

Responsible Marketing of Breast-Milk Substitutes

An Outline of Fonterra's Position, Standard and Practices

Introduction

Fonterra is a New Zealand Co-operative. Our farmers are at the heart of our Co-op, and we work with them through a partnership approach to share the goodness of dairy nutrition with the world. At Fonterra, we put sustainability at the heart of everything we do, we care for our communities and contribute to health and wellbeing through the products and services we deliver.

We are committed to playing our part to ensure that all infants and young children receive optimal nutrition, including being breastfed exclusively for at least the first 6 months of life and beyond. Through our policy, practices, and procedures we protect, promote and support breastfeeding.

We support the aim and intent of the World Health Organisation International Code for the Marketing of Breast-Milk Substitutes (the WHO Code). It is our view that manufacturers, regulatory authorities, health care professionals, consumer organizations and public health advocates all have a responsibility to ensure that breastfeeding is protected and promoted.

We are proud to be publishing this document which provides transparency to our customers, partners and the public on our current Position, Standard and management procedures. Collectively these establish our commitment and provide the frameworks for systems within our business. They help us execute our support of the aims and principles of the WHO Code.

In this document we also outline our governance and specific activities in more detail.

Company Position

Fonterra recognises the importance of honest and responsible marketing and labelling to enable consumers to make informed decisions.

Fonterra supports and promotes the aim and intent of the WHO Code and the recommendation for six months exclusive breastfeeding and continued breastfeeding, with suitable nutritious complementary feeding, up to two years of age and beyond.

Recognising that not all infants are breastfed, we agree with the WHO in their position that Infant Formula is the only appropriate alternative to breastmilk. Where the decision has been made to feed a formula product, we support the provision of adequate information about our products to medical professionals and to consumers.

Our position is that formulated products for young children, such as growing up milks, are not breast-milk substitutes (BMS) but provide an alternative to cows' milk, which is widely recognised by government health agencies as an appropriate food for young children older than 12 months of age.

At Fonterra, we undertake to ensure that all our products are safe and appropriate, and we take particular care when we formulate and manufacture products for infants as these products contribute to the entire, or a

predominant part of, an infant's nutrition. We take this seriously from manufacturing right through to how we sell our product. We always comply to the relevant standards and codes in the countries that we operate in.

We continuously review and update our policies and practices to ensure they remain relevant, effective, and sustainable.

In the setting where we are a manufacturer of formula product for third party customers we will always advocate for the aim and intent of the WHO Code.

The Fonterra Standard

The 'Group Regulatory Standard – Compliance to the WHO Code' (Fonterra Standard) outlines the requirements that Fonterra business units undertake to ensure that they are acting in a manner that supports the aim and intent of the WHO Code and subsequent endorsed Resolutions. It intends to:

- Provide a clear company position on the Marketing of Infant Formula Products suitable for infants from birth to 12 months (including Infant Formula and Follow-On Formula).
- Provide confidence that Fonterra is acting in an ethical manner in relation to our paediatric business activities.
- Provide a framework that when implemented will mitigate risk from inappropriate activities.
- Ensure that Fonterra does not infer Infant Formula Products are superior to breastmilk.

Each relevant country Business Unit has developed procedures aligned with the intent of the Fonterra Standard and their local regulatory environment to ensure Fonterra's Commitment to the aim and intent of the WHO Code is upheld, these are called our Standard Operating Procedures.

Scope

The Fonterra Standard applies to all Infant Formula Products suitable for infants from birth to 12 months. It applies to all business operations wholly owned by Fonterra, and joint ventures, non-wholly owned subsidiaries, and other entities where Fonterra exercises management control.

Business to business ingredient marketing as well as internal communications also fall within the scope of this Standard.

Fonterra undertakes to ensure all Infant Formula Products for use by infants from birth to 12 months that display the Fonterra logo on the label, shall be in scope for the labelling provisions in the Standard, even if not marketed by Fonterra.

Fonterra's Governance of the Code - Culture, Conduct and Principles

Fonterra is committed to the highest standards of corporate governance. Our Global Policy Framework (The Framework) reflects best practice and provides practical guidance on delivering to 'Good Together' – the guiding philosophy that brings together our purpose, values, and strategy.

Our Business Code of Conduct "The Way We Work" underpins the conduct of all our activity. It reflects our values and the way we do things, providing guidance for everyone who is part of our co-operative around the world.

'**The Way we Work Hotline**' is a confidential service run for Fonterra by an independent firm. It is a way for employees to anonymously report any conduct that doesn't seem right and is available in multiple languages for all employees around the world. Any suspected non-compliant activity regarding the WHO Code can be reported through the hotline which will prompt an investigation.

The Fonterra Board sets our global policy and delegates authority to the Chief Executive Officer for the management of The Framework. This includes policy, standards and supporting operational documents maintained to ensure:

- We operate within the expectations of our legal, regulatory, and business environment, reflecting the degree of risk the business is prepared to accept in pursuit of our strategic objectives.

- We adopt appropriate procedures to oversee compliance with all applicable laws, regulations, codes, and accounting standards, with clear line of sight across the business from policy to implementation, monitoring and continuous improvement; and
- We proactively seek to build the businesses of Fonterra through innovation, initiative, technology, new product development, and the development of Fonterra's business capital.

Our employees understand how the Framework applies to them, act in a manner consistent with it, and know what to do if they become aware of potential breaches or non-compliance. This is a condition of employment at Fonterra.

Our leaders make sure their team members are aware of and comply with The Framework personally. They complete ongoing compliance learning, an annual attestation process and commit to ongoing monitoring of The Framework within their work area.

Breaches or instances of non-compliance with The Framework result in consequences such as potential disciplinary action, cessation of contractual agreements or termination of employment.

Monitoring: The Framework is regularly reviewed to ensure content is appropriate, efficient, and consistent with best practise.

Monitoring of The Framework includes Internal Audit programmes, external and customer audit systems to provide independent assurance that we are delivering to our obligations.

Group Policies are supported by more detailed standards and guidelines which are held in an internal online Library.

Fonterra Group Regulatory Standard – Compliance to the WHO Code

Written Policies

Fonterra Business units in the countries where Fonterra branded Infant Formula Products are sold must have a Standard Operating Procedure in place which reflects both the Fonterra Standard and their local country code and/or legislation.

Written policies and procedures governing the Marketing of Infant Formula Products are periodically reviewed and updated, communicated and available to all relevant employees and cover, at a minimum, compliance monitoring, internal auditing, complaint investigation, and disciplinary procedures. Responsibility for implementing and monitoring these policies shall be clearly defined.

Formal Training Program

Training is provided to all relevant staff about company policies that govern the Marketing of Infant Formula Products. Training activities are recorded and available for internal audit.

Routine Internal Audits Procedures

Relevant Fonterra business units have established procedures for conducting routine, systematic, internal audits of compliance with the Fonterra Standard and country Standard Operating Procedure.

Complaint Handling Procedures

Relevant Fonterra business units have established procedures that enable the reporting of known or suspected violations of the Fonterra Standard.

Labelling

Labels for Infant Formula Products are designed to provide all necessary information about their safe and appropriate use in accordance with national laws and applicable provisions in Codex Alimentarius Food Standards.

Labels for Infant Formula Products should not include picture or text or be presented in such a way as to discourage caregivers from breastfeeding or feeding breastmilk to their infants, such as by incorporating pictures of babies under 12 months of age.

Interactions with Health Workers and Healthcare Professionals (HCPs)

Information provided to Health Workers or HCPs regarding Infant Formula Products should be restricted to scientific and factual matters and such information should not imply or create a belief that formula feeding is equivalent or superior to breastfeeding.

No gift, benefit or pecuniary advantage shall be offered to Health Workers, HCPs, or their families as an inducement for the supply, recommendation, or sale of Infant Formula Products or for the purpose of promoting these products.

No stand-alone entertainment or other leisure or social activities for Health Workers or HCPs shall be provided or paid for by Fonterra.

Public and Mothers

Fonterra will not engage in the Marketing of Infant Formula Products directly to the public. Advertising of Infant Formula Products through the mass media, including tv, digital and social media, websites, point of purchase or through healthcare facilities is avoided.

Fonterra will not seek contact of any kind with pregnant women or with mothers or carers of infants or young children about Infant Formula Products.

Fonterra will not use Infant Formula Products, or their specific brand names, in any informational or educational material about the feeding of infants intended for distribution to or use by consumers. The exception is when such materials are intended to provide instructions for use for a specific Infant Formula Product and are disseminated through a health worker upon request, or are materials clearly related to products which are not Infant Formula Products.

Products for Professional Evaluation (PPE) and Samples

Fonterra will not provide Samples of Infant Formula Products. Infant Formula Products may be provided to Health Workers for professional evaluation and research purposes but only in response to an authorized, written request from the health practitioner.

Samples of Follow-On Formula may only be provided to parents/caregivers under specific and controlled circumstances as outlined in Fonterra's Standard.

PPE will not be distributed to Health Workers as an incentive to purchase, resell or recommend a brand of Infant Formula Products. The PPE will bear a label stating that it is a "Sample for Professional Evaluation" or "Not for Resale," or bear a similar indication.

Humanitarian Aid

Fonterra will only provide aid donations of Infant Formula Products in emergency and disaster situations through government channels, internationally recognised aid agencies, or health organisations. This would only occur in response to a specific written request by the government or appropriate aid agency that clearly documents the medical and social grounds for the request. Fonterra may not deliver humanitarian relief aid shipments of Infant Formula Products directly to caregivers.

Fonterra may respond to written requests from orphanages or other social welfare institutions for free or low-priced supplies of Infant Formula Products for feeding infants who meet the conditions outlined in this section. Any donations in these circumstances must not be provided directly to the institution but given to a designated health organisation to control.

If in circumstances of emergency relief or poverty there are donated supplies, these must meet the following further conditions:

- They are for infants who are medically required to be fed, or are already being fed Infant Formula Products
- The supply is continued for as long as the infants concerned need it
- The supply is not used as a sales inducement

- In the case of emergency relief, the donations are in accordance with national emergency preparedness plans and supporting documents.

Management Systems and Practises

Fonterra implements this Standard and the country specific Standard Operating Procedure through management systems and practises which guide the day-to-day business activities and ensure these are upheld in relevant countries where we sell Infant Formula Products.

Fonterra undertakes an annual self-assessment to demonstrate compliance with the 'Fonterra Group Regulatory Standard - Compliance to the WHO Code'.

Table1: Fonterra's Management and Standards relating to the Code

| | Purpose & Scope |
|--|---|
| Fonterra Position – Marketing of BMS | <p>Articulates Fonterra's overarching Position in relation to the Code.</p> <p>Used as a reference point for the more practical frameworks, the Fonterra Standard (company-wide), and the country Standard Operating Procedures (specific for each relevant country).</p> <p>All employees with a role related to paediatric nutrition undertake mandatory e-Learning to understand the position as part of their induction.</p> <p>Accessible to all Fonterra employees.</p> |
| Global Regulatory Standard – Compliance to the WHO Code ('Fonterra Standard') | <p>Sets out in practical terms the business rules for compliance to the WHO Code, including (but not limited to) the protection of breastfeeding, labelling, interactions with health workers, general public and mothers, products for professional evaluation (PPE), use of samples, humanitarian aid.</p> <p>Ensures consistency of key principles across the globe and implements our business Code of Conduct.</p> |
| Fonterra Brands Malaysia Internal Policy on Code of Ethics for the Marketing of Infant and Follow-up Formula Products | <p>Sets out in practical terms the business rules for compliance to the Malaysia Code of Ethics, including responsibilities and accountabilities.</p> <p>Guides Fonterra Brands Malaysia on conducting business associated with 'designated products' which fall within the scope of the Malaysia Code of Ethics. Is aligned with the Fonterra Position and Standard.</p> |
| Fonterra Brands New Zealand Standard Operating Procedure | <p>Sets out in practical terms the business rules for compliance to the Fonterra Standard for the New Zealand market. Provides a guide to Fonterra Brands NZ on conducting business associated with product suitable for infants aged from birth to 12 months. Ensuring practises are Code-aligned within the requirements of the Australia New Zealand Infant Nutrition Council Code of Practice and associated Guidelines, and the Fonterra Position and Standard. With additional guidelines for Toddler milks to ensure these are not misinterpreted as BMS.</p> |
| Fonterra Brands China Standard Operating Procedure | <p>Provides a guide and gives practical business rules for compliance to the Fonterra Standard for the China market.</p> <p>Ensures practises are Code-aligned, within the requirements of the China Advertising Law and the Fonterra Position and Standard. Includes responsibilities and accountabilities for Fonterra Brands China.</p> |

Table 2: Fonterra's Practises related to the Code

| Practice | Purpose & Scope | Description |
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| WHO Code Champions | An internal forum of 'Champions' who provide leadership at local country level, including from China, New Zealand, Malaysia and the ingredients business. | Internal Representatives from regulatory, marketing and nutrition disciplines who ensure Fonterra's commitment to the aim and intent of the Code is upheld in practise in all markets where paediatric products are sold. Meet regularly and provide advice and material review to the business as needed and ongoing as part of their day-to-day role. |
| CARE Approval Process | Online internal review system for external facing and relevant internal marketing materials. Acts as an information portal for traceability and reporting. Enables fast and accurate information retrieval on request. | Provides a clear, consistent approach for artwork and Marketing material approval before external facing release. Relevant roles from the nutrition, Marketing and regulatory disciplines provide review, feedback and approvals before the material can be released for external viewing. A CARE Code is assigned to all materials for traceability. Higher level approvals are required for certain materials. |
| Employee Education and Training | All new employees who have a role related to our paediatric businesses globally are trained using e-learning modules and have access to targeted training as needed from the local Regulatory Manager, WHO Code Champion or the global WHO Code Subject Matter Experts. | New employees in relevant roles are assigned e-learning 'Understanding the WHO Code' by their direct managers, including upper management. This training ensures all relevant employees have read and understood Positions, Standards and other documents relevant to the Code, and uphold Fonterra's commitment to the aim and intent of the Code in their day to day activities. |
| CARE Code | Tracking Code that is assigned to all materials approved through the CARE Approval process. Ensures traceability. | A unique Code released by the online approval system. Assigned to the approved material for traceability purposes. |
| Global WHO Code Subject Matter Experts | Provide internal leadership globally to ensure the WHO Code is implemented into business practices. | Provide leadership in practises. Responsible for ensuring practises are relevant and sustainable. Annual reporting to the business. Convenes quarterly with WHO Code Champions. |

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| Advocacy and Stakeholder Engagement | Provide Fonterra representation and advocacy in government and Non-Governmental Organisations, global forums including, but not limited to, Australia New Zealand Infant Nutrition Council, International Special Dietary Industries, Codex. | Ensures Fonterra's Positions and Standards related to the WHO Code are relevant to the global regulatory, political and economic environment. |
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Definitions

| Term | Definition |
|--------------------------------|--|
| Infant Formula | A breast-milk substitute manufactured to be a sole source of nutrition for use of infants up to 6 months of age |
| Follow-On Formula | Formula manufactured to satisfy the normal nutritional requirements of infants aged 6-12 months |
| Infant Formula Products | Includes both Infant Formula and Follow on Formula |
| Marketing | Any form of promotion including above-the-line and below-the-line activities |
| Samples | Single or small quantities of a product provided without cost. Samples should clearly bear the indication that it is a 'sample for professional evaluation' or "not for resale", or a similar indication. |
| WHO Code | World Health Organisation (WHO) International Code of Marketing of Breast-Milk Substitutes (1981) and subsequent resolutions. |
| Complementary Foods | When breastmilk alone is no longer enough to meet the nutritional needs of the infant, suitable foods and liquids are needed to complement breastmilk feeding. These foods are referred to as Complementary Foods. Complementary feeding typically covers the period from 6-24 months of age and beyond. |