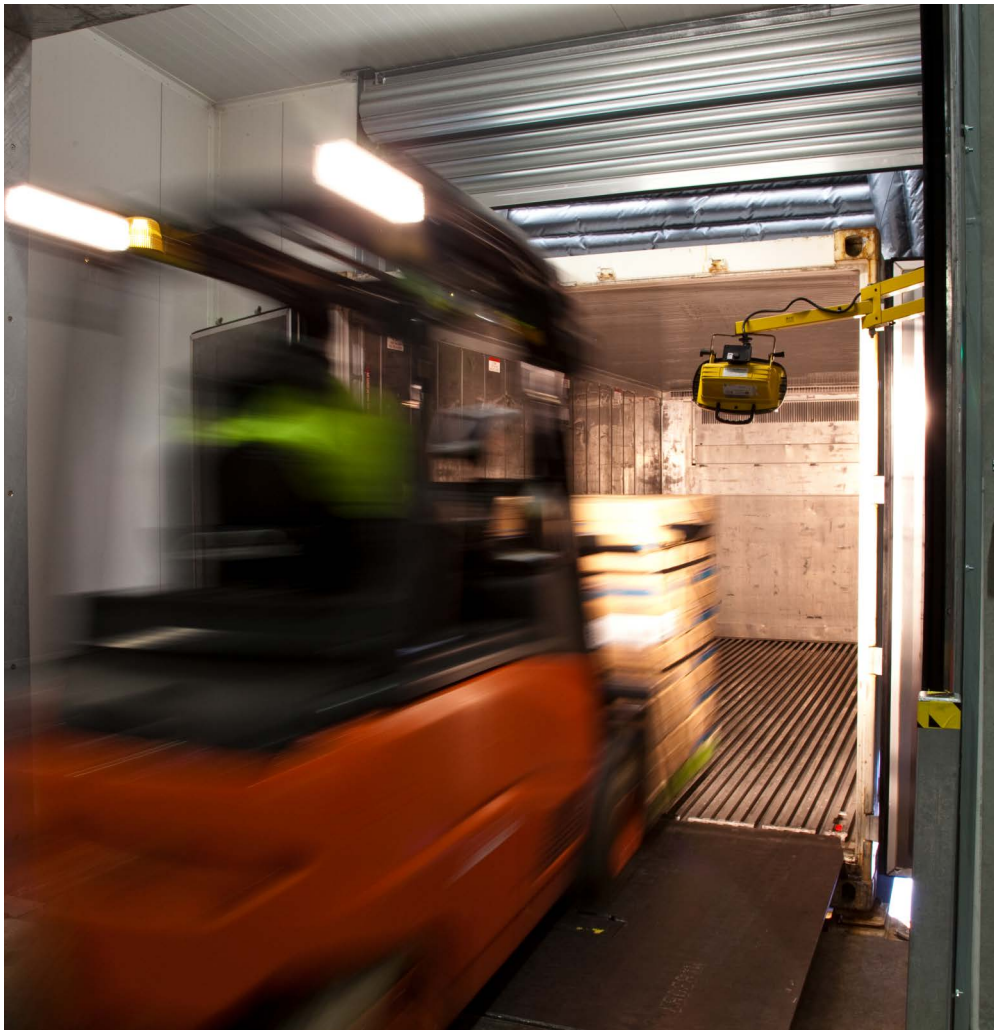
Refrigeration units, including fans and evaporators, should be cleaned and sanitised regularly.



Good warehouse practices

Good warehouse practices should be implemented to ensure safe, high quality product storage. There should be documented procedures and staff training in place for the following Good Warehousing Practice (GWP) activities:

- clean and tidy premises, including the immediate removal of any rubbish and other wastes and spillages
- regular and systematic cleaning and maintenance of buildings and equipment
- lights must be fully enclosed to protect against accidental breakage and potential product contamination should breakage occur
- chemicals, fumigants and fumigation equipment, cleaning materials and utensils shall be isolated in a separate or enclosed lockable room, locker or cupboard. Poisons must not be stored inside a warehouse
- Warehouse personnel should refrain from the following activities in the storage areas:
  - eating or drinking of any food
  - storage of any personal food or drink
  - smoking
  - spitting or any other unhygienic behaviours
- staff coming into contact with product must maintain a high standard of personal hygiene and be free of any contagious diseases
- staff amenities/bathrooms, if attached to the warehouse, shall be externally ventilated and all opening windows or vents shall be effectively screened to prevent insect entry



Damaged product

Damage that makes product unacceptable for consignment includes exposed product, torn packaging, insecure closure, and stained, dirty or wet packaging.

Any damaged goods should be contained and separated as soon as possible from good product to effectively prevent any contamination.

All damaged stock, once removed from the parent unit, shall be kept separate from good stock and clearly be identified as damaged stock. The status of the stock shall be indicated on the inventory system.

Warehouses should develop and maintain documented procedures for the management of damaged stock.

Exclusion of pests

A Pest Management Plan is required to monitor and control pests. There should be a staff member with overall responsibility for the management and implementation of the pest management programme, and ensuring any corrective actions are undertaken.

The identification of pests to be targeted should be based on a risk assessment of local conditions, pest life cycle and behaviours.

A monitoring programme should be established which includes, documentation defining location of pest control devices, frequency of monitoring and how findings are evaluated.

Responsibility and training requirements for all internal and external parties involved in the Pest Management Plan should be defined. Training should include actions to be taken in the event of:

- pest intrusion inside the warehouse
- excessive bait disturbance
- monitoring trends indicating increased pest activity

There should be records kept of all monitoring that occurs. Fogging and fumigation treatments must be in accordance with a documented application plan. The use of chemicals should be documented.

It is highly recommended to use an experienced, independent pest control expert to validate the pest control programme, ensure that all potential pests are included and that the control and monitoring methods are appropriate and will be effective.

The Pest Management Plan should be reviewed at least annually to ensure the desired outcome is achieved and updated as required.

Exclusion of pests

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

Building control measures should be determined by assessing the risk from building structures and environmental conditions and applying appropriate measures to stop the ingress of all pests. Some points to consider are:

- the outer wall cladding to be sealed at the bottom and have bird protection at the top
- all external access points and service ducts adequately protected to prevent the entry of vermin, birds, insects and other pests
- external doors kept closed when not in use and doors shall be maintained with effective seals
- strips or flaps of cleanable, flexible material, or automatic doors that open only to admit vehicles or personnel, may be useful in preventing access by vermin, birds, insects and other relevant pests, during normal operating conditions
- the immediate surroundings of a warehouse should be tidy, have no areas of uncontrolled gardens and vegetative growth
- any product spills should be cleaned up and removed when they occur to deny vermin and insect pests a food source, and to eliminate the potential for mould development.
- maintaining the internal premises in a clean, dry and tidy condition helps with keeping the premises free from pests
- for ambient storage, a 500mm gap should be left between product and walls to ensure that product can be inspected, and pest management devices can be accessed for servicing. A sufficient gap should be available between alternate rows for identification and inspection of product

Routine use of poison baits inside the warehousing environment poses a risk to product safety and is not permitted.

Chemicals (poisons and pesticides) used for pest control purposes 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:
  - in accordance with the recommended instructions
  - by trained personnel in compliance with local regulations
  - stored in a safe and secure manner to prevent contamination of product and product packaging

The use of chemicals must be recorded including:

- date and area of application
- application rate and concentration
- Onsite management of pest control chemicals must ensure there is no risk to product or other goods on site

Dispatch

Dispatch of product must be controlled to ensure that shipments leave the premises in good condition and loads match documentation.

Dispatch procedures should include the following elements:

- loading and carriage practices must ensure that risk to people and product are minimised/eliminated
- every load-out has appropriate authorisation
- goods are picked using a recognised stock control method (for example ‘First Expired, First Out’ principle)
- goods are suitably packed and in good condition pre-shipment (no damages, pest free, clean and dry)
- all load specific consignment documentation is available Product should not be loaded in or out of a warehouse during adverse

weather conditions (e.g. rain) unless adequate protection is available and used.

Product exposure to direct sunlight must be minimised.

Large consignments should be sealed. If seals are used, they should be effectively controlled and secure at all times. Seal registers should be kept to enable full traceability of every seal.

When dairy goods are being transported with other goods the following rules must be considered for companion loads:

- any food items should be intended for human consumption only, and raw foods must be avoided
- all companion materials should be adequately packaged and sealed to prevent potential cross-contamination or odour transfer. Cosmetics, soaps, industrial maintenance items and chemicals are not considered acceptable companion loads as there is a high risk of odour transfer

During chilled/frozen product movements, residence time in a non-temperature controlled environment shall be kept to a minimum to reduce the possibility of temperature rise and condensation.

Effective temperature control in refrigerated containers is dependent on the movement of air around the product. To ensure the air flow is achievable and not interrupted packing warehouses shall not load above the container load ‘limit line’.

Management of non-conforming product

Procedures for identification, isolation and disposal of damaged and/or rejected stock should include:

- the handling of non-conforming goods including returned goods
- transfer of sub-standard goods to a quarantine area
- managing the risk of cross-contamination from non-conforming product to fit-for-purpose goods
- controlled disposal of damaged goods in consultation with the owner

Non-conforming product should be physically and/or electronically segregated from good product.

Where Fonterra has credited a customer for downgrade or damaged product as being not fit for human consumption, the customer shall not:

- re-sell the product directly for human consumption
- use the product in the manufacture of other products for human consumption
- re-sell or dispose of the product without clearly marking each and every item as “STOCKFOOD – NOT FOR HUMAN CONSUMPTION”
- or the equivalent appropriate translation
- re-use the packaging without removing all references to Fonterra and Fonterra branding e.g. completely removing the outer packaging or totally obliterating all references to Fonterra and Fonterra branding

Complaint handling

There should be a system documented and implemented for the resolution of customer complaints and enquiries. Customer and consumer complaints should be investigated. Learnings should be applied towards the continual improvement of processes, systems and procedures. All complaints that may implicate Fonterra should be notified to the Fonterra account manager within 24 hours.

Product identification and traceability

A stock management system is essential to enable traceability of all goods at all times.

An effective stock management system:

- has a unique identifier for every item stored
- records the source of all goods
- includes the delivery dates and batch/lot numbers for all goods
- ensures the location of all stored goods is known at all times
- identifies where goods have been dispatched to
- enables sound stock rotation principles such as ‘First Expired, First Out’ to be implemented
- provides a reliable process to effectively isolate products that are ‘on hold’
- will identify products that are damaged
- will link transporters and goods transported
- where security seals are used, the seal numbers are traceable to the associated stock
- enables the effective recovery of product during a product recall/ withdrawal event

The traceability system shall be tested annually to ensure it is functional. All relevant records of a given lot required during a traceability test must be readily retrievable.

Periodic physical stock takes should be undertaken to verify the stock management system records.

All records relating to the management of goods shall be adequately stored in an appropriate environment such that safety and security of information is not compromised. This includes the ‘back-up’ of electronic systems.

Recall and withdrawal

The distributor must have a documented product recall/withdrawal procedure describing how they will respond if Fonterra product needs to be removed from the marketplace.

To ensure the robustness of the procedure, a mock recall/withdrawal should be initiated at least annually, unless an actual recall/withdrawal has occurred during the preceding twelve months.

Any recall/withdrawal must effectively remove from distribution and sale, all product that may pose an unacceptable risk to the customer and/or consumer.

All recalls/withdrawals (mock and real) should be documented, including the reason, the time taken to identify the location of stock, the amount of stock accounted for, the personnel involved, and the overall outcome such as percentage of product retrieved.

A mock recall should be reviewed at the completion of the event, and any identified corrective actions implemented.

Security

Security systems should be in place to prevent theft, deliberate acts of tampering and/or intentional product contamination. Ideally:

- the perimeter should be protected with fencing with a controlled site access gate
- warehouses not completely enclosed with a perimeter fence should have an effective means of monitoring and recording personnel and vehicle movements
- doors and access ways to load docks and platforms, canopy areas and rail access ways to load bays should be secured
- access to the site by contractors and visitors should be controlled. This may include establishing a system of positive identification and recognition of staff and visitors, restricting entry to the establishment and storage areas, such as:
  - checking in and out at security or reception
  - issuing photo identification badges colour coded by area of authorised access
  - accompanying visitors, unless they are otherwise specifically authorised
  - identification displayed at all times by the contractor or visitor (e.g. wearing a visitor's pass)
  - knowing who is and who should be on premises, and where they should be located
- any entry to the warehouses by unauthorised personnel should be immediately investigated including checks that product integrity has not been compromised
- electronic information systems, including business applications, user developed applications and infrastructure systems to maintain the confidentiality and integrity of all critical or sensitive business information must be access authorised

Staff training

A training plan should be documented and implemented, based on the product requirements and the training needs of each position within the company. The training plan should include:

- relevant warehouse operating procedures
- management of food safety risks and regulatory compliance
- personal health and hygiene, use of controlled hygiene facilities, housekeeping, sanitation and regulatory compliance relevant to the role, as part of the induction training

Documented evidence of employee training must be readily retrievable and periodic refresher training should be provided.

Technical information

For further technical information on storage of dairy products please request the relevant technical bulletin from Fonterra.

General requirements

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 consumers' health and safety, there are other aspects where Fonterra has expectations of its suppliers and partners, as follows below:

Health and Safety at Work

The distributor must be committed to providing a safe and healthy work environment for all employees and visitors by:

- having a Health and Safety risk management process in place to actively identify, manage and report workplace risks
- controlling personnel movements within the warehouse and in the area of load-in and load-out of goods, to minimise the risk of person/ moving vehicle accidents
- ensuring loads are safe to unload, or precautionary measures are in place before unloading
- using product stacking configurations and protective measures that ensure product stacks are secure and safe
- complying with all requirements of applicable Health and Safety legislation

The distributor 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 distributor 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 distributor must not employ children

in violation of conventions 138 and 182 of the International Labour Organisation. The distributor must not discriminate in any manner on the basis of race, ethnic background, age, religion, gender, sexual orientation or disability. The distributor must ensure that working hours and remuneration are in compliance with all applicable laws.

Anti-Corruption and Political Activities

The distributor 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.

Environmental Risks

The distributor should be committed to protecting the environment through the use of sound environmental practices. The reduction and prevention of all forms of waste, including solid and liquid wastes, dangerous or toxic emissions, and the efficient use of all energy sources, should be a fundamental business policy. An environmental risk management plan should be in place to actively identify, manage and report environmental risks.

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.