

# Dairy Tracks



# In conversation with Sandeep Jain

#### **About Dairy Tracks**

Dairy products have long been a natural and nutritious part of diets around the world. At **ofi**, we're proud that our dairy business helps our customers bring these benefits to consumers across the globe. Every day, I see our teams using their imagination and expertise, co-create alongside our dairy customers and deliver the products consumers will love.

I've been involved with **ofi**'s dairy business since its launch and can see that our sector needs to find better ways to improve its contributions to climate change, maintain high animal welfare standards and maximize the positives that dairy products bring to consumers. **Dairy Tracks** is our sustainability strategy for our dairy business and it shows how we'll meet these challenges head on. The targets and milestones mean that our dairy business can become more socially and environmentally sustainable by 2030.

We've got big plans in our own operations to bring down greenhouse gas emissions in line with **ofi**'s Science Based Targets initiatives (SBTi) target, but we also want to use our imagination and expertise to innovate alongside our dairy customers too. Whether that's building high impact sustainability programs that help customers achieve their own sustainability goals or increasing the use of renewable energy in our processing plants, the launch of Dairy Tracks is about taking the sustainability efforts in our value chain to the next level.

"Our 2030 targets show our focus on partnering with others to source and produce dairy ingredients that are naturally good for consumers, farmers and the world around us."

> Sandeep Jain CEO and Managing Director, Dairy

### Why it matters

Consumers care about provenance and want to eat and drink products that are good for the people and planet. Our customers are asking for help in meeting this demand, with high quality dairy ingredients that are traceable and carry a lower carbon footprint.

We're working to find new ways to reduce the greenhouse gases created on-farm through enteric fermentation and manure, and we're taking the time to understand the challenges facing farmers and the local ecosystems that are inextricably linked to their livelihoods. Partnering with suppliers and value chain partners will be key to making positive progress, whilst maintaining the highest food safety and quality standards. The work we're doing as part of Dairy Tracks is designed to help customers realize their sustainability ambitions.

All around the world, consumers appreciate the energy, protein and nutrients they get from dairy – and it's only through working together we can keep providing dairy's benefits whilst overcoming the challenges facing the natural world.

### How we'll make it real

Our 2030 targets show our focus on sourcing and producing ingredients that are naturally good for consumers, farmers and the world around us. We are ready to put in the work and are confident that we have the deep expertise and global capabilities to achieve them.

In our direct supply chain, we want to provide solutions that deliver environmental benefits without creating additional burdens. Our almond by-product feed trial in New Zealand is a great example of just that. However, given that most of our dairy is sourced from a portfolio of manufacturers and suppliers across North America, South America, Europe, Asia, Africa and Oceania, we will also find opportunities to make progress across our footprint. Our global reach, together with our experience of running our processing facilities in New Zealand and Malaysia and the sustainability insights we generate from our powerful digital tools, means **ofi** is ready to partner with customers to make real change. We've set out milestones for 2025 and targets for 2030 because we plan to move fast, and I look forward to keeping you updated on the progress.

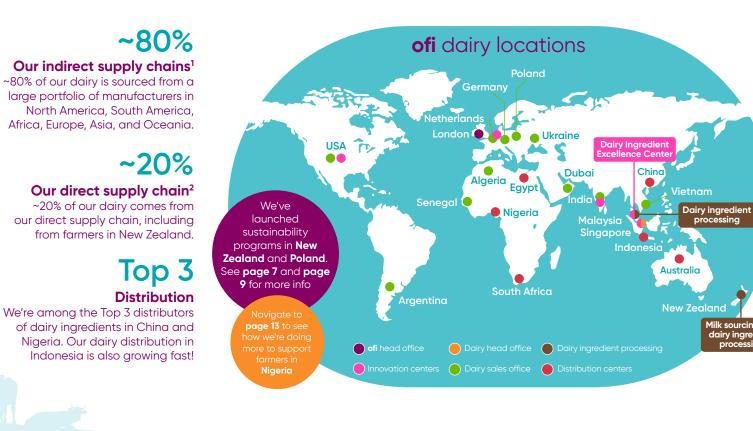
### Ready to make it real? Three ways to engage:

Becoming a supply chain partner of our sustainability programs so we progress hands-on initiatives that enable sustainability and traceability improvements. Working with our experts to create a tailored supply chain, designed to meet bespoke sustainability requirements. 03

Providing technical expertise and resources that will help us implement the next round of sustainability initiatives on the ground. Click here to connect to our team

# **Global Footprint**

We keep dairy moving around the world with expertise across the supply chain and on-the-ground capabilities. Our dairy supply chain and operations span 25 countries on 6 continents, and we estimate there are 300,000 cows in our supply chain producing the milk we need for our ingredients.



#### **Innovation centers**

The dairy Ingredient Excellence Center in Malaysia drives dairy innovation forward by conceptualizina. developing and testing new products. They work with our Customer Solutions Centers to help brands, grocery retailers and foodservice companies. bring on-trend, delicious and nutritious products to consumers.

#### Primary processing

The raw milk we source from our dairy farmer partners is processed in our manufacturing facility in New Zealand.

#### Secondary processing

Our state-of-the-art processing facility in Johor, Malaysia produces fat filled milk powder and dairy ingredients for customers. Find out more on page 13.

Our range of dairy ingredients seeks to satisfy our customers' business needs while helping them to create tasty, nutritious, and convenient dairy products.

Whole milk Fat filled milk powder powder Skimmed milk **Buttermilk** powder powder





Milk sourcing and

dairy ingredient

processing

Casein

Cheese



<sup>1</sup>Indirect Sourcing: Volumes procured from one of our trusted suppliers. <sup>2</sup>Direct Sourcing: Volumes procured directly from farmers, or from farming co-operatives.

# Regenerating the Living World

### Working with farmers and suppliers to regenerate natural capital

- **25%** of dairy volumes<sup>6</sup> are sourced from **ofi** sustainability programs
- **100%** of farmers in our direct supply chain in New Zealand apply the digital solutions that allow traceable improvements in milk quality and carbon footprint

### **Becoming forest-positive**

- All non-dairy ingredients, such as palm oil and wood biomass, are certified deforestation free
- Provide access to 1 million native saplings to farmers and community groups in New Zealand

### Applying regenerative agriculture

 Implement regenerative agri-practices on 50,000 ha in our ofi sustainability programs

### Sustainable Choices<sup>3</sup>

### Offering responsibly sourced products

- All regular suppliers are members of a sustainability framework<sup>4</sup> and/or share their progress reports
- All regular suppliers have signed ofi's Supplier Declaration Form committing to our standards for animal welfare, environment, human rights and ethical business practices

Our 2030 targets

### Prosperous Farmers & Thriving Communities

### Enhancing livelihoods of farming communities

• Support our farming communities in Nigeria through our dairy development program and in New Zealand through our community project fund

### Supporting better nutrition

• We annually manufacture **3.6 billion** servings of fortified dairy products (vitamins A, E, B2 and D).

### **Climate Positive**

### Accelerating decarbonization

- **65%** renewable energy used in our own plants
- Scope 3 emissions reduced in line with ofi SBTi commitment
- Scope 1 & 2 emissions reduced in line with ofi SBTi commitment

### Delivering carbon footprints

- All **ofi** sustainability programs have a verified carbon footprint and options to reduce and neutralize emissions
- 100% of dairy volumes come from suppliers with a quantified carbon footprint<sup>5</sup>

<sup>1</sup>Baselines for our targets will be finalised by the end of 2023. 'Sustainable Dairy Partnership, USDairy or similar framework



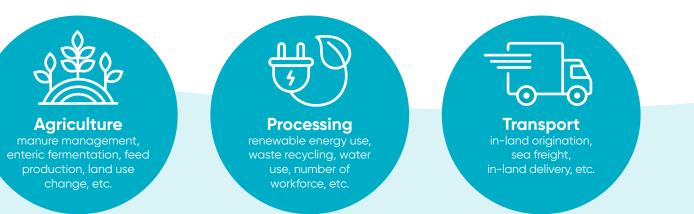
# Making sustainability impact real for customers

Using AtSource, our customers will be able to actively monitor 30+ environmental and social metrics across our supply chain. From animal welfare to greenhouse gas emissions from electricity-use, fertilizer and animal feed, our customers will be able to track their footprint from the farm and right through the supply chain.

### This will allow them to:

- Manage and reduce sustainability risks
- Efficiently improve performance and impact in supply chains through verified and data-based insights
- Report on metrics relevant to sustainability commitments
- Effectively communicate the impact of in-origin sustainability programs and partnerships.

Using AtSource, alongside a range of other environmental, social and economic metrics, we will be able to closely track the sources of carbon in our customers' supply chains:



For our partners, this is essential for living up to sustainability commitments. AtSource helps to identify the biggest sources of greenhouse gas emissions, understand how to lower them and then demonstrate to stakeholders they are building a fairer and more resilient dairy supply chain.



Responsible Supply Chain Award Winner at Reuters Responsible Business Awards 2020

> Find out more on **page 7** about how our farmers in New Zealand use our digital solutions to track progress

# **Sustainable Choices**



Our Vision: We will offer our customers sustainable choices, enabled by clear responsible sourcing policies and due diligence

Consumers want help to make sustainable choices. Responsible sourcing, due diligence and our ability to offer end-to-end traceability are essential to making this real.

We engage directly with farmers in our sustainability programs to give them the tools and ability to achieve higher standards and as a supply chain partner, we work closely with our suppliers to conduct business in an ethical, socially responsible, and environmentally sustainable manner. This includes not harming natural habitats or protected biodiversity, and that contamination and pollution is avoided as much as possible. Through our digital tools, including the Olam Direct App for farmers and AtSource, we can also offer traceability to customers who request it for directly sourced products, providing a fully transparent view of their provenance and sustainability impact, at every step of the value chain. We are:

• Offering responsibly sourced products – Adopting responsible sourcing and due diligence in all our supply chains

### AtSource

AtSource generates the data customers need to understand their supply chain and go on their own journey to net zero – contact our team to request a demo

Traceability

Verification

2025 Our Milestone -0-0-0-0-

2030

Our

Offering responsibly sourced products

50% of our dairy volumes<sup>7</sup> come

share their progress reports.

from suppliers that are members of

a sustainability framework<sup>8</sup> and/or

All regular suppliers are members

of a sustainability framework

### 100%

All regular suppliers have signed **ofi**'s Supplier Declaration Form committing to our standards for animal welfare, environment, human rights and ethical business practices.

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Animal Welfare ۳Ÿ

Human

Riahts



and/or share their progress reports.

50%

100%

06

### Implementing digital traceability in New Zealand

We are using digital technology to drive innovation across our supply chain by collecting and analyzing large volumes of newly available data. In New Zealand, we created a new app for dairy farmers to track a wide array of social and environmental metrics on-farm, from daily milk production and quality to environmental compliance and herd health.

In the future, this data will be available to our customers using our sustainability management tool, AtSource, to give them traceability and transparency around where, when and how their dairy ingredients are produced. This will help our customers to better report and act on the sustainability issues that matter most to them and their consumers, making the value of our supply chain provenance real for customers.

### Scaling impact through partnerships

We know many challenges facing our sector are best solved at an industry level, which is why we have joined a number of collaborative initiatives that drive standards forward. We're a member of the Dairy Sustainability Framework, Dairy Sustainability Alliance® in the United States and user of SAI Platform's Sustainable Dairy Partnership. We are encouraging our suppliers to adopt one of these frameworks to tackle global challenges at the same time driving improvements at the local level. Partnerships like these help us to drive and scale positive change beyond our own supply chain.

#### Doing our due diligence

We engage with our suppliers to understand the supply chain of each product all the way to its origin. This allows us to promote the implementation of thorough due diligence processes and procedures that enable compliance with our standards of animal welfare, environmental management and ethical business practices.

In our direct supply chain in New Zealand, for example, we ask farmers to uphold the standards set out in the **ofi** Agri Supplier Code. In our indirect supply chains, we ask our suppliers to follow similar standards to those found in our Code of Conduct, and to adhere to the requirements set out in our Supplier Principles and Animal Welfare Policy. With their commitment, suppliers work to comply along their supply chains, up to the product origins and including the farmers.

"Collection of farm compliance data has often been considered a bureaucratic exercise by farmers. With AtSource, there is an opportunity to use the information to create transparency in the value chain – customers can know where their dairy comes from, and gain insight on its environmental impact. It will mean they can better report and act on the sustainability issues that matter most to them and their consumers, making the value of our supply chain provenance real for customers."

> Paul Rennie Director Operations ofi New Zealand

Sustainable Dairy Partnership Business to Business

Dairy Sustainability Framework

CENTER FOR U.S. DAIRY.

If you supply to **ofi**,

If you supply to **ofi**, speak to our team today about signing our Supplier Declaration Form

# **Climate Positive**



### Our Vision: We accelerate the decarbonization of our supply chain and provide verified carbon footprints for our ingredients

Climate change and biodiversity loss pose a threat to our planet and to the livelihoods of farmers around the world, and the dairy sector has a role to play to help minimize this. At **ofi**, we are working with our customers, suppliers and partners to cut emissions in line with the SBTi target of limiting global warming to 1.5°C.

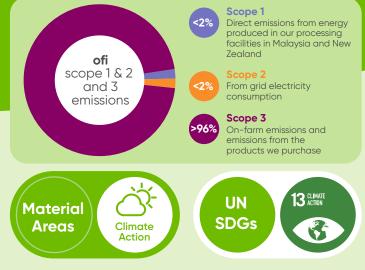
Over 90% of our greenhouse gas emissions are generated at farm level or by the products we purchase (Scope 3), and the rest comes from our processing facilities and transportation (Scope 1 and 2). To tackle these issues, we are investing in carbon efficient renewable equipment and processing facilities, increasing our use of renewable energy, and working with dairy farmers to measure and reduce on-farm emissions through on-the-ground sustainability programs. We are:

- Accelerating decarbonization Driving decarbonization on a path to net-zero, powered by scope 1, 2 and 3 emissions reductions
- Delivering carbon footprints Offering our customers a verified carbon footprint and a pathway to low-carbon dairy

"Through our ofi sustainability programs, we apply the knowledge of leading research partners to hands-on projects with farmers, suppliers, and customers. These help us make improvements to sustainability and traceability, from farm to final product."

> Andreas Zweifel Head of Sustainability, Dairy

	Accelerating decarbonization 50% Renewable energy used on our own plants			Delivering carbon footprints	
2025 Our lestone -0-0-0-				100% All off sustainability programs have a verified carbon footprint and options to reduce emissions	<b>75%</b> Dairy volumes come from suppliers with a carbon footprint
2030 Our arget	<b>65%</b> Renewable energy used on our own plants (Scope 1 & 2)	<b>3</b> Scope 3 emissions reduced in line with <b>ofi</b> SBTi commitment	<b>1 &amp; 2</b> Scope 1 & 2 emissions reduced in line with <b>ofi</b> SBTi commitment	100% All off sustainability programs have a verified carbon footprint and options to reduce and neutralize emissions	<b>100%</b> Dairy volumes come from suppliers with a quantified carbon footprint <sup>9</sup>

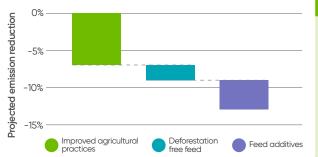


### Sustainability program to reduce on-farm emissions

In Poland, we are working on a customer-led sustainability program to reduce the carbon footprint of the customer's supply chain. Working closely with our suppliers, their farmers, and external advisors, we have built a scalable multi-stage project. We know from baseline analysis that increasing efficiency is key to reducing emission intensity and getting farmer buy-in. This is why we focus on interventions that reduce the carbon footprint through improved agricultural practices. We are also working with feed-additives made from plant extracts that can improve feed efficiency, increase yield and reduce the methane cows produce. Our projections show significant potential to reduce the on-farm carbon intensity by more than 10% by 2025, compared to the baseline 2018.

And we have the ambition to further support farmers to reduce the carbon intensity of their milk. So, we are working on a research project with experts from Wageningen Livestock and Research, as well as local Polish experts, to identify the interventions and approaches farmers can make to bring down emissions, and the support they will need to make them.

#### Low carbon pathway 2018-2025



#### Harnessing renewable energy

To help reduce our Scope 1 and 2 greenhouse gas emissions in line with SBTi targets, we're investing in a 16.9 megawatt biomass boiler to provide energy for our new processing plant in Tokoroa, New Zealand. Instead of burning fossil fuels, like coal or gas, the biomass boiler will use large wood chips to generate steam heat for the factory's drying and chilling facilities. The chips will be sourced from local forests in New Zealand to avoid generating unnecessary carbon emissions by transporting them from further away. We will also plan to repurpose the wood ash created during the process as bio-fertilizer, so it can be used once again.

#### Turning by-product into feed

In New Zealand, our feeding trials aim to turn a by-product from our Australia almond nut orchards into a nutritious feed for dairy cows. Hulls and shells will be processed into a feed that can also be blended with a natural additive to help reduce methane produced by cows. The trial will have a triple impact. By replacing more expensive and carbon-intensive feeds with a sustainable alternative, it will help dairy farmers to cut emissions, lower their input costs, and reduce waste in our almonds business. The trial will also explore more efficient and effective ways to package and transport the feed and assess if the feed can be manufactured and used in New Zealand at scale.

animal feed is a significant input cost on a dairy farm and believe this trial could make a real difference to our farmers' bottom lines."

"We know

Paul Johnson General Manager Milk Supply ofi New Zealand

We're working to offer product carbon footprints to our customers. Learn more on page 5

# **Regenerating the Living World**



## Our Vision: We work with dairy suppliers and farmers to add value and regenerate natural capital

Dairy farming communities are important stewards of the environment, often looking after huge areas of grassland, wetland and forest. As environmental management expectations are increasing, dairy farmers' livelihoods are also coming under increasing pressure. That's why we're stepping up how we partner with dairy farmers and suppliers, providing them with the tools, training and resources to reduce the environmental impacts of dairy farming. We are taking action in our New Zealand supply chain and will share what we learn with other suppliers to help the wider dairy industry make progress. We are:

- Working with farmers and suppliers to regenerate natural capital Creating added value and regenerate natural capital
- Becoming forest-positive Planting native trees and ensuring our non-dairy inputs are certified deforestation free
- Applying regenerative agriculture Promoting regenerative farming practices in our supply chain



#### **Nurturing native trees**

In Tokoroa, New Zealand, we have an ambition to transform part of our 11-hectare milk processing site into a plant nursery to nurture New Zealand native plants. From mānuka to kauri, we'll be growing a diverse mix of saplings in an entirely closed loop system that reuses treated wastewater from the factory.

Our goal is to create local jobs and training opportunities and make young plants from the nursery available to our dairy farmer partners to plant on their farms, helping them to protect and restore biodiversity and sequester carbon. Nearby communities will also have access to the plants, creating long-lasting impact for the local area.

### Sourcing palm oil sustainably

Palm oil is used for the manufacture of fat filled milk powder. Our plan is for all the palm oil used by our state-of-the-art Malaysia dairy facility to be Roundtable on Sustainable Palm Oil (RSPO) certified, to achieve the highest global environmental and social standards and have robust sustainability policies, reporting and grievance monitoring in place. We were proud to receive RSPO certification in December 2021, and have an action plan in place to increase the proportion of RSPO-certified palm oil used across our dairy supply chain from 20% in 2022 to 100% by 2025 at the latest.



100%

of palm oil in our dairy supply chain will be RSPO-certified by 2025

### Up to **100,000**

plants will be grown every year

## Prosperous Farmers & Thriving Communities



Our Vision: We support the livelihoods of our dairy communities in New Zealand and Nigeria and our fortified dairy products bolster the nutrition of consumers

We are committed to creating a supply chain where the people living and working in farming communities can thrive. Our tailored approach in each market addresses local needs, with a range of supportive measures to farmers to improve their economic opportunities, as well as investment in local jobs and infrastructure. Whether that's through our sourcing and processing operations in New Zealand, or by opening up markets to smallholder farmers through our milk collection facilities in Nigeria, we support prosperous farmers and thriving communities.

We also want to see the consumers who enjoy our ingredients thrive, so we're always looking for ways to boost the nutritional benefits they can offer – without compromising on the delicious taste. We are:

- Enhancing livelihoods of farming communities Supporting the livelihoods of dairy farmers' communities in New Zealand and Nigeria with initiatives tailored to their needs
   Supporting bottom patients. Nurturing boothy approximate distant house the provision.
- Supporting better nutrition Nurturing healthy consumer diets through the provision of fortified dairy products to our destination markets across Africa and Asia



### Supporting local milk production in Nigeria

Since 2020, **ofi**'s Nigeria subsidiary, Outspan Nigeria, has supported local nomad dairy herders and communities by investing in bespoke programs. These are developed in partnership with a local partner, Kano Dairy and Livestock Husbandry Cooperative Union, to make sure our programs are tailored to the specific needs of these communities. For example, Outspan constructed five Milk Collection Centers (MCC) close to smallholder dairy farms in Kano State. Before, local women walked many miles to sell their milk in distant markets, but now the MCC does this for them. We have also supplied high quality feed to improve the health of the cows in the local area, and conducted training to help nomad herders improve the wellbeing, productivity and fertility of their cows. In addition, we have set up transportation and cooling systems to preserve the quality of milk produced in the region.

### Fortifying our milk powder in Malaysia

Dairy can play a significant role in a balanced diet. **ofi**'s dairy manufacturing facility in the southern state of Johor, Malaysia, produces dairy products for people all around the world. Here, we fortify our milk with vitamins and minerals like Vitamin A, D and E – an important step because some of the micronutrients in milk can be lost during processing. As a staple ingredient enjoyed across the world, offering value-added dairy products that are full of nutrients helps to address nutritional deficiencies that are common in many of the markets where our products are consumed.

"The coming of Outspan Nigeria into the Kano dairy industry is a reprieve, especially considering what the company has injected into the cooperative union."

> Alhaji Shehu Dalhatu dairy farmer and CEO of Green Leaf Farms based in Kano

#### "Food

fortification addresses nutrient deficiencies and helps to improve overall health outcomes, especially in regions where access to nutritious food is limited and many people suffer from micronutrient deficiencies. We refer to fortification standards and regulatory guidelines in the target market and partner with our customers to develop fortified products. As this approach does not require significant changes in people's dietary habits, it is often highly cost-effective and sustainable."

> Clara Tessler Nutrition and Health Specialist, ofi

# Join us on our journey

Thank you to our customers and partners who are already helping to make Dairy Tracks real.

We're always looking for new partners to collaborate with and create natural, nutritious dairy products while helping protect the natural world.

If you want to learn more about how we can work together, get in touch with our team at dairy.sustainability@ofi.com



### 3 ways

to partner with us on Dairy Tracks Becoming a supply chain partner of our sustainability programs so we progress hands-on projects initiatives that enable sustainability and traceability improvements. Working with our experts to create a tailored supply chain, designed to meet
bespoke sustainability requirements. Providing technical expertise and resources that will help us implement the next round of sustainability initiatives on the ground.



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