

FONTERRA SUPPLIER SUSTAINABILITY CODE OF PRACTICE

Introduction

Fonterra's Code of Business Conduct "The Way We Work" is designed to ensure that the decisions and actions we take in our business earn us a reputation for honesty and integrity.

Fonterra's operating practices are focused on being both efficient and sustainable. One of our objectives is to source goods and services to agreed levels of sustainability. In recent years, concerns over poor working conditions and environmental issues in developing countries have seen companies implement specific social, environmental and economic criteria for the suppliers from which they source goods and services.

Fonterra's global sustainability program is based on a three-step approach:

1. Suppliers sign the [Code of Practice](#) to declare they comply with Fonterra's Values.
2. Based on the risk and the total spend, a selected number of suppliers are requested to complete a self-assessment questionnaire.
3. Audits may be conducted. The audit may be undertaken as part of the regular Approved Supplier Programme of audits or may be a separate sustainability audit. The main goal of the audit is to build a sustainable relationship with our supplier. These audits may result in the development and implementation of jointly agreed improvement plans.

Our commitment

Fonterra is committed to upholding human rights, fair working conditions and environmental protection.

To meet the expectations of our customers, the community and legal requirements, we endeavour to consistently operate responsibly and expect the same from our suppliers.

We are committed to working with our suppliers to help improve their labour and environmental practices.

Expectations

We expect our suppliers to support the ethical standards set out in this code of practice regarding workplace health and safety, environment, fair pay and conditions, and economic sustainability.

Our suppliers must commit to complying with the following requirements, which are drawn from the International Labour Organisation (ILO) and Ethical Trading Initiative (ETI). These are minimum standards based on the principles of the United Nations Universal declaration of Human Rights.

Fonterra expects suppliers/contractors to express their preparedness and intent, also on behalf of their subsidiaries, to comply with this code and to ask their suppliers to comply as well. Fonterra's sustainability programme is divided into three main areas: Economic, Social and Environmental.

Economic

- *Regulations* - Supplier should operate in full compliance with international, national and local laws and regulations applicable to their business operations, and obtain all necessary permits. Local industry standards should prevail when more stringent than the local legal requirements.

- *Free trade* – Suppliers shall reject any restriction to free trade other than duly enacted national and international laws.
- *Audits* – Suppliers conduct periodic audits covering essential business practices

Social

- *Safety and Health* - Suppliers shall use a proactive approach in establishing and maintaining standards of safety, health, environmental and occupational health management. This includes regular monitoring and verification of progress towards health and safety objectives or targets.
- *Freely chosen employment* - Suppliers shall 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 established rules.
- *Child labour* - Suppliers shall not employ children in violation of conventions 138 and 182 of the International Labour Organization.
- *Discrimination* – Supplier shall not discriminate in any manner on the basis of race, ethnic background, age, religion, gender, sexual orientation or disability.
- *Freedom of association* - Suppliers shall respect the right of employees to be represented by trade unions and other bona fide representatives of employees, and engage in constructive negotiations with such representatives with a view to reaching agreements on employment conditions.
- *Safety, health and environment training* – Supplier's employees shall receive regular and recorded safety and health training, including the handling of hazardous materials and the prevention of environmental accidents, and such training shall be repeated for new or reassigned workers.

Environmental

- *Product stewardship program* – Suppliers shall act in accordance with the principles of product stewardship, identifying, managing and minimizing the risks attached to supplier's products during their entire lifecycles. In this connection, Fonterra and supplier shall share relevant knowledge and expertise.
- *Emergency response* - Suppliers shall do all that is reasonable and practicable to implement an emergency response program that addresses the most likely anticipated emergencies.
- *Environmental standards* -Suppliers shall use a proactive approach in establishing and maintaining standards of environmental management including regular monitoring and verification of progress toward environmental objectives or targets.
- *Waste* - Supplier shall (have) establish(ed) a procedure in accordance with applicable legislation for the safe handling, storing, transportation, utilization and disposal of waste.
- *Pollution prevention and resource reduction* - Supplier shall ensure and demonstrate continuous environmental improvements in various areas, including reduction of emissions, discharges, noise, waste, and reduction in reliance on natural resources and hazardous substances by means of clear targets and improvement policies.
- *Visibility* – Suppliers shall establish and maintain programmes to ensure visibility and control of inputs into their manufacture from other sources.
- *Energy* – Suppliers shall establish energy management programmes to reduce energy usage and/or increase renewable sources where possible.