



Dairy for life

FEBRUARY 2023

Supplier Sustainability Code of Practice





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Introduction

Fonterra's Supplier Sustainability Code of Practice (the Code) is designed to support "The Way We Work" - our Code of Business Conduct - and help us achieve our Long-Term Aspirations. The Code recognises that our commitment to having a sustainable business and to social and environmental responsibility goes beyond our own direct operations to our supply chain. It reflects our values and the way we do things, providing guidance for everyone who is part of our value chain around the world.

Fonterra's operating practices are focused on being both efficient and sustainable. In recent years, concerns over poor working conditions and environmental issues have seen companies implement specific social, environmental, and economic criteria for the Suppliers from which they source goods and services. We value our Suppliers and the contribution they make to Fonterra. One of our objectives is to source goods and services to agreed minimum levels of sustainability and work with like-minded parties committed to continuous improvement.

Our Commitment

Fonterra is committed to upholding human rights, fair working conditions and to respecting and protecting the environment in which we live and work. We're proud of what we do and the goodness we create every day. We care about the communities and places in which we live and work and want to leave them better than how we found them.

We empower our people to achieve the best outcome for the Co-operative and protect our place in community with our families and key supporting partners; guided by the Māori principles of Manaakitanga and Kaitiakitanga. Manaakitanga is how we care for each other as people in all we do. Kaitiakitanga is how we protect and act as a guardian for our environment today for the benefit of future generations.

To meet the expectations of our customers, the community, and legal requirements, we endeavour to consistently operate under the above principles; and expect the same from our Suppliers. We are committed to working collaboratively with our Suppliers to help improve their sustainability practices and support them to meet our expectations.

Expectations

Our Suppliers must comply with the expectations set out in this Code, which are drawn from the International Labour Organisation (ILO) and Ethical Trading Initiative (ETI), (which are minimum standards based on the principles of the United Nations Universal Declaration of Human Rights), the United Nations Guiding Principles on Business & Human Rights, and the United Nations Sustainable Development Goals.

Fonterra expects Suppliers and associated subsidiaries to communicate with Fonterra regarding their level of preparedness to comply with this Code and request their Supplier's to comply as well.

Suppliers must be prepared to provide evidence of compliance if requested by Fonterra, including but not limited to undergoing an audit as part of Fonterra's Approved Supplier Programme. If a Supplier does not comply with the expectations set out in this Code, then they must explain why they cannot; (for example, if one of the expectations is not applicable or is immaterial to the Supplier) and provide evidence to support

this. If a Supplier fails to meet the expectations set out in this Code, Fonterra will work with the Supplier to improve and resolve any shortcomings. Failure to rectify any non-conformance with this Code may result in Fonterra electing to end its relationship with the Supplier in accordance with agreed contractual terms.

All Supplier operations must comply with applicable laws, and regulatory requirements. We expect our Suppliers to uphold product safety, economic, social, environmental, and other relevant law industry standards aligned with the principles in this Code.

Ethical Business

We are working together to deliver a sustainable business.

Nāku te rourou, nāu te rourou ka ora ai te iwi.
With your contribution and my contribution,
we'll all thrive together.

Suppliers must comply with the below requirements, unless deemed immaterial by the supplier.

Trade - Suppliers reject any restriction to free trade other than duly enacted national and international laws. Suppliers must respect all applicable international trade sanction laws.

Risk - Suppliers establish and maintain programmes to identify and adequately manage sustainability risks within the scope of their business activities (across the short-, medium-, and long-term).

Anti-corruption & Bribery - Suppliers and all persons who carry out work for the Supplier do not offer, make, solicit, or accept any bribes, kickbacks, or corrupt payments to obtain business. Suppliers must adopt, maintain, comply with and document appropriate anti-corruption policies and procedures.

Conflict of Interest - Suppliers disclose to Fonterra activities and financial interests that could present an actual or potential conflict of interest.

Anti-competitive Behaviour - Suppliers do not engage in anti-competitive practices and behaviour, including collusive bidding, price discrimination, price fixing, and other unfair trade practices in violation of applicable antitrust laws or fair competition laws.

Confidentiality and Privacy - Suppliers and their representatives take appropriate actions to protect and maintain confidential and proprietary information, personal information about Fonterra's employees and trade secrets of Fonterra. Any information or data regarding Fonterra and its operations are always treated as confidential unless this information is in the public domain and must only be used as strictly necessary to perform the Supplier's contractual obligations or with Fonterra's prior consent. These requirements remain in place even after the conclusion of a Supplier's business relationship with Fonterra. Suppliers ensure that personal information that is gathered is managed in accordance with applicable privacy legislation and regulatory requirements in the jurisdiction in which they operate or to which the information is transferred.

Transparency - Suppliers are transparent about their economic, social, and environmental sustainability practices when working with Fonterra. This includes disclosing relevant policies, procedures, and accurate reporting against these requirements.

People

We are working together to care for people and make a positive social impact.

He aha te mea nui o te ao? He tāngata, he tāngata, he tāngata.

**What is the most important thing in the world?
It is people, it is people, it is people.**

Suppliers must comply with the below requirements, unless deemed immaterial by the supplier.

Health and Safety - Suppliers provide a work environment that is physically and mentally safe and healthy. Suppliers must establish and implement a health and safety management system ("HSMS"), which will detail how the Supplier will maintain a safe work environment and ensure legislative and best practice compliance. This includes regular monitoring and verification of progress towards objectives or targets.

Health, Safety, and Environment Training - Suppliers provide to their employees regular, documented health and safety training, including, where relevant, training in respect of the handling of hazardous materials and the prevention of environmental accidents, with such training repeated for new or reassigned workers.

Discrimination - Suppliers provide a workplace free of harassment and discrimination. Discrimination for reasons such as gender, ethnicity, sexual orientation, age, disability, religion, and any other characteristic protected by legislation is not condoned. Fonterra expects Suppliers to share its commitment to equal opportunity in employment and its commitment to diversity and inclusion.

Bullying and Harassment - Suppliers take reasonably practicable steps to provide a workplace free from physical, mental, verbal, sexual or other abuse, corporal punishment, inhumane or degrading treatment, intimidation, threats, or any form of harassment and must take reasonable steps to address any of these behaviours in their workforce where they are identified.

Freely Chosen Employment - Suppliers do not make use of forced or bonded labour. By right, labour should be freely given, and employees should be free to leave in accordance with legally established rules.

Child Labour - Suppliers do not use child labour and must comply with International Labour Organisation (ILO) Standards.

Modern Slavery - Suppliers do not use any labour that is defined as Modern Slavery (as defined in the Australian Modern Slavery Act (2018) and require the same of their supply chains. Suppliers establish and maintain programmes to identify, assess, address, and report modern slavery risks within the scope of their operations and supply chains, including adherence to the principles outlined in international modern slavery legislation.

Freedom of Association - Suppliers respect the right of employees to be represented (or not to be represented) by trade unions and other bona fide representatives of employees and, where employees are represented, engage in constructive negotiations with such representatives with a view to reaching agreements on employment conditions.

Wages and Benefits - Suppliers comply with all applicable laws and regulations regarding wages, penalty rates, overtime compensation and legally mandated benefits. This includes not depriving workers of their rights, benefits, and protections by treating them as contractors where the working relationship is more akin to employment. Employees are paid in a timely manner and in accordance with legal requirements.

Work Hours - Suppliers comply with all applicable laws and regulations regarding work hours, breaks, rest periods, overtime hours and leave. Working hours should not be excessive and not give rise to health and safety risks.

Grievance Procedure - Suppliers provide mechanisms for employees to raise anonymous grievances without fear of reprisal and ensure concerns are appropriately and fairly addressed in a timely manner. Suppliers can use Fonterra's independently administered whistle blowing hotline (The Way We Work Hotline) to report concerns about serious wrongdoing or behaviour that does not meet the standards described in this Code. For more information on the Hotline please refer to page 12.

Environment

We are working together to achieve a healthy environment for farming and society.

**Tiakina te whenua i tēnei rā, hei oranga tangata
mō ngā rā e heke mai nei.**

Caring for the land today, so that the
land cares for us tomorrow.

Suppliers must comply with the below requirements, unless deemed immaterial by the supplier.

Packaging and Product Stewardship - Suppliers act in accordance with the principles of product stewardship, identifying, managing, and minimising the risks attached to Suppliers' products during their entire lifecycles. Suppliers are committed to protecting the environment by using sound environmental practices, sourcing environmentally friendly packaging components and seeking solutions which provide packaging options which are 100% reusable, recyclable or compostable.

Waste and Resource Reduction - Suppliers ensure and demonstrate continuous environmental improvements in relevant areas, including in relation to; reduction of emissions, discharges, noise, waste, reduction in reliance on natural resources, and reduction of hazardous substances (including waste from the end use of the product and all associated component), by means of clear targets and improvement policies which align with Fonterra's sustainability ambitions.

Emergency Response - Suppliers do all that is reasonable and practicable to implement an emergency response programme which addresses anticipated emergencies, including implementing appropriate business continuity plans.

Environmental Standards - Suppliers use a proactive approach in establishing and maintaining standards of environmental management, including regular monitoring and verification of progress toward environmental objectives or targets.

Visibility - Suppliers ensure visibility and control of the inputs (including raw materials and labour) into Suppliers' manufactured products from other sources.

Energy and Climate - Suppliers measure and report on their greenhouse gas emissions across their value chain and show progress as to how they are mitigating and adapting to the impacts of climate change. Where material this must include establishing energy management programmes to measure and report on energy use and to reduce energy use while transitioning away from fossil fuels to renewable energy sources.

Land Rights - Suppliers respect, protect, and promote the land rights of local communities and indigenous communities impacted by their operations, including raw material sourcing. All negotiations about land rights, including the use of and transfers of it, must adhere to the principles of free, prior, and informed consent, contract transparency and disclosure.

Animal Wellbeing - Suppliers are committed to continuous improvement of animal health and wellbeing outcomes, including compliance with codes of welfare and the elimination of practices which contravene the internationally recognised World Organisation for Animal Health Five Freedoms.

Water - Suppliers with significant water use are to establish water management programmes to reduce water usage especially where they are operating in regions recognised as having water stress. Any wastewater with the potential to adversely impact human or environmental health must be appropriately managed, controlled and treated prior to being released into the environment.

Forest & Biodiversity Management - Suppliers recognise the overall importance of forests and other natural ecosystems and endeavour to preserve nature and biodiversity, including the restoration of past biodiversity losses and the protection of high conservation value areas in future expansion plans.

Key Supporting Policies

Key supporting policies are available on www.fonterra.com and include:

POLICY/CODE/STATEMENT	PURPOSE
Fonterra Global 'The Way We Work' Code of Business Conduct	Sets out expected behaviours for our employees towards each other, our customers and the wider community.
Fonterra Modern Slavery Statement	Articulates the actions taken by Fonterra to address modern slavery risks within our business and supply chain.

The Way We Work Hotline

If you're not comfortable reporting a concern to your manager, you can use The Way We Work Hotline. This is a confidential service operated for Fonterra by an independent firm. You don't need to provide your name or contact details if you do not wish to.

For more information on this service, including local numbers see The Way We Work.

Website

<http://www.thewaywework.deloittedigital.com/>

Email

thewaywework@deloittedigital.com

Telephone

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** local charges apply