



1.0 Intent

- 1.1 This policy defines Fonterra's commitment to safeguarding natural resources through reducing environmental impacts across the global value chain, continuously improving performance and efficiency, and promoting the protection and enhancement of natural resources and ecosystems that support dairy.

2.0 Scope

- 2.1 This policy applies to all Fonterra's global operations, including non-wholly owned subsidiaries (where Fonterra has a majority shareholding) or any entities where Fonterra has management control. Where Fonterra has a minority shareholding in any operation and it is unable to ensure compliance with this policy, the extent of that non-compliance must be approved by the Group General Counsel.
- 2.2 Where Fonterra is involved in a joint venture (involving 50/50 shareholding with a third party), Fonterra must ensure the joint venture adopts policies at least as rigorous as those set out in this Fonterra Group policy, or to a higher standard if required by local law.

3.0 Policy Requirements

- 3.1 Fonterra seeks to take an integrated approach to the management of Water; Climate and Energy; and Efficiency and Waste issues, underpinned by the following principles:
 - 3.1.1 Considering environmental responsibility and sustainability objectives within decision making processes and taking responsibility for the impacts of business decisions on society and the environment;
 - 3.1.2 Assessing, avoiding, reducing environmental risks and mitigating any impacts that occur;
 - 3.1.3 Implementing environmental management systems to ensure compliance with all relevant laws, regulations and other requirements consistent with high standards of environmental business performance and, where appropriate, to consider third party certification of these systems;
 - 3.1.4 Taking a precautionary approach where there are threats of serious or irreversible damage to the environment or human health;
 - 3.1.5 Establishing specific objectives and targets for environmental performance; and continuously improving towards these;
 - 3.1.6 Communication of environmental objectives and performance to staff, shareholders, and the community;
 - 3.1.7 Continually evaluating all business risks and preparing business continuity plans and contingency plans for emergency preparedness and effective response; and;
 - 3.1.8 Recognising global best practise frameworks and approaches, such as ISO 26000 Guidance on Social Responsibility.
- 3.2 Fonterra will realise this intent through working towards the following commitments:

3.3 Water

- 3.3.1 **Improve water quality** – Minimise the impacts of discharges on the environment and ensure that farm and factory waste is treated to leading industry standards.
- 3.3.2 **Improve water efficiency** – Use water responsibly at all times and, where constrained supply exists, move towards greater self-sufficiency.
- 3.3.3 **Advocate for effective water stewardship** – Advocate for policy solutions that protect the health of our farms and waterways, support thriving dairy communities, and ensure fair access for all users in a catchment.
- 3.3.4 **Promote restoration of natural habitats** – Work collaboratively with communities and farmers to value and protect biodiversity and ecosystem services, and to contribute to natural habitat restoration.

3.4 Climate and Energy

- 3.4.1 **Reduce energy intensity and GHG emissions** – Reduce energy intensity and GHG emissions intensity across business operations.
- 3.4.2 **Invest in clean technology** – Move towards cleaner technologies and energy sources with the support of innovative funding mechanisms.
- 3.4.3 **Build resilience to climate change** – Work with operations and across the supply chain to recognise the risks associated with climate variability and develop strategies to respond.
- 3.4.4 **Advocate for appropriate policy** – Advocate for policy that promotes emissions-efficient nutrition that is resilient to climate variability.

3.5 Efficiency and Waste

- 3.5.1 **Manage hazardous substances responsibly** – Ensure toxic and hazardous substances are managed to protect the health and safety of people, communities and the environment.
- 3.5.2 **Reduce waste** – Minimise the production and disposal of waste products and increase utilisation of recyclable materials, including packaging.
- 3.5.3 **Maximise manufacturing yield** – Use resources responsibly and efficiently at all times.
- 3.5.4 **Support community waste solutions** – Engage with our stakeholders to develop waste management and recycling services and solutions that improve environmental outcomes and enable greater access for others to those services.

3.6 On farm

- 3.6.1 **Adopt good management practices on farm** – Partner with farmers to support the adoption of good management practices to continuously improve profitability, environmental efficiency and resilience.
- 3.7 Evidence of adherence to Fonterra Group Environmental Policy is demonstrated by the following:
 - 3.7.1 Reporting against and compliance with relevant resource consents and permits (e.g. relating to environmental impacts);
 - 3.7.2 Environmental Management and internal reporting systems; and
 - 3.7.3 Self-assessments; and/or audits.

4.0 Accountabilities

- 4.1 Fonterra employees are accountable for ensuring the requirements prescribed by this policy are being met within Fonterra, and that contractors are trained on all aspects of this policy.
- 4.2 Business Unit managers are accountable for ensuring employees are trained on all aspects of this policy, and are complying with this policy.
- 4.3 The Fonterra Management Team (FMT) is accountable for ensuring Business Units are complying with this policy.

4.4 The Content owner is accountable for the development, communication, and review of the policy.

5.0 Definitions

- 5.1 In the statement “*Minimise the impacts of discharges on the environment and ensure that farm and factory waste is treated to leading industry standards*” **minimise impacts** means that the business will work to reduce adverse impacts from wastewater discharges to the extent possible by the use of leading industry technologies, and **farm and factory waste** refers to wastewater (and associated by-products) from Fonterra-owned factories and farms, including dairy effluent from Fonterra-owned farms.
- 5.2 **Biodiversity** is the variety of animals, plants, micro-organisms at the genetic, species and ecosystem levels.
- 5.3 **Clean technology** means technology that reduces the use of energy and/or reduces non-renewable energy use.
- 5.4 **Constrained water supply** means that there is a lack of sufficient available water resources, or water resources of sufficient quality, to meet the demands of water usage within a region.
- 5.5 **Ecosystem** means a community of living organisms (plants, animals and microbes) in conjunction with the non-living components of their environment (things like air, water and mineral soil), interacting as a system.
- 5.6 **Ecosystem Services** are the direct and indirect contributions of ecosystems to human well-being, including sustaining agricultural productivity.
- 5.7 **Energy intensity** is the amount of energy used (measured in gigajoules, GJ) per tonne of product manufactured.
- 5.8 **Good Management Practices** are the approaches that farmers can adopt to achieve economically, socially, and environmentally sustainable outcomes. **Support** refers to providing services such as information, tools and advice to enable farmers to adopt these practices over time.
- 5.9 **GHG emissions intensity** is the amount of greenhouse gas emitted per unit of output. There are several measures for GHG emissions intensity based on the scope activity:
- **Manufacturing¹ emissions:** measured in tonnes of carbon dioxide equivalent, per metric tonne of product manufactured (T CO₂ equivalent/MT product)
 - **Full lifecycle emissions:** means kilograms of carbon dioxide equivalents per kilogramme of milk solids (kg CO₂ equivalent/kg MS).
- 5.10 **Leading industry standards** means current industry best practice, acknowledging regional considerations and that these standards may shift over time. In the context of water discharge, this means the systems and practices which are considered leading within the dairy industry globally. Fonterra will work to ensure that within the given context (i.e. discharge to land, discharge to surface water, or other) the best known, proven wastewater treatment system available will be worked towards.
- 5.11 **Manufacturing yield** refers to the variance between quantity and composition of output from the manufacturing process with the input of raw materials.
- 5.12 **Natural habitat restoration** means taking action to re-instate ecosystem functions or protect native species that have been degraded or are threatened.
- 5.13 **Pollution** means the creation, emission or discharge of any type of pollutant or waste resulting in adverse environmental effects.
- 5.14 **Toxic and hazardous substances** are substances that can adversely affect ecosystem or human health in the short or long term, including persistent organic pollutants and chemicals covered under the Rotterdam Convention and hazardous chemicals and pesticides as defined by the World Health Organisation.

¹ Including milk collection and coolstores

6.0 Approved by

Fonterra Board of Directors.

7.0 Content Owner

Director Social Responsibility.

8.0 Policy Governance and Maintenance

- 8.1 **Policy Location:** This policy is published on the Fonterra intranet under the Policy and Procedure Library.
- 8.2 **Review Timetable:** At a minimum, this policy is reviewed annually by management and the content owner. The Board review the policy every two-years.
- 8.3 **Contact Information:** For queries in relation to this policy and any related standards or reference documents contact the Director Social Responsibility.
- 8.4 **Compliance:** Compliance with this policy is a condition of employment. Non-compliance with this policy will result in disciplinary action. The severity of the breach will determine the action taken. This may include termination of employment or cessation of contractual arrangements.