



2022/23

Milk Supply Agreement & Supplier Handbook

Saputo
Dairy Australia



GIPPSLAND
REGION

2022/23

Milk Supply Agreement

Published on 21 June 2022

Saputo
Dairy Australia

Saputo Dairy Australia Non-Exclusive Milk Supply Agreement (Gippsland Region)

This non-exclusive Milk Supply Agreement (**MSA**) is between Saputo Dairy Australia Pty Ltd ABN 52 166 135 486 (**Saputo Dairy Australia** or **SDA**) and you.

Key Terms

A. SUPPLY PERIOD									
1. Start of supply period	<ul style="list-style-type: none">This MSA applies to your supply of Milk to SDA for the period 1 July 2022 – 30 June 2023.Your actual supply period starts and this MSA is only activated once the following conditions are met, being:<ul style="list-style-type: none">the statement of circumstances as published on our website (www.saputodairyaustralia.com.au) is satisfied; andwe pick-up Milk from you in the 2022/23 Milk Year.If:<ul style="list-style-type: none">we first pick-up your Milk on 1 July 2022, then the start date of your supply period (and this MSA) is 1 July 2022; orwe pick-up your Milk on any date which is after 1 July 2022, then the start date of your supply period (and this MSA) is that date.The statement of circumstances will be deemed to have been satisfied if we pick up your Milk in the 2022/23 Milk Year. We will otherwise discuss with you if it is not satisfied.To avoid doubt, this MSA is not activated (and there is no agreement between us) until we have picked up your Milk in the 2022/23 Milk Year.You do not need to sign this MSA. This MSA is activated by conduct, and you and SDA are deemed to have agreed the terms of this MSA on the date we first pick-up your Milk.								
2. Supply Period end date	30 June 2023 , unless terminated earlier in accordance with this MSA.								
3. Cooling-off Period	<p>This MSA is subject to a 14 day Cooling-off Period.</p> <p>If your Supply Period commenced on:</p> <ul style="list-style-type: none">1 July 2022, the end date for your Cooling-off Period is: 15 July 2022; orany date after 1 July 2022, the end date for your Cooling-off Period is: 14 days after the date we first picked up your Milk. <p>During the Cooling-off Period, you may terminate this MSA by providing us with written notice by no later than 5pm on the last day of the Cooling-off Period.</p>								
4. Non-exclusive	<p>This MSA is non-exclusive.</p> <p>You may supply any of your Milk to other parties during the Supply Period.</p> <p>If at any time during the Supply Period:</p> <ul style="list-style-type: none">you intend to supply one or more other processors <i>at the same time</i> as SDA, we request that you provide us with at least 14 days' prior written notice of this intent, for safety and operational reasons. We may also need to discuss additional farm safety measures with you; oryou wish to <i>temporarily</i> cease supply to us and supply to another processor (before returning to us at some stage during the Supply Period) or <i>permanently</i> cease to supply us, we request that you act in good faith and provide us with no less than 14 days' notice for operational reasons.								
B. PRICING									
5. Minimum Price	<p>SDA's Minimum Price for August to December during the 2022/23 Milk Year for the supply of Premium quality Milk is:</p> <table><tr><td>Butterfat</td><td>\$5.59 per kilogram</td></tr><tr><td>Protein</td><td>\$11.18 per kilogram</td></tr></table> <p>SDA's Minimum Price for July and January to June for the 2022/23 Milk Year for the supply of Premium quality Milk is:</p> <table><tr><td>Butterfat</td><td>\$6.42 per kilogram</td></tr><tr><td>Protein</td><td>\$12.84 per kilogram</td></tr></table>	Butterfat	\$5.59 per kilogram	Protein	\$11.18 per kilogram	Butterfat	\$6.42 per kilogram	Protein	\$12.84 per kilogram
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Protein	\$11.18 per kilogram								
Butterfat	\$6.42 per kilogram								
Protein	\$12.84 per kilogram								

6. Statement of justification for Minimum Price	<p>SDA's Minimum Price has been determined based on an assessment of the expected dairy market and general business conditions for the 2022/23 Milk Year.</p> <p>Factors which SDA consider in setting the Minimum Price include (in no particular order):</p> <ul style="list-style-type: none"> • anticipated milk intake volumes, considering milk production outlook and competition for Milk in the regions where we operate; • expected domestic and international dairy market conditions, including global commodity prices and exchange rates; • optimising product mix, given expected market conditions and considering SDA's manufacturing capacities and capabilities; • operating and overhead costs; and • providing certainty to our supplier base, which includes a commitment to no step-downs in any circumstances. 																
7. Milk payment options	<p>You can apply to have your milk proceeds paid:</p> <ul style="list-style-type: none"> • on standard payment terms, where milk proceeds are paid on or around the 12th of the following month during the Supply Period; or • if accepted by SDA, on a 15-day payment option, where an interim payment is paid on or around the 25th of each month during the Supply Period, and, your final monthly payment is paid on or around the 12th of the following month during the Supply Period. <p>Refer to Chapter 5 of the Supplier Handbook.</p> <p>Your total, aggregate monthly payment is comprised of the Minimum Price <i>less</i> any deductions <i>plus</i> any other payments and is calculated as follows:</p> <table border="1"> <tr> <td>Minimum Price</td><td>As set out above. This is the Minimum Price that we are obliged to pay under this MSA if you supply Premium quality Milk.</td></tr> <tr> <td colspan="2">Less deductions</td></tr> <tr> <td>Quality</td><td>Your Minimum Price will be discounted if you do not supply Premium quality Milk. Refer to Chapter 5 of the Supplier Handbook.</td></tr> <tr> <td>Other charges</td><td>SDA may charge daily collection charges and minimum collection charges in certain circumstances. Refer to clause 7.1 of the General Terms below.</td></tr> <tr> <td colspan="2">Plus your Minimum Price may be increased by:</td></tr> <tr> <td>Step-ups</td><td>SDA will perform milk price reviews from time to time during the Supply Period. Any resulting increase to our Minimum Price will be announced and paid as a step-up to the Minimum Price. Refer to clause 4.4 of the General Terms below.</td></tr> <tr> <td>Additional Payments</td><td> <p>Your Minimum Price may be increased by:</p> <ul style="list-style-type: none"> • Productivity Payment (refer to Chapter 5 of the Supplier Handbook) • Off-Peak Payment (refer to Chapter 5 of the Supplier Handbook) • Milk quality bonus (refer to Chapter 5 of the Supplier Handbook) <p>Any additional payment may be discounted if you do not supply Premium quality Milk (refer to Chapter 5 of the Supplier Handbook).</p> </td></tr> <tr> <td>Milk Price Commitment</td><td>As part of SDA's commitment to paying its suppliers a market competitive milk price, SDA undertakes that the weighted average price paid to suppliers at the end of the Milk Year will be at least equivalent to the weighted average price of the other two largest milk processors in the Southern Milk Region. Refer to clause 5 of the General Terms below.</td></tr> </table>	Minimum Price	As set out above. This is the Minimum Price that we are obliged to pay under this MSA if you supply Premium quality Milk.	Less deductions		Quality	Your Minimum Price will be discounted if you do not supply Premium quality Milk. Refer to Chapter 5 of the Supplier Handbook.	Other charges	SDA may charge daily collection charges and minimum collection charges in certain circumstances. Refer to clause 7.1 of the General Terms below.	Plus your Minimum Price may be increased by:		Step-ups	SDA will perform milk price reviews from time to time during the Supply Period. Any resulting increase to our Minimum Price will be announced and paid as a step-up to the Minimum Price. Refer to clause 4.4 of the General Terms below.	Additional Payments	<p>Your Minimum Price may be increased by:</p> <ul style="list-style-type: none"> • Productivity Payment (refer to Chapter 5 of the Supplier Handbook) • Off-Peak Payment (refer to Chapter 5 of the Supplier Handbook) • Milk quality bonus (refer to Chapter 5 of the Supplier Handbook) <p>Any additional payment may be discounted if you do not supply Premium quality Milk (refer to Chapter 5 of the Supplier Handbook).</p>	Milk Price Commitment	As part of SDA's commitment to paying its suppliers a market competitive milk price, SDA undertakes that the weighted average price paid to suppliers at the end of the Milk Year will be at least equivalent to the weighted average price of the other two largest milk processors in the Southern Milk Region. Refer to clause 5 of the General Terms below.
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C. OTHER KEY TERMS																	
8. Supplier Handbook	<p>SDA's 2022/23 Supplier Handbook, which is attached as Schedule 2 to this MSA, contains important information relating to your supply of Milk.</p> <p>The terms of the Supplier Handbook are expressly incorporated, and form part of this MSA.</p>																
9. I&I Form	<p>You need to complete the I&I Form attached as Schedule 1 to this MSA if you are a new Supplier, permanently ceased supplying us with Milk in the 2021/22 Milk Year, or would like to make changes to your existing I&I Form. Our Field Services Advisors will be pleased to help you complete the I&I Form. Please reach out to your local Field Services Advisor for assistance.</p> <p>You do not need to complete a new I&I Form if you were supplying us with Milk up until 30 June 2022. Either way, the terms of the I&I Form are expressly incorporated and form part of this MSA.</p>																
10. Application – Gippsland	<p>This MSA applies to the regions of Gippsland, being a Farm located in East Gippsland, Wellington, Latrobe, Baw Baw, South Gippsland or the Bass Coast.</p>																
11. Sharefarming Arrangement	<p>If you have a Sharefarming Arrangement on the Farm, you are deemed to have one contract with SDA and each of the owner and sharefarmer identified in the I&I Form is a party to this MSA. The obligations under this MSA are binding and enforceable against each of the owner and sharefarmer identified in the I&I Form and liability of the owner and sharefarmer is joint and several.</p>																

Saputo Dairy Australia Non-Exclusive Milk Supply Agreement (Gippsland Region) continued

12. Milk Quantity	There is no minimum volume of Milk required to be supplied during the Supply Period under this MSA. However, there is a minimum Milk collection of 400 litres, per collection. Charges may apply if three consecutive collections occur below 400 litres (refer to clause 7.1 of the General Terms below and Chapter 5 of the Supplier Handbook).
13. Milk Quality	Chapter 4 of the Supplier Handbook contains SDA's quality requirements, including sampling procedures and volume accuracy assurances.
14. Complaints and Disputes	SDA takes your complaints seriously. Our internal complaints handling procedure is set out in Chapter 8 of the Supplier Handbook. Any disputes under this MSA will be dealt with in accordance with this procedure.
15. Record Keeping	Each of you and SDA are required to keep a record of this MSA, and any variation or termination, for at least six years after the end of the Supply Period.

D. DOCUMENTS FORMING PART OF THIS MSA

16. Components	This MSA comprises: <ul style="list-style-type: none"> • this Key Terms document, inclusive of the General Terms set out below; • Schedule 1 – the I&I Form; and • Schedule 2 – SDA's 2022/23 Supplier Handbook. If there are any inconsistencies between the above documents, the terms set out in the higher listed document will prevail.
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General Terms

1 Definitions

The words **you** and **your** are references to the **Supplier**, and the words **SDA**, **we**, **us**, and **our** are references to Saputo Dairy Australia Pty Ltd (ABN 52 166 135 486).

In this MSA, unless the context otherwise requires:

Additional Payments	the 'Productivity Payment', 'Off-Peak Payment' and 'Milk Quality Bonus' as set out in Chapter 5 (Milk Payment System) of the Supplier Handbook.
Business Day	a day that is not a Saturday, Sunday or any other day which is a public holiday or a bank holiday in Victoria, Australia.
Farm	the farm(s) identified in the I&I Form.
Gippsland Region	the regions of Gippsland, being a Farm located in East Gippsland, Wellington, Latrobe, Baw Baw, South Gippsland or the Bass Coast.
I&I Form	in relation to a Farm, the Supplier's completed and signed information and instruction form, a blank copy which is attached as Schedule 1.
Law	means all Australian laws, regulations and mandatory codes of practices (as amended from time to time) and including, without limitation, chain of responsibility laws and all laws applicable to milk production, broking, carriage and distribution.
Milk	cow's milk produced at or for a Farm.
Milk Year	the period 1 July 2022 to 30 June 2023.
Relevant Standards	SDA's standards or policies applicable to the supply of Milk, being: <ul style="list-style-type: none"> • Chapter 4 (Milk Quality Standards) of the Supplier Handbook; • Chapter 7 (Milk Collection and On-Farm Requirements) of the Supplier Handbook; • Saputo Animal Welfare Policy (refer to Chapter 8 of the Supplier Handbook); and • Saputo Supplier Code of Conduct (refer to Chapter 8 of the Supplier Handbook).
Sharefarming Arrangement	means a sharefarming arrangement on the Farm, whereby each of the owner and the sharefarmer are identified on the I&I Form and each of the owner and the sharefarmer receives a percentage of the Minimum Price in accordance with the milk proceeds nomination in the I&I Form.
Southern Milk Region	the dairy regions in Victoria, Tasmania, South Australia and certain parts of New South Wales (Southern Riverina).
Supplier	the person or entity described in the I&I Form, and for sharefarmers means each owner and sharefarmer described in the I&I Form.
Supplier Handbook	the Saputo Dairy Australia 2022/23 Supplier Handbook, attached as Schedule 2 to this MSA.
Supply Period	means the date we first pick-up your Milk in the Milk Year and ending on 30 June 2023.

2 Term

- (1) The Supply Period of this MSA is for a maximum of one year.
- (2) In order for this MSA to be activated, you must meet the following conditions:
 - (a) the statement of circumstances as published on our website (www.saputodairyaustralia.com.au) is satisfied; and
 - (b) SDA picks up your Milk in the Milk Year, which starts your Supply Period.

SDA will assess whether the statement of circumstances is satisfied prior to us picking up your Milk. If we refuse to pick-up your Milk due to any element of the statement of circumstances not being satisfied, we will notify you accordingly.

3 Non-exclusive Milk supply

This is a non-exclusive MSA. You are under no obligation to supply us all Milk from your Farm during the Supply Period.

4 Minimum Price and adjustments to the Minimum Price

4.1 Minimum Price

Your Minimum Price is the price specified in the Key Terms *less* any discounts pursuant to clause 4.2, *plus* any increases pursuant to clauses 4.3 or 4.4. The Minimum Price will always be the minimum price payable for Premium quality Milk supplied during the Supply Period.

4.2 Discounts to the Minimum Price

For Milk supplied by you and collected by us in a calendar month, we will pay you the Minimum Price *less*:

- (1) any applicable discounts based on the quality grading of the Milk, as set out in Chapter 4 (Milk Quality Standards) and Chapter 5 (Milk Payment System) of the Supplier Handbook;
- (2) any applicable collection charges (refer to clause 7.1).

4.3 Increases to the Minimum Price – Additional Payments

The Minimum Price we pay to you may be *increased* by the following:

- (1) Your Minimum Price may be increased by one or more Additional Payments if you comply with all terms applicable to that Additional Payment as set out in Chapter 5 (Milk Payment System) of the Supplier Handbook.
- (2) For any Farm which has a Sharefarming Arrangement, each Additional Payment will be calculated on the total Milk supplied to us from your Farm in the Milk Year and paid on the same basis as for other milk payments, unless otherwise advised in writing to us.
- (3) Additional Payments may be discounted if your Milk is not Premium quality.

4.4 Increases to the Minimum Price – Step-ups and back-pay

The Minimum Price we pay to you may also be *increased* by the following:

- (1) SDA may announce a step-up to the Minimum Price from time to time during the Milk Year. If a step-up is announced, provided you are not in breach of this MSA, you will be eligible to be back-paid for Milk supplied to SDA during the period to which the step-up relates.
- (2) Back-pay will be calculated in accordance with the relevant terms announced by SDA and after the application of any applicable discounts based on the quality grading of the Milk (as set out in Chapter 4 (Milk Quality Standards) and Chapter 5 (Milk Payment System) of the Supplier Handbook).
- (3) Step-ups are not guaranteed and you should not rely on any increases to the Minimum Price, however, SDA will never announce a step-down or retrospective price reduction.

5 Milk Price Commitment

- (1) As part of SDA's commitment to paying its suppliers a market competitive milk price, in 2018 SDA undertook that for the next five milk years, the weighted average price paid to suppliers at the end of the Milk Year will be at least equivalent to the weighted average price of the other two largest milk processors in the Southern Milk Region (**Milk Price Commitment**).
- (2) If, at the end of the Milk Year SDA increases its weighted average price to meet the Milk Price Commitment, any supplier who has supplied Milk to SDA during the Milk Year will be eligible to be back-paid an amount equal to the difference between the weighted average price they were paid during the Milk Year for actual Milk supplied and the increased weighted average price. For the avoidance of doubt, if a supplier only supplies Milk for part of the Milk Year, any back-pay is only paid for the actual Milk supplied by you.
- (3) If this MSA is terminated due to your material breach (including pursuant to clause 15.2), you are not entitled to any Milk Price Commitment payment.

6 Milk payments

- (1) Your Milk payments will be paid to you in accordance with the Key Terms. We will pay your payment into the bank account you nominated on your I&I Form.
- (2) We will deduct any mandatory industry surcharges and levies imposed by Law, including the Dairy Australia levy and applicable State regulatory authority levies that we pay on your behalf, from your Milk payments.
- (3) If you have a Sharefarming Arrangement, your Minimum Price will be paid in accordance with the milk proceeds percentage nominated on your I&I Form.

Saputo Dairy Australia Non-Exclusive Milk Supply Agreement (Gippsland Region) continued

7 Collection and Testing

7.1 Daily or skip-a-day collection and charges

- (1) The minimum Milk collection is 400 litres. Where three consecutive collections occur below 400 litres, you will be charged \$50 per subsequent collection under 400 litres.
- (2) We will collect Milk from the Farm on a daily or skip-a-day basis and will provide reasonable prior notice of any change from daily collection or skip-a-day collection.
- (3) The litres of Milk collected will be measured by flowmeter fitted to the milk tanker.
- (4) No collection charge will be incurred for the first collection of Milk on a single day, however second and subsequent collections from the same Farm on the same day will incur a collection charge of \$50 (unless the second or subsequent daily collections were solely due to our operational decisions).

7.2 Your obligations for collection

You must:

- (1) ensure we (and our representatives) have safe and unrestricted access to the Farm to collect the Milk at any time on each collection day;
- (2) ensure that the Farm complies with the Relevant Standards; and
- (3) immediately notify us of any circumstances that may affect our ability to collect (or safely collect) the Milk.

7.3 Circumstances where we can refuse to collect your Milk

- (1) We may refuse to collect Milk from the Farm for a period of time if we determine (acting reasonably) that:
 - (a) you, the Farm or the Milk doesn't comply with the Relevant Standards (including any pick-up requirements);
 - (b) collection from the Farm is not safe; or
 - (c) the volume of Milk available for collection does not meet the minimum collection requirement set out in the Key Terms, clause 7.1(1) of these General Terms and Chapter 5 (Milk Payment System) of the Supplier Handbook.
- (2) The collection of Milk by us does not indicate that the Milk is compliant. SDA is not obliged to inspect or carry out any testing of Milk on pick-up.
- (3) SDA will not be liable to you for any loss suffered in connection with our refusal to collect your Milk based on this clause 7.3.

7.4 Circumstances where we can reject your Milk

- (1) We will reject your Milk if our driver arrives at the Farm and the Milk:
 - (a) fails a sensory test (for example, if the Milk contains visible extraneous matter, discolouration or unacceptable odour); and/or
 - (b) is equal to or above 25°C at time of collection.

- (2) If we reject your Milk, you will be provided with a written milk rejection notice which includes the reason for rejection. Subject to clause 7.4(3), you will not be paid for rejected Milk.
- (3) If you pro-actively notify us in advance of our driver arriving at your Farm that there may be a sensory issue or temperature collection failure, we may provide compensation as a tipped milk claim.
- (4) Refer to Chapter 4 (Milk Quality Standards) of the Supplier Handbook for further information regarding Milk rejection and tipped milk.

8 Inspection

During the Milk Year and for a period of 12 months thereafter, you must permit us, during regular farming hours and with prior reasonable notice to:

- (1) monitor the steps involved in, and relating to, the production and supply of Milk;
- (2) undertake any investigation or tests at your property and the Farm (including taking samples of Milk for quality testing) that we reasonably consider necessary; and
- (3) enter your property and the Farm for the purposes of assessing your compliance under this MSA or for future Milk collection.

9 Quality assurance

- (1) If the Milk does not comply with the Law or Relevant Standards, then without limiting our rights and remedies we may take any, or a combination of, the following actions:
 - (a) we may temporarily suspend collection of your Milk by notice to you; and/or
 - (b) we may request you prepare a corrective action plan which sets out how you will comply with the Law or Relevant Standards and submit the plan for our review and approval. Upon our approval of the corrective action plan, you must implement and carry out the plan in accordance with its terms.
- (2) If you do not become compliant with the Law or Relevant Standards within three months (or as otherwise may be agreed in writing between you and SDA) of:
 - (a) a notice of suspension being given; and/or
 - (b) you fail to carry out the corrective action plan in accordance with its terms and therefore remain non-compliant with the Law or Relevant Standards,

it will be a material breach of this MSA.

- (3) In order to comply with the Relevant Standards and the requirements of some export markets, in limited circumstances we may measure certain quality results over a rolling 12-month period if you were a supplier to us during the previous Milk Year. You acknowledge and agree (including for the purposes of clause 15.2(4)) that we may use results from a previous Milk Year in order to determine whether the Milk is meeting the Relevant Standards as set out in Chapter 4 (Milk Quality Standards) of the Supplier Handbook.

10 Compliance

- (1) Each of SDA and the Supplier must comply with the Law in performing any obligations under this MSA. You must ensure that all Milk complies with the Law and Relevant Standards.
- (2) If there is any conflict between the requirements of the Law and the Relevant Standards, the higher standard must be complied with.
- (3) You must, at your own cost, hold and maintain all necessary licences, approvals, permits required by any government authority or agency (including Dairy Food Safety Victoria).
- (4) You must not abuse, intimidate, harass (verbally or physically), threaten or act in a threatening manner, or engage in any violent or dangerous activity towards any SDA employee, advisor or third party contractor. Any such behaviour will be considered a material breach of this MSA.

11 Risk and title

- (1) You own the Milk supplied to us and acknowledge and agree that you have the right to supply and sell the Milk to us free from any mortgage, charge or other security interests.
- (2) Risk and title in the Milk passes to us when the Milk is loaded into the tanker at the Farm.

12 Insurance

You must maintain, at your own cost, adequate public liability insurance with a reputable insurer for a minimum of \$10 million per occurrence and provide a copy of the certificate of insurance to us on request.

13 GST

- (1) Words or expressions used in this clause 13 which have a particular meaning in the *New Tax System (Goods and Services Tax) Act 1999* as amended have the same meaning unless the context requires otherwise.
- (2) Unless otherwise expressly stated, all prices or other sums to be paid or provided for any supply made under or in connection with this MSA are GST exclusive.
- (3) If GST is imposed on any taxable supply, the GST exclusive consideration is increased by the amount of GST payable in respect of that taxable supply and that amount must be paid at the same time as the GST exclusive consideration is to be paid.
- (4) If the I&I Form in respect of the Farm indicates that the parties elect to use recipient-created tax invoices, then:
 - (a) each party warrants to each other that if required to be registered for GST, it is registered for GST;
 - (b) the Supplier agrees that it will not issue tax invoices in respect of the Milk supplied by it under this MSA;
 - (c) SDA will issue tax invoices in the form of recipient-created tax invoices in respect of the Milk supplied to it under this MSA; and
 - (d) SDA may issue an adjustment note in relation to GST adjustment events, where applicable.

14 Confidentiality

All information relating to the subject matter of the supply arrangement which is not in the public domain is confidential (**Confidential Information**) and must not be disclosed by either party unless required by law or a stock exchange, or if the disclosure is to a party's legal or other professional advisers.

15 Termination

15.1 Termination by Supplier

- (1) Except during the Cooling-off Period (as set out in the Key Terms), you may only unilaterally terminate this MSA by written notice to SDA if we have materially breached any obligation under this MSA, and:
 - (a) you have provided us with written notice setting out details of the material breach and requiring the material breach to be remedied; and
 - (b) SDA has failed to remedy the material breach within 20 Business Days of the date on which the notice of breach was delivered to us.
- (2) If there is a Sharefarming Arrangement, the owner and the sharefarmer must jointly send the written notice referred to in clause 15.1(1).

15.2 Termination by SDA

SDA may only unilaterally terminate this MSA by written notice to you if you breach a material obligation under this MSA. A material breach of this MSA includes (but is not limited to):

- (1) a breach of clause 9(2), clause 10(1), clause 10(3), clause 10(4) or clause 11(1) of the General Terms of this MSA;
- (2) a breach identified under section 6.4 (Animal Health) in Chapter 6 of the Supplier Handbook or a material breach of the Saputo Animal Welfare Policy, which includes (but is not limited to) the failure to implement the actions identified in the "corrective action plan" (refer to section 8.1, Chapter 8 of the Supplier Handbook);
- (3) a breach of section 6.5 (Environmental Management and Sustainability) in Chapter 6 of the Supplier Handbook;
- (4) a Farm having two non-notified inhibitory substance detections in a month or three non-notified inhibitory substance incidents within a rolling 12-month period (refer to Chapter 4 of the Supplier Handbook); or
- (5) a serious safety hazard has been identified at the Farm and it has the potential to cause serious injury and cannot be effectively controlled (including under Chapter 7 of the Supplier Handbook),
and:
 - (6) we have provided you with written notice setting out details of the breach and requiring the breach to be remedied; and
 - (7) you have failed to remedy that breach within 20 Business Days from the date on which the notice of breach was delivered to you.

Saputo Dairy Australia Non-Exclusive Milk Supply Agreement (Gippsland Region) continued

15.3 How to terminate this MSA

Provided the conditions in clause 15.1 or 15.2 are satisfied, you or we (respectively) will give a written termination notice stating the reason for the termination and the day on which the termination takes effect (which may be immediately).

16 Consequences of termination

- (1) At the expiration or termination of this MSA, all amounts owing by one party to the other pursuant to this MSA become immediately due and payable in accordance with this MSA.
- (2) Clauses 8, 12, 14, 17 and 19 of this MSA and any other terms which are intended to have operation following termination, will survive termination of this MSA.
- (3) Termination or expiry of this MSA is without prejudice to any rights or liabilities of the parties accruing as at the date of termination.

17 Notices

- (1) A notice or other communication connected with this MSA has no legal effect unless it is in writing.
- (2) For notices to us, our postal address is Level 15, Freshwater Place, 2 Southbank Boulevard, Southbank, VIC, 3006; and our email address is supplierservices@saputo.com.
- (3) For notices to you, your postal, facsimile and email addresses are as specified in the I&I Form or as otherwise notified to us from time to time.

18 Variations to this MSA

18.1 Variation by Supplier

You cannot unilaterally vary this MSA.

18.2 Variation by SDA

- (1) Subject to 18.2(2), we cannot unilaterally vary this MSA.
- (2) We can only unilaterally vary this MSA to comply with any changes in Law and only to the extent necessary to comply with the change in Law. If a variation needs to be made, we will provide you with written notice of any such change, the reasons for it and the day the variation takes effect.

18.3 Deemed mutual variations

A variation to this MSA will be deemed to be mutually agreed by each of the Supplier and SDA (or, in the case of a Sharefarming Arrangement, the owner, sharefarmer and SDA) in the following circumstances:

- (1) if you request to vary any details in your I&I Form (e.g. an email address or bank account), and SDA accepts your request; or
- (2) if we announce a step-up to the Minimum Price in accordance with clause 4.4.

18.4 Other variations

Other than as permitted by clause 18.2 and 18.3, this MSA may otherwise only be varied by written agreement between you and SDA. However, no variation can be made if such variation would contravene the *Competition and Consumer (Industry Codes – Dairy) Regulations 2019*.

19 Miscellaneous

- (1) This MSA comprises the entire terms and conditions for the supply of Milk to SDA. Any other prior understandings, negotiations, representations, warranties or commitments are of no effect.
- (2) Nothing in this MSA is to be construed as constituting one party as employer, agent or partner of the other party or in joint venture with the other party.
- (3) SDA may set off any amount due to the Supplier, against any amount owing by the Supplier to SDA or any of our related bodies corporate (whether under this MSA or any other agreement).
- (4) Neither party may assign or otherwise deal with this MSA except with the prior written consent of the other party (which must not be unreasonably withheld).
- (5) A party's failure or delay to exercise a power or right does not operate as a waiver of that power or right. A waiver is not effective unless it is in writing.
- (6) If any provision in this MSA is unenforceable, illegal or void, or makes this MSA (or any part of it) with you unenforceable, illegal or void, then that provision is severed and the rest of this MSA remains in force.
- (7) Neither party is liable for any failure or delay in performing an obligation, to the extent that such failure or delay is caused by an event or circumstances beyond the reasonable control of that party. The affected party must promptly notify the other party as soon as possible, use reasonable endeavours to mitigate against the effect of such event or circumstances, and resume performance of its obligations as soon as possible.
- (8) The laws of Victoria govern this MSA. The parties submit to the non-exclusive jurisdiction of the courts of Victoria and of the Commonwealth of Australia.

Schedule 1 – Supplier Information & Instruction Form

This is the Information & Instruction Form (**I&I Form**) that forms part of your Milk Supply Agreement (**MSA**) with Saputo Dairy Australia Pty Ltd (**SDA**). Defined terms used in this I&I Form have the same meaning as given in the MSA, unless otherwise specified.

NOTE: You do not need to complete a new I&I Form if you were supplying us with milk up until 30 June 2022.

Farm Details:

Farm name:		Farm No:	
Farm address:			
		Date of first pickup:	
State:	Post Code:	Dairy Licence No. (Mandatory):	
Simply Safe (or equivalent) status:		Vat capacity (litres):	No. of vats:
Assigned Field Services Advisor name:		Field Services Manager signature:	
Farm gate sign title:			
Milking times	Start	Finish	Farm area (ha):
AM			No. cows milked (peak):
PM			Contact person for IBL:

Additional Payment Details:

Combined Off Peak Payment (OPP): Y <input type="checkbox"/> N <input type="checkbox"/>	If yes, list relevant Farm numbers:
If eligible for OPP and you do not wish to receive OPP monthly, please check this box: <input type="checkbox"/>	
Combined Productivity Payment: Y <input type="checkbox"/> N <input type="checkbox"/>	If yes, list relevant Farm numbers:

Reason for I&I form: (Tick whichever reason is applicable)

Change of legal entity name: <input type="checkbox"/>	Change of sharefarmer: <input type="checkbox"/>
Change of Milk Proceeds Percentage: <input type="checkbox"/>	Change from single owner to sharefarmer arrangement: <input type="checkbox"/>
Change from another processor: <input type="checkbox"/>	Change from sharefarmer to single owner arrangement: <input type="checkbox"/>
Reason for move: _____	New to dairy: <input type="checkbox"/>
Former processor name: _____	

Field Services comments

Part A – Supplier/Owner

Supplier/Owner Details

Legal name (ie company, trustee of a trust, partnership or individual):	Supplier/Owner No:
	ACN/ABN:
Trust/Company information <u>attached</u> ? <input type="checkbox"/>	Have you <u>attached</u> Identification <input type="checkbox"/>
ABN of Trust (if applicable – must be different to above ACN/ABN of Supplier):	
Contact Name(s):	
Postal Address:	
	Post Code:
E-mail Address:	Fax No:
Phone No:	Mobile No:
Additional contacts to receive quality results:	
Milk Proceeds Percentage:	Are you GST Registered: Y <input type="checkbox"/> N <input type="checkbox"/>

Supplier/Owner Payment Options

SDA's standard payment option is for milk proceeds to be paid on or about the 12th of the month. This standard option will apply unless the 15-day payment option is ticked below and subsequently approved by SDA.

☐ Yes, I want to apply for the 15-day payment option (payment occurring on or about the 25th and the 12th of the month)*

* 15-day payment subject to approval by SDA.

Supplier/Owner Banking Instructions

Bank Name:	BSB No.:
Bank Address:	Account No.:
Customer Title:	

Execution

Supplier/Owner

Supplier/Owner Acknowledgement

By signing this I&I Form you acknowledge and agree that the above details are true and correct.

Print Name:	Signed:
Print Name:	Signed:
Date:	

Signed by an authorised representative of Saputo Dairy Australia Pty Ltd

Print Name:	Signed:
Date:	

Part B – Supplier/Sharefarmer (if applicable)

Supplier/Sharefarmer Details

Legal name (ie company, trustee of a trust, partnership or individual):	Supplier/Sharefarmer No:
	ACN/ABN:
Trust/Company information <u>attached</u> ? <input type="checkbox"/>	Have you <u>attached</u> Identification: <input type="checkbox"/>
ABN of Trust (if applicable – must be different to above ACN/ABN of Supplier/Sharefarmer):	
Contact Name(s):	
Postal Address:	
	Post Code:
E-mail Address:	Fax No:
Phone No:	Mobile No:
Additional contacts to receive quality results:	
Milk Proceeds Percentage:	Are you GST Registered: Y <input type="checkbox"/> N <input type="checkbox"/>

Supplier/Sharefarmer Payment Options

SDA's standard payment option is for milk proceeds to be paid on or about the 12th of the month. This standard option will apply unless the 15-day payment option is ticked below and subsequently approved by SDA.

☐ Yes, I want to apply for the 15-day payment option (payment occurring on or about the 25th and the 12th of the month)*

* 15-day payment subject to approval by SDA.

Supplier/Sharefarmer Banking Instructions

Bank Name:	BSB No.:
Bank Address:	Account No.:
Customer Title:	

Execution

Supplier/Sharefarmer

Supplier/Sharefarmer Acknowledgement

By signing this I&I Form you acknowledge and agree that the above details are true and correct.

Print Name:	Signed:
Print Name:	Signed:
Date:	

Signed by an authorised representative of Saputo Dairy Australia Pty Ltd

Print Name:	Signed:
Date:	

Instructions & Acknowledgement

The Supplier/Owner and (if applicable) Supplier/Sharefarmer identified in this I&I Form (each a 'Supplier' for the purposes of the MSA) agree that the details set out in this I&I Form will be used for the purposes of their MSA with SDA, in particular that:

1. they each instruct and authorise SDA to distribute proceeds from their supply of Milk to SDA in accordance with the applicable Milk Proceeds Percentages set out in Part A and Part B (if applicable) of this I&I Form;
2. they each acknowledge and agree the Milk Proceeds Percentages may only be varied by making a written request to SDA signed by each of the following person(s):

-
3. any authorised request under paragraph 2 to vary the Milk Proceeds Percentages will be binding on the Supplier/Owner and all Supplier/Sharefarmer(s) on and from the date SDA accepts your request by written notice to you. SDA will not amend any payment instructions to apply retrospectively.

Authorisation to use Recipient Created Tax Invoices

The parties confirm that they elect to use Recipient Created Tax Invoices (refer to clause 13 of the MSA):

Tick to Confirm ☐

Saputo Dairy Australia Pty Ltd (ABN 52 166 135 486)

Freshwater Place, Level 15, 2 Southbank Boulevard, Southbank, VIC, 3006

T: +61 3 9040 5000 F: +61 3 9040 5100 | GPO Box 4307, Melbourne, VIC, 3001



Schedule

2

SUPPLIER
HANDBOOK

2022/23

About Saputo

Saputo produces, markets and distributes a wide array of dairy products of the utmost quality, including cheese, fluid milk, extended shelf-life milk and cream products, cultured products and dairy ingredients. Saputo is one of the top ten dairy processors in the world, a leading cheese manufacturer and fluid milk and cream processor in Canada, the top dairy processor in Australia and the second largest in Argentina. In the USA, Saputo ranks among the top three cheese producers and is one of the largest producers of extended shelf-life and cultured dairy products. In the United Kingdom, Saputo is the largest manufacturer of branded cheese and a top manufacturer of dairy spreads.

Saputo products are sold in several countries under market-leading brands, as well as private label brands.

Saputo Inc. is a publicly traded company and its shares are listed on the Toronto Stock Exchange under the symbol 'SAP'.

Follow Saputo's activities at saputo.com or via @SaputoInc on [Facebook](#), [LinkedIn](#) and [Twitter](#).



Core values

Throughout our evolution, we have maintained our culture by staying focused on the values that define us.

Family spirit, loyalty and passion are the cornerstones of our approach, and teamwork, continuous improvement and quality are at the heart of our every initiative.


Our core values are:



Efficiency
through
simplicity



A family-
oriented
environment



Ownership
and
commitment



A hands-on
approach



Passion

The Saputo Promise

As a global leader in dairy processing, we have a responsibility to demonstrate good corporate citizenship in everything we do.

The Saputo Promise consists of 7 Pillars that form our approach to social, environmental and economic performance.

Based on our values and our stakeholders' concerns, our Pillars allow us to focus our efforts where it matters.



Food Quality
and Safety



Our People



Business
Ethics



Responsible
Sourcing



Environment



Nutrition and
Healthy Living



Community

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1

Chapter

SAPUTO DAIRY AUSTRALIA



1.1 About Saputo Dairy Australia

Saputo Dairy Australia Pty Ltd (Saputo Dairy Australia or SDA) produces, markets and distributes a wide range of high-quality dairy products for the domestic and international markets including cheese, fluid milk, extended shelf-life milk and cream products, cultured products and dairy ingredients. We are the largest dairy processor in Australia. Our products are sold in several countries under well known brand names such as *Caboolture*, *CHEER*, *Cracker Barrel**, *Devondale*, *Great Ocean Road*, *King Island Dairy*, *Liddells*, *Mersey Valley*, *MG Ingredients*, *Mil Lel*, *South Cape*, *Sungold* and *Tasmanian Heritage*. We are part of Saputo Inc., one of the top ten dairy processors in the world. Visit us online: www.saputodairyaustralia.com.au

Caboolture



**Great
OCEAN
ROAD™**
Dairy made here...



* Cracker Barrel is a registered trademark of Lactalis Heritage Dairy used under licence.

1.2 Dairy Regions and Processing Plants



SAPUTO DAIRY AUSTRALIA

Milk collection areas

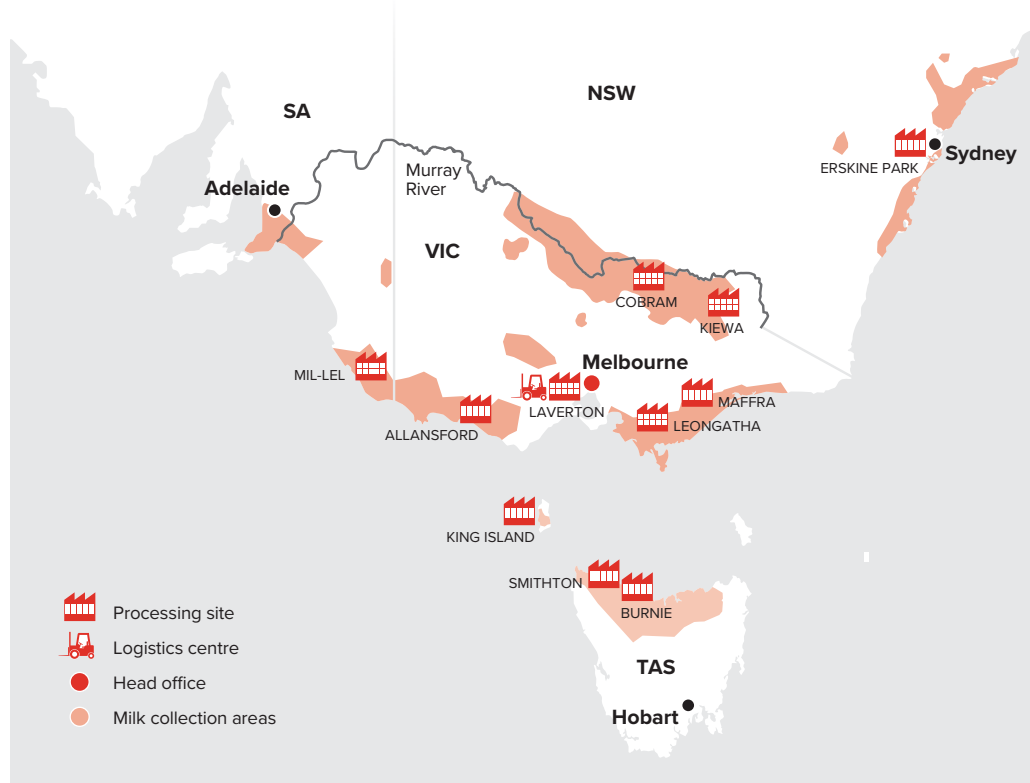
Victoria
New South Wales
South Australia
Tasmania

Processing sites

Allansford	Laverton
Burnie	Leongatha
Cobram	Maffra
Erskine Park	Mil-Lel
Kiewa	Smithton
King Island	

Logistics centre

Laverton





Chapter

2

SUPPLIER SERVICES AND SUPPORT



2.1 Field Services

With a broad range of dairy skills and extensive experience, the SDA Field Services team is your key contact point in our business. We're here to support you with:

- the SDA milk payment system;
- your monthly and annual milk supply profile;
- the impact your milk supply profile has on your forecast milk income;
- SDA finance options, including seasonal operating loans, dairy investment rebates and milk cooling rebates;
- managing the SDA milk quality system and quality assurance audits; and
- milk quality support and quality issue investigations.

2.2 Agribusiness Specialists

Our Agribusiness Specialists are experienced in working one-to-one with suppliers and liaise closely with the Field Services team to provide an intensive service for suppliers seeking assistance with:

- milk income estimates and farm budgeting;
- finance options and applications; and
- dairy investment support.

2.3 Milkroom

Milkroom provides you with access to critical information and tools required to support the productivity and profitability of your farm business, including:

- latest milk production and quality data;
- historical production data;
- income estimate tools;
- access to farm statements; and
- supplier news and updates.

With simple navigation and the ability to view on mobile devices, you can easily locate real-time information when you need it. We encourage all suppliers to sign up to Milkroom.

You can access the secure Milkroom portal at <https://milkroom.com.au>



2.4 Supplier Finance

Milk payment options

Suppliers can apply to have their milk proceeds paid:

- on standard monthly payment terms, where milk proceeds are paid on or about the 12th of the following month; or
- on a 15-day payment option, where milk proceeds are paid on or about the 25th of the relevant month and on or about the 12th of the following month.

Suppliers may make one change to your method of payment during the milk year. Applications for the 15-day payment option must be lodged with your Field Services Advisor prior to the start of the relevant month, and the participation of a supplier in the 15-day payment option is at our discretion.

Supplier advances

To support business cash flow, suppliers are eligible to receive two interest-free cash advances of milk proceeds in the milk year.

Cash advances are subject to approval and are based on a supplier's forecast milk income for the next month.

Interest-free finance

Our interest-free Seasonal Operation Loan is available to approved suppliers for the purchase of feed (fodder, grain and pellets), fertiliser, pasture and crop seed, and temporary irrigation water.

Interest-bearing finance

Our Supplier Finance Loan is available to approved suppliers for farm working capital related purchases and is an interest bearing loan.

For more information about supplier finance, contact your local Field Services Advisor or Agribusiness Specialist. All finance options are subject to terms and conditions.

2.5 Supplier Investment Support

Milk Cooling Rebate

Our Milk Cooling Rebate assists approved suppliers to:

- develop and maintain a cooling and storage system that complies with SDA temperature and milk quality guidelines (as set out in Chapter 4 (Milk Quality Standards) of this Handbook); and
- install or upgrade dairy cooling systems in order to cool milk to five degrees Celsius or less.

Dairy Investment Rebate

Whether purchasing a dairy farm, undertaking a major on-farm development, growing the dairy herd or working through succession of the family farm, our Dairy Investment Rebate can help provide you with increased confidence in your dairy investment decision.

Suppliers investing more than \$50,000 in on-farm business opportunities can apply for the Dairy Investment Rebate.

For more information about the type of investment that may help you qualify for our Dairy Investment Rebate, or for a copy of the applicable terms and conditions, please contact your local Field Services Advisor or Agribusiness Specialist.

2.6 SDA Feeds



The SDA Feeds team provides products and services to support competitive purchasing of grain, meals and hay for the dairy sector.

Products

We have access to a wide range of feed products including wheat, barley, canola meal, soy meal, maize, dried distillers' grains (DDG), hay, straw, almond hulls and a variety of other manufactured options from selected mills.

Expertise and risk management

Our team provides an end-to-end service that includes purchasing, logistics and delivery, paying growers and carriers, and collecting vendor declarations.

As an SDA supplier, our team can provide cost effective feed at a known transaction cost.

In addition, SDA Feeds has a number of tools to manage feed prices and options, and all suppliers are encouraged to have an obligation-free discussion about a feed purchase strategy for your business.

Contact

For any questions about our products or to discuss your feed strategy options, please contact SDA Feeds on 1800 643 333.





Chapter

3

AG WAREHOUSE



3.1 AG Warehouse Service Offering

AG Warehouse provides our suppliers and other rural customers with an extensive product range, with everyday competitive pricing on all your farm input requirements.

Our knowledgeable and experienced teams are focused on adding value to our customers to assist them in managing their operations.

Products

- Agricultural chemicals
- Animal health
- Dairy chemicals
- Farm equipment
- Feed
- Feeding equipment
- Fencing
- Fertiliser
- Fodder conservation
- Fuel
- Groceries
- Hardware
- Irrigation
- Lubricants
- Pet supplies
- Produce
- Seed
- Work wear

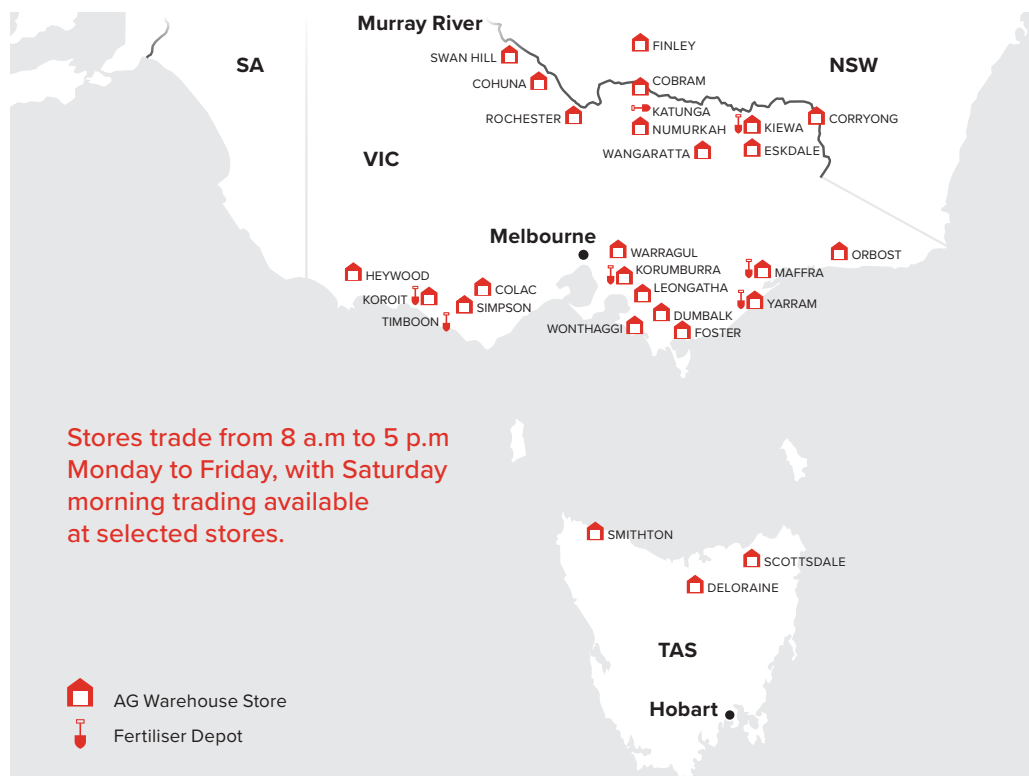
Services

- Agronomic advice
- Fertiliser spreading
- On-farm bulk fuel
- On-farm product delivery

For more information, please visit the AG Warehouse website: www.AGWarehouse.com.au

3.2 AG Warehouse Locations

AG Warehouse has 26 stores and seven fertiliser depots servicing most of the south-east Australian dairy region.



3.2 AG Warehouse Locations continued

3



AG WAREHOUSE

Contacts

Location	Address	Phone/Fax	Email
AG WAREHOUSE HEAD OFFICE			
MELBOURNE	Level 15, Freshwater Place, 2 Southbank Blvd, Southbank VIC 3006	P: 03 9040 5000	AGWarehouse.info@saputo.com
AG WAREHOUSE STORES			
COBRAM	93 Broadway St Cobram VIC 3644	P: 03 5872 2955 F: 03 5872 2731	AGWarehouse.cobram@saputo.com
COHUNA	40 Western Rd Cohuna VIC 3568	P: 03 5456 2802 F: 03 5456 2998	AGWarehouse.cohuna@saputo.com
COLAC	526 Princes Hwy Colac VIC 3250	P: 03 5231 2455 F: 03 5231 3721	AGWarehouse.colac@saputo.com
CORRYONG	989 Murray Valley Hwy Corryong VIC 3707	P: 02 6076 1288 F: 02 6076 1556	AGWarehouse.corryong@saputo.com
DELORAINÉ	2 Racecourse Rd Deloraine TAS 7304	P: 03 6362 3099	AGWarehouse.deloraine@saputo.com
DUMBALK	Farmers Rd Dumbalk VIC 3956	P: 03 5664 4202 F: 03 5664 4351	AGWarehouse.dumbalk@saputo.com
ESKDALE	3764 Omeo Hwy Eskdale VIC 3701	P: 02 6072 0303 F: 02 6072 0028	AGWarehouse.eskdale@saputo.com
FINLEY	29 Tongs St Finley NSW 2713	P: 03 5883 1692 F: 03 5883 3055	AGWarehouse.finley@saputo.com
FOSTER	12 Lower Franklin Rd Foster VIC 3960	P: 03 5682 2011 F: 03 5682 1011	AGWarehouse.foster@saputo.com
HEYWOOD	1777 Princes Hwy Heywood VIC 3304	P: 03 5527 1606 F: 03 5527 1077	AGWarehouse.heywood@saputo.com
KIEWA	19 Kiewa East Rd Kiewa VIC 3691	P: 02 6027 3233 F: 02 6027 3176	AGWarehouse.kiewa@saputo.com
KOROIT	96–98 Commercial Rd Koroit VIC 3282	P: 03 5565 8643 F: 03 5565 8972	AGWarehouse.koroit@saputo.com
KORUMBURRA	1 Stag St Korumburra VIC 3950	P: 03 5655 1166 F: 03 5655 2900	AGWarehouse.korumburra@saputo.com
LEONGATHA	1 Cusack Rd Leongatha VIC 3953	P: 03 5662 2308 F: 03 5662 4309	AGWarehouse.leongatha@saputo.com
MAFFRA	Foster St Maffra VIC 3860	P: 03 5147 1994 F: 03 5147 1878	AGWarehouse.maffra@saputo.com
NUMURKAH	3325 Goulburn Valley Hwy Numurkah VIC 3636	P: 03 5862 1166 F: 03 5862 2186	AGWarehouse.numurkah@saputo.com
ORBOST	10 B Rd Orbost VIC 3888	P: 03 5154 1589 F: 03 5154 1433	AGWarehouse.orbost@saputo.com

3.2 AG Warehouse Locations continued



Contacts

Location	Address	Phone/Fax	Email
AG WAREHOUSE STORES CONTINUED			
ROCHESTER	Cnr Fraser & Moore St Rochester VIC 3561	P: 03 5484 1005 F: 03 5484 2469	AGWarehouse.rochester@saputo.com
SCOTTSDALE	86 George St Scottsdale TAS 7260	P: 03 6352 5398	AGWarehouse.scottsdale@saputo.com
SIMPSON	2140 Lavers Hill Rd Simpson VIC 3266	P: 03 5594 3307 F: 03 5594 3471	AGWarehouse.simpson@saputo.com
SMITHTON	101 Nelson St Smithton TAS 7330	P: 03 6456 2880	AGWarehouse.smithton@saputo.com
SWAN HILL	113–117 Karinie St Swan Hill VIC 3585	P: 03 5032 1017 F: 03 5033 1729	AGWarehouse.swanhill@saputo.com
WANGARATTA	6–10 Parfitt Rd Wangaratta VIC 3677	P: 03 5721 9366 F: 03 5721 7536	AGWarehouse.wangaratta@saputo.com
WARRAGUL	Shop 3, 183 Queen St Warragul VIC 3820	P: 03 5622 0999 F: 03 5622 0466	AGWarehouse.warragul@saputo.com
WONTHAGGI	19B Inverloch Wonthaggi Rd Wonthaggi VIC 3995	P: 03 5672 1677 F: 03 5672 4044	AGWarehouse.wonthaggi@saputo.com
YARRAM	39 Commercial Rd Yarram VIC 3971	P: 03 5182 5647 F: 03 5182 6290	AGWarehouse.yarram@saputo.com
FERTILISER DEPOTS			
KOROIT FERTILISER DEPOT		P: 03 5565 8611 F: 03 5565 8699	koroit.fertiliser@saputo.com
MAFFRA FERTILISER DEPOT		P: 03 5147 2287 F: 03 5147 1783	maffra.fertiliser@saputo.com
NORTH CENTRAL FERTILISER DEPOT		P: 03 5864 6060 F: 03 5864 6217	northcentral.fertiliser@saputo.com
NORTH EAST FERTILISER DEPOT		P: 02 6027 3027 F: 02 6027 3028	northeast.fertiliser@saputo.com
SOUTH GIPPSLAND FERTILISER DEPOT		P: 03 5655 1166 F: 03 5655 2900	korumburra.fertiliser@saputo.com
TIMBOON FERTILISER DEPOT		P: 03 5598 3725 F: 03 5598 3894	timboon.fertiliser@saputo.com
YARRAM FERTILISER DEPOT		P: 03 5182 5647 F: 03 5182 6290	AGWarehouse.yarram@saputo.com



Chapter

4

MILK QUALITY STANDARDS



4.1 Milk Quality Compliance

All suppliers must comply with SDA's milk quality standards. Our Field Services Advisors, in conjunction with the Regional Milk Quality team, offer assistance to help you maintain compliance with our milk quality standards.

4.2 Milk Quality Standards

SDA assesses and grades milk quality as Premium, 2nd Grade, 3rd Grade and 4th Grade in accordance with Table 1.

Your milk payments will depend on the quality of your milk (refer to Section 4.3).

Table 1: SDA's milk quality standards for raw milk

Quality Parameters	Test Frequency	Premium	2nd Grade	3rd Grade	4th Grade	Basis of milk quality discount
Bactoscan	At least twice per month	≤80,000	80,001–200,000	200,001–300,000	>300,000	Per consignment
BMCC (monthly weighted average)	Per consignment	≤250,000	250,001–400,000	400,001–600,000	>600,000	Monthly (weighted average)
Thermoturic	At least twice per month	≤2,000	2,001–5,000	5,001–10,000	>10,000	Per consignment
Inhibitory Substances	At least twice per month	Undetected	1st Detection	2nd Detection	3rd Detection	Monthly
Colostrum	SDA discretion	0.3% or less	–	–	Greater than 0.3%	Per consignment
Sediment	SDA discretion	Disc 1	–	–	Discs 2, 3 & 4	Per consignment
Freezing Point	SDA discretion	–0.517°C or lower	–	–	–0.516°C or higher	Per consignment

4.3 Cumulative Milk Quality Discounts

As set out in Chapter 5 (Milk Payment System) of this Handbook, our milk pricing is based on the supply of premium quality milk. Where milk is not premium quality, discounts apply as set out in Table 8, Section 5.3 of this Handbook. The discounts will be cumulative and capped at 50 percent per consignment.



4.4 Sample Testing Overview

Milk samples are collected from each milk consignment using precision sampling equipment located on the milk tanker. Our sampling process involves the use of a calibrated flow meter and drip sampler fitted to each tanker, which takes representative samples (less than 55ml per sample) from each milk collection. Each sample is then sent to a laboratory for testing.

To ensure traceability to farm, each sample is identified with the individual farm's supplier number. Suppliers are provided with written notice of test results, as soon as reasonably practicable, after the milk tests are completed (refer to Section 4.15).

From the samples collected, the following tests are conducted:

(a) Microbiological tests

Bactoscan and Thermoduric tests are conducted randomly at least twice per month (Section 4.9).

(b) Bulk Milk Cell Count (BMCC)

BMCC is tested on each consignment of milk (Section 4.10).

(c) Inhibitory Substances

Individual supplier samples are randomly tested at least twice a month for the presence of inhibitory substances. SDA may increase testing frequency as necessary (Section 4.6).

All milk tankers are tested for inhibitory substances before milk is unloaded into the factory.

If a milk tanker tests positive for inhibitory substances, then the representative sample taken from each farm collection contributing to the load will be tested in order to determine the offending farm(s). This procedure is known as 'trace-back' for inhibitory substances.

(d) Temperature

The temperature of each vat load of milk is checked by the tanker driver using the calibrated thermometer integrated within the milk tanker's flow meter against established milk temperature standards (Section 4.7).

(e) Colostrum/Sediment/Freezing Point

Colostrum, Sediment and Freezing Point tests may be conducted throughout the season at SDA's discretion (Section 4.13 and Section 4.14).

(f) Sensory test

A sensory test is conducted by the tanker driver on each vat load of milk before pumping commences. Any vat which fails the sensory test (for example, contains visible extraneous matter, discolouration or unacceptable odour) will be rejected by the tanker driver. SDA may conduct further tests on the milk.



4.5 Milk Rejection

We may reject your milk if the milk:

- (a) fails a sensory test under Section 4.4 (for example, if the milk contains visible extraneous matter, discolouration or unacceptable odour); and/or
- (b) fails a temperature test under Section 4.7.

If a supplier's milk is rejected at the point of collection, SDA will leave a milk rejection sticker attached to the vat outlet to ensure the supplier is notified and provide the supplier with a milk rejection notice. Milk rejection notices will specify farm details, date of rejection, reason for rejection and comments from tanker operator (if any). From this time, collection from the farm will be suspended until the supplier notifies our Inbound Logistics (IBL) Centre that the milk has been rejected and the vat has been washed ready for the next collection. Suppliers should also notify their Field Services Advisor and must ensure rejected milk is disposed of in a manner that does not pose an environmental risk and complies with relevant regulations.

If a supplier's milk is rejected after collection, we will notify the supplier. From this point, collection from the farm will be suspended until the supplier's milk is confirmed as being suitable for collection. An inhibitory substance test or any other necessary test will be performed to determine whether milk is suitable. We will, as soon as reasonably practicable, provide the supplier with a milk rejection notice.

Unless you notify us in advance and comply with our tipped milk requirements in Section 4.8, you are not entitled to any payment for rejected milk.

4.6 Inhibitory Substances

The presence of inhibitory substances in milk and its products can cause severe risks to human health and affect the manufacturing properties of that milk.

Inhibitory substances (antibiotics, QACs and NPEs, etc.)

Prohibited inhibitory substances include, but are not limited to, antibiotics and chemical residues (including dairy detergents) such as Quaternary Ammonium Compounds (QACs) and Nonylphenol Ethoxylates (NPEs).

Inhibitory substances sampling

All milk tankers, including those operated by third parties, are tested for inhibitory substances prior to unloading.

Suppliers are encouraged to notify SDA of any inhibitory substance issues as they arise (refer to Section 4.8). Where an inhibitory substance is detected and subsequently confirmed but we were not notified in advance of collection:

- we will determine which farm(s) supplied the milk, and the relevant supplier(s) must deliver a vat sample prior to their next collection to a designated site for testing. Collection will only recommence once a negative test result is obtained; and
- milk quality discounts will apply (refer to Table 1, Section 4.2 and Table 8, Section 5.3 of this Handbook).

Suppliers with non-notified inhibitory substance detections, or identified high-risk practices, may have their audit and/or random inhibitory substance test frequency increased.

Where any farm has two non-notified inhibitory substance detections in a month or three non-notified inhibitory substance incidents within a rolling 12-month period, this will be considered a material breach of your Milk Supply Agreement.



4.6 Inhibitory Substances *continued*

Suspected inclusion of inhibitory substances

If a supplier suspects that milk may have been contaminated with antibiotics or other chemicals, they must immediately inform our Inbound Logistics (IBL) Centre and their Field Services Advisor. The supplier must then arrange to deliver a vat sample to a designated site for testing and risk assessment.

Tanker collection will be delayed until our Milk Quality team determines the suitability of the milk for collection. If milk is not suitable for collection, the milk is to be disposed of on-farm. The milk will be paid for under our tipped milk policy in Section 4.8.

Iodine

The level of iodine in milk will be monitored. Suppliers whose milk is found to have an iodine level of >60ug/100g will be contacted by SDA and the relevant milk consignment(s) may be subject to milk quality discounts based on the quality grading of that milk (refer to Table 1, Section 4.2).

The use of unregistered pre-milking teat disinfectants is strictly prohibited.

On-farm testing for antibiotic residues

Suppliers are encouraged to purchase your own antibiotic residue kits, which are available through rural retail outlets and some veterinary clinics. Antibiotic residue test kits offer the convenience of residue testing on-farm and discourage risk-taking where residue contamination is suspected. The results of any on-farm residue testing must be interpreted as a guide only. Wherever there is any uncertainty of the residue status of milk, a vat sample must be submitted to an SDA or approved remote testing site for confirmation.

4.7 Temperature

Milk cooling is a critical component in maintaining milk quality standards. To comply with food safety regulation, dairy farm licence and export market requirements, milk must be cooled to 5°C or less within 3.5 hours of the commencement of milking.

Suppliers must make every effort to ensure effective pre-cooling of milk through the plate cooler. Pre-coolers that deliver milk to the vat above 25°C place that supplier at risk of milk rejection.

Milk collection temperature

Milk will be rejected if it is equal to or above 25°C at time of collection, unless the collection is a Vat Out event (refer to Section 4.12). Where milk is rejected, we will attach a milk rejection sticker to the vat outlet and, as soon as reasonably practicable, provide the supplier with a written rejection notice (refer to Section 4.5).

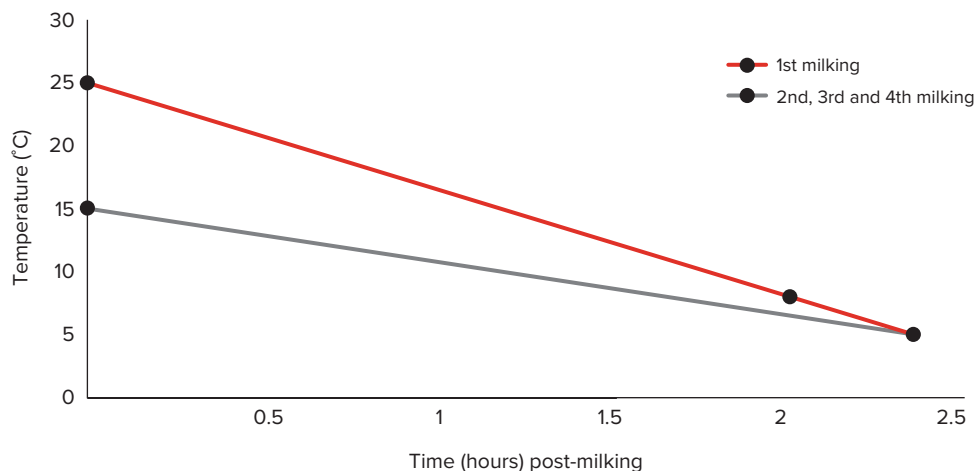
To maximise transport efficiencies, milk may be collected soon after milking even though milk may not be cooled to the expected temperature. Should your milk collection occur within 2 hours and 20 minutes from the completion of milking, milk may be pumped into the milk tanker at temperatures above 5°C (subject to us conducting sensory grading and applying the temperature assessment in Graph 1 overleaf).

In applying the temperature assessment in Graph 1 (overleaf), tanker drivers will use the milking completion time displayed in your milk room as the basis for the calculation. Failure to clearly display accurate milking times may result in your milk being rejected due to temperature non-conformance.

4.7 Temperature continued



Graph 1: Milk Cooling Envelope



4.8 Tipped Milk

SDA encourages suppliers to proactively notify us of any potential non-compliance with our milk quality standards, whether an inhibitory substance contamination or temperature collection failure or otherwise.

To encourage this behaviour, we will provide compensation to suppliers who are required to tip milk as a result of a confirmed quality failure (a 'tipped milk claim').

The following payments are only applicable for incidents where a supplier notifies our Inbound Logistics (IBL) Centre of the tipped milk claim **prior** to the milk tanker arriving on farm.

Table 2: Tipped milk incidents

Incident number (Rolling 12-month period)	Consignment payment grading
First incident	Premium
Second, third and fourth incidents	4th Grade
Fifth and subsequent incidents	No payment



4.9 Bactoscan and Thermoduric Testing

Milk is tested at least twice a month for microbiological quality using Bactoscan and Thermoduric tests. These tests indicate plant/vat hygiene, milk cooling/storage efficiency and milking cleanliness.

Bactoscan test

This is a rapid test that counts all bacteria by staining bacterial DNA. The result is a count of bacterial cells contained in the raw milk sample.

Thermoduric test

This test identifies bacteria that can survive a heating process. These bacteria can cause product spoilage and may affect food safety. This test takes a minimum of 72 hours to complete.

Sampling

If a random sample result for either test identifies milk as being 2nd Grade, 3rd Grade or 4th Grade quality (refer to Table 1, Section 4.2) for Bactoscan or Thermoduric, SDA will continue to test each subsequent milk consignment (first retest taken from the first available sample date after the random result is reported) until three consecutive Premium Grade results are achieved for the relevant test.

The first three results outside Premium in a given testing cycle attracts no discount. For the fourth (and any further) consignment that is 2nd Grade, 3rd Grade or 4th Grade quality for Bactoscan or Thermoduric (as applicable), a discount to those consignments will apply (refer to Section 5.3 of this Handbook).

Table 3: Sample testing cycle

Test number in a testing cycle	Consignment payment grading
First (random)	Premium
Second & third	Premium
Fourth and subsequent tests	Actual quality grade (refer to Table 1, Section 4.2)

We may perform additional advisory tests. The results of any such advisory tests will not affect the official result used to determine the milk quality grading.

If a supplier supplies more than 60 calendar days of 3rd Grade or 4th Grade Bactoscan or Thermoduric (considered separately) milk across a rolling 12-month period, we may upon written notice suspend milk collection until the supplier demonstrates their milk has returned to Premium Grade for all quality parameters. If milk is being collected on skip-a-day basis, then each collection equals two calendar days' supply of milk.



4.10 BMCC (monthly weighted average)

Bulk Milk Cell Count (BMCC) testing measures the number of white blood cells (somatic cells) in milk and is a measure of mastitis in the herd. High cell count levels can cause problems with manufacturing processes, product taste and shelf life across our product range.

Each farm's milk consignment is tested for BMCC with results reported to the supplier.

Calculation of the BMCC (monthly weighted average)

The BMCC (monthly weighted average) is calculated per calendar month in two steps:

1. The consignment cell count is determined by multiplying daily consignment litres by the total BMCC for that daily consignment. For example:

Calendar Day 1 consignment of 2,000 litres x 240,000 BMCC = 480,000,000;

Calendar Day 2 consignment of 2,100 litres x 300,000 BMCC = 630,000,000; etc.

2. The total of the consignment cell counts for the calendar month is then divided by the total litres supplied in that month by the supplier. For example:

Total cell count of 15,900,000,000 in the month ÷ 64,150 litres in the month = BMCC (monthly weighted average) of 247,857 (Premium quality grade).

If a supplier supplies milk with a BMCC (monthly weighted average) over 400,000 for two consecutive months, we may request preparation of a corrective action plan. A supplier who supplies milk with a BMCC (monthly weighted average) over 400,000 for 6 months in a rolling 12-month period may have their milk supply suspended upon written notice.

4.11 Rolling Geometric Mean

Milk collected by SDA must comply with:

- Bactoscan (rolling geometric mean), which is calculated over a two-month rolling period; and
- BMCC (rolling geometric mean), which is calculated over a three-month rolling period,

as set out in Table 4.

Table 4: Rolling Geometric Mean

Bactoscan (rolling geometric mean)	Must be ≤464,000
BMCC (rolling geometric mean)	Must be ≤400,000

If milk collected does not comply with Table 4, we may suspend collection upon written notice until compliance can be demonstrated.

It is important to note the rolling geometric mean is calculated over a rolling two-month or three-month period (for Bactoscan and BMCC respectively). If you are suspended for not complying with these requirements, then we cannot recommence milk collection until your rolling geometric mean is equal to or falls below 464,000 (Bactoscan) or 400,000 (BMCC).



4.12 Vat Breakdown or Power Failure

Where milk cooling is interrupted (for example, due to vat breakdown or power failure), the supplier must contact our Inbound Logistics (IBL) Centre and their Field Services Advisor immediately. We may consider this a Vat Out event.

If the collection is deemed as a Vat Out:

- subject to the sensory and temperature tests described in Section 4.4(f) and Section 4.7, milk may be collected provided it is less than 30°C;
- a rectification action plan needs to be provided to your Field Services Advisor as soon as possible after the Vat Out notification. We may request a supplier to provide a rectification action plan if one has not been supplied. This plan must ensure milk will comply with temperature standards set out in Section 4.7 within 21 days of the Vat Out notification unless otherwise agreed to in writing by SDA;
- if the rectification action plan is not implemented within the timeframe specified, we may cease collection upon written notice until cooling is restored to the temperature standards set out in Section 4.7. Where milk is rejected, as soon as reasonably practicable, we will provide you with a milk rejection notice (refer to Section 4.5); and
- we will waive the collection charge for any additional daily collections for a maximum of 21 days after the Vat Out notification. If after 21 days the vat is still not capable of cooling milk to 5°C or less within 2 hours and 20 minutes of the end of milking, you will be charged a \$50 collection charge for each additional daily collection.

4.13 Colostrum

Colostrum can interfere with some manufacturing processes. Milk from cows and heifers must not enter the vat until at least eight milkings after calving.

SDA may test for colostrum on a random basis across the year. If colostrum indicators are detected in a milk sample, milk quality discounts will apply (refer to Table 1, Section 4.2 and Table 8, Section 5.3) and we may temporarily suspend collection.

Milk that is unsuitable for collection must not be stored in the milk vat, milk room or other milk storage area and must be clearly labelled.

4.14 Sediment and Freezing Point

SDA may test for both sediment and freezing point at times throughout the year to ensure customer requirements are met.

- Freezing point – normal quality milk should freeze at minus 0.517°C or below. The freezing point test detects the presence of excessive water in the milk.
- Sediment – extraneous matter in milk such as cow hair, dirt, manure, dust, vegetable matter and insects. Bacteria accompany sediment into the milk, resulting in contamination. The presence of sediment in milk can affect the taste, appearance and quality of manufactured products. Samples are tested using filters (discs) which assess the level of sediment in the milk (Disc 1 showing minimal sediment, Discs 2, 3 and 4 showing higher levels of sediment).



4.15 Milk Quality Reports and Monthly Statements

Milk quality data is typically available to you on the same day the sample has been tested. This information can be accessed via a number of methods, including Milkroom, text, email and tanker dockets (where available).

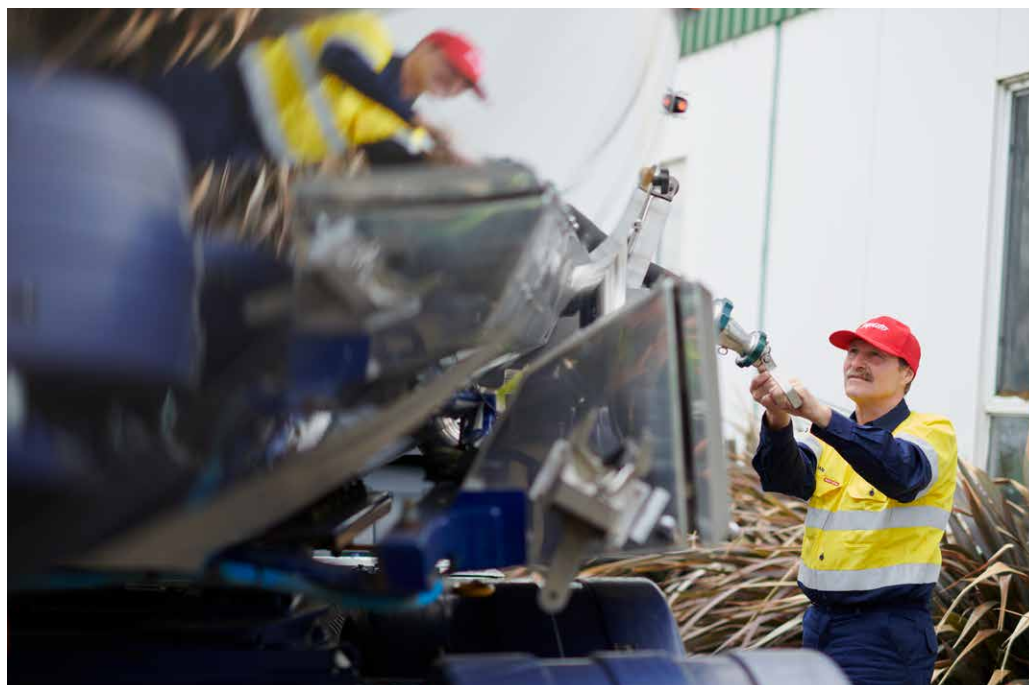
We also provide monthly statements (available on or about the 12th of the month) regarding your milk volumes, kilograms of butterfat and protein, quality results and milk income. These monthly statements are posted to you and are also accessible via Milkroom (refer to Section 2.3).

4.16 SDA Quality Solutions Programs

To assist you in producing premium quality milk, our Field Services team will assist where possible to rectify milk quality problems on-farm through the development of action plans with you.

The SDA Quality Solutions program helps suppliers to address issues regarding mastitis, animal health and welfare, milk cooling, plant hygiene and residue management.

Suppliers are encouraged to contact your local Field Services Advisor if you require assistance with milk quality issues.





Chapter

5

MILK PAYMENT SYSTEM



5.1 Milk Pricing

SDA provides a simple monthly price structure to our suppliers.

Minimum Price

The minimum price is based on the supply of premium quality milk and is the minimum monthly butterfat and protein price paid in each month of the milk year.

We pay for butterfat and protein at a ratio of 1:2, which is reflected in all milk pricing components in this Handbook.

Milk price reviews

During the milk year, SDA will perform milk price reviews from time to time to assess prevailing business and market performance. We may increase our milk price at any time and any increase will be announced and paid as a step-up to the minimum price, for milk supplied in the remainder of the milk year. Retrospective payments may also be announced and available to eligible suppliers for milk supplied before the step-up.

Where we announce a step-up to the minimum price, that revised price will become the minimum price payable for any subsequent premium quality milk supplied during the milk year.

We will never implement a step-down or retrospective price reduction.

5.2 Additional Payments

SDA offers the following additional payments to all suppliers.

Productivity Payment

The Productivity Payment is paid on all kilograms of milk solids (kg MS) supplied on a monthly basis at the rates shown in Table 5 (subject to any milk quality discounts).

Suppliers with multiple farms under common ownership may elect to combine production from two or more farms for the purpose of calculating the Productivity Payment.

The Productivity Payment is available to suppliers who are SDA suppliers for the entire month, or who genuinely retire from dairy.

5.2 Additional Payments continued



Table 5: Productivity Payment rates

Monthly kg MS (Band)	cents / kg Butterfat	cents / kg Protein
0 – 1,500	1.0	2.0
1,501 – 4,100	2.0	4.0
4,101 – 5,800	3.0	6.0
5,801 – 7,500	6.0	12.0
7,501 – 8,750	8.0	16.0
8,751 – 10,800	10.0	20.0
10,801 – 14,000	13.0	26.0
14,001 – 17,500	16.0	32.0
17,501 – 20,000	18.0	36.0
20,001 – 30,000	20.0	40.0
30,001 – 40,000	22.0	44.0
40,001 – 50,000	24.0	48.0
50,001 plus	26.0	52.0

Off-Peak Payment (OPP)

The OPP recognises the value of milk supplied during off-peak months (July, February, March, April, May and June), and is available to support farms committed to off-peak milk production.

The OPP is determined by:

- dividing the total kg MS supplied from the farm in the off-peak months by the total kg MS supplied from the same farm across the milk year to determine the OPP percentage (refer to Figure 1); and
- calculating an amount for payment based on the supplier’s OPP percentage and relevant band (refer to Table 6 overleaf) multiplied by the total kg of butterfat and protein supplied in the off-peak months from the farm in the milk year (subject to any milk quality discounts).

Figure 1: Formula for calculating the OPP percentage

Total kg MS for: July*, February, March, April, May and June

Total kg MS for the Milk Year

x 100 = OPP percentage

* For new suppliers who join SDA prior to October 1st in the milk year, that supplier’s prior production (i.e. July, August, September) will be included in the OPP calculation.

5.2 Additional Payments *continued*

Table 6: OPP rates

Band	OPP percentage	cents / kg Butterfat	cents / kg Protein
0	40.99% or below	–	–
1	41.00% – 42.99%	7.0	14.0
2	43.00% – 44.99%	12.0	24.0
3	45.00% plus	17.0	34.0

Suppliers will receive advance payments in the off-peak months (excluding June), unless they elect (prior to 31 July 2022) to receive the OPP at the end of the milk year.

Monthly advance payments are paid at one band (refer to Table 6) lower than the supplier's two-year average band, based on their two most recent years' production. Suppliers who previously supplied other processors must provide all relevant production information to enable the calculation of their two-year average band.

Suppliers with multiple farms may elect to combine the production from two or more farms under common ownership for the purposes of calculating the OPP.

A final payment will be calculated at the end of the milk year, based on the supplier's actual OPP percentage and band achieved for the milk year. We will reconcile the actual OPP percentage and band achieved against the monthly advance payments made during the milk year and will adjust for under or over payment. Any final OPP will be made with June milk proceeds in July 2023.

To be eligible for the OPP, you must supply SDA for a minimum of nine months in the milk year. Should you cease supplying (other than genuine retirement) during the minimum nine-month period, any monthly advance payments made are fully repayable to SDA. If you cease after supplying the minimum nine-month period or genuinely retire from dairy during the milk year, we will perform the final payment calculation and reconciliation based on the date of cessation.

Milk Quality Bonus

In recognition of suppliers' commitment to produce premium quality milk, all suppliers will be eligible to receive a monthly Milk Quality Bonus (at the rates shown in Table 7) if they supply **only** premium quality milk across an entire month. The Milk Quality Bonus will be payable on top of the minimum milk price.

Table 7: Milk Quality Bonus rates

	cents / kg Butterfat	cents / kg Protein
Milk Quality Bonus	4.0	8.0

For milk to qualify for the Milk Quality Bonus, all of the premium quality parameters detailed in Table 1, Section 4.2 of this Handbook must be met.



5.3 Milk Quality Discounts

SDA's Minimum Price is based on the supply of premium quality milk, being milk that meets all of the premium quality parameters set out in Table 1, Section 4.2 of this Handbook.

If any individual quality parameters of the milk supplied are classified as being 2nd Grade, 3rd Grade or 4th Grade, the price we pay will be discounted, as follows:

Table 8: Discounts for milk quality grades

Grade (per Section 4.2 of this Handbook)	Grade Discounts (per quality parameter grading)
Premium	0%
2nd Grade	-5%
3rd Grade	-10%
4th Grade	-20%

Consignments of milk may be tested for Bactoscan, BMCC, Thermoduric or inhibitory substances. Each of these quality parameters will be individually graded as either Premium, 2nd Grade, 3rd Grade or 4th Grade. The first three Bactoscan and Thermoduric results outside Premium in a testing cycle attract no discount (refer to Section 4.9 of this Handbook).

Testing for colostrum, sediment and freezing point may also occur, with results being graded as either Premium or 4th Grade only.

A discount will apply to each consignment where a result is 2nd Grade, 3rd Grade or 4th Grade (refer to Table 8). The discounts will be cumulative and capped at 50 percent per consignment.

Example 1:

Example test	Example Grade	Applicable Discount
Inhibitory Substances	Premium	0%
Bactoscan	Premium	0%
BMCC (monthly average)	2nd Grade	-5%
Thermoduric	3rd Grade	-10%
Total		-15%
Total discount to milk price for consignment		-15%

Example 2:

Example test	Example Grade	Applicable Discount
Inhibitory Substances	Premium	0%
Bactoscan	4th Grade	-20%
BMCC (monthly average)	4th Grade	-20%
Thermoduric	4th Grade	-20%
Total		-60%
Total discount to milk price for consignment		-50% (cap reached)

Please refer to Chapter 4 (Milk Quality Standards) for full details regarding milk quality grading and testing requirements.

5.4 Transport Charges



Volume charge

SDA does not apply volume charges on milk collected from suppliers.

Collection charge

SDA does not apply a collection charge on the first collection of milk on a single day. Second and subsequent collections from the same farm on the same day will incur a charge of \$50.

Second and subsequent collection charges will be waived if the total daily milk volume collected is less than the total vat capacity (other than where a Vat Out event applies, see Section 4.12 of this Handbook). If you make changes to vat capacity, you must notify your Field Services Advisor.

Suppliers who have sufficient vat capacity for skip-a-day milk collection across the milk year, (and who remain a supplier at the end of the milk year) will have a total vat capacity incentive of \$1,400 paid with June milk proceeds in July 2023. Where a supplier ceases before the end of the milk year (other than where terminated by SDA for material breach) and the supplier has had sufficient vat capacity for a skip-a-day collection from the beginning of the milk year to the last date of supply, the vat capacity incentive will be paid on a pro-rata basis.

Minimum collection

The minimum milk collection is 400 litres. Where three consecutive collections occur below 400 litres, you will be charged \$50 per subsequent collection under 400 litres.

Milk collection is measured by flowmeter devices fitted to milk tankers. These devices are tested and calibrated annually by independent third parties to ensure volume accuracy.

5.5 Statutory and Other Levies

Dairy Australia levy

A mandatory Dairy Services Levy is automatically deducted from milk proceeds and paid to Dairy Australia. To find out more about this levy, please visit the Dairy Australia website: www.dairyaustralia.com.au

State dairy levy

Each state-based regulatory authority has its own levy or licence requirements, which will be automatically deducted from milk proceeds. For more information, please refer to your state-based dairy/food authority.

Victoria

www.dairysafe.vic.gov.au

New South Wales

www.foodauthority.nsw.gov.au

Tasmania

www.tdia.tas.gov.au

South Australia

www.pir.sa.gov.au/biosecurity/food_safety/dairy

SDA may also deduct voluntary levies from milk proceeds if requested by a supplier (e.g. for a farmer organisation).



Chapter

6

FOOD SAFETY AND QUALITY ASSURANCE



6.1 Simply Safe

We are committed to ensuring our products meet the quality and food safety standards demanded by our customers, consumers and regulators. This commitment is underpinned by a requirement that all Australian dairy farmers must have an approved food safety program in place to meet State dairy authority requirements.

Simply Safe is an approved food safety program that can be used to add value to a supplier's farm quality management system by identifying and controlling milk quality risks, and ensuring compliance with the relevant food safety regulations. By implementing Saputo's Simply Safe program, you demonstrate to regulators and our customers that risks related to on-farm food quality and safety are being managed effectively.

The core elements of Simply Safe are:

- control of contaminants – physical, chemical and microbiological;
- dairy milking premises;
- hygienic milking;
- milk cooling;
- water supply and quality;
- cleaning and sanitising;
- traceability and records;
- personnel competency;
- control of residues in milk; and
- animal health and welfare.

6.2 On-farm Audits

As a condition of milk supply to SDA, all dairy farmers must be licensed or accredited with their State regulatory authority. To ensure compliance with the system and effective implementation, regular audits of suppliers against the requirements will be conducted.

We encourage all suppliers to self-audit on a regular basis.

6.3 Animal Welfare

All suppliers must comply with the provisions of the **Saputo Animal Welfare Policy**, which can be found in Section 8.1.

The Saputo Animal Welfare Policy requires compliance to the Australian Animal Welfare Standards and Guidelines for Cattle, and the Australian Dairy Industry Council policy regarding cessation of routine calving induction. In addition, on the issue of pain relief, we expect our suppliers to eliminate or modify routine management practices that are unnecessary or cause pain, including:

- eliminating the practice of tail docking; and
- using pain control when dehorning, disbudding, castrating or removal of supernumerary teats.

On handling practices, we expect our suppliers to implement appropriate animal care awareness and training programs, including a mandatory animal care Code of Conduct that is reviewed annually. When handling cattle, the use of electric prods should be restricted to emergency situations only and never used on sensitive areas or as part of routine handling practices.



6.4 Animal Health

Animals must be managed in a way that prevents the introduction of hazards to milk. This includes the management of disease outbreaks on farm and exposure to chemical residues, including pesticides, herbicides and exposure to poisonous plants. Where an animal or animals exhibit unusual symptoms or sudden unexplained death, it is your responsibility to organise an assessment of the situation and notify the relevant authorities (where appropriate).

You must also immediately notify your Field Services Advisor of any type of potential incident and keep us regularly updated.

Animals experiencing unusual symptoms should be immediately removed from the milking herd and held in isolation on the property to prevent contamination of the milk supply and spread of disease.

If there has been an incident on farm which may introduce a hazard or contamination to milk, SDA reserves the right to suspend milk supply in its absolute discretion. Collection will only resume when SDA deems it safe and suitable to do so. Payment for milk during suspension will be at our sole discretion. In such instances, SDA may conduct an audit of the farm to determine the cause of the issue and will liaise with the relevant authorities (as appropriate).

If you do not notify SDA of an incident on farm, or you delay notifying us and due to the circumstances of the incident a contaminant is likely present or is actually detected through testing, this will be considered a material breach of your Milk Supply Agreement. In such circumstances, we will immediately cease milk collection.

6.5 Environmental Management and Sustainability

SDA encourages suppliers to implement practices that protect the natural environment, reduce greenhouse gas emissions and enhance the ongoing environmental sustainability of your farming operation identified through self-assessment of on-farm practices.

Suppliers must be aware of requirements under state and federal laws and environmental protection regulations.

If there is an environmental incident on farm or you receive a regulatory notice or order from a regulatory authority, you must immediately notify your Field Services Advisor and keep us regularly updated. In these circumstances, SDA reserves the right to suspend milk supply in its absolute discretion. Collection will only resume when SDA deems it safe and suitable to do so. Payment for milk during suspension will be at our sole discretion. Further, SDA may conduct an audit of the farm to determine the cause of the issue.

If you do not notify SDA of the environmental incident on farm, or you delay notifying us and due to the circumstances of the incident SDA's reputation has been or is likely to be damaged by the incident, this will be considered a material breach of your Milk Supply Agreement. In such circumstances, we will immediately cease milk collection.

6.6 Position on Genetic Modification

SDA products are not genetically modified (GM) and we ensure compliance with national, State and Territory Food Standards.

We will not accept milk which contains any GM material.

6.7 Supplier Conduct

At SDA, we are committed to working and engaging with all our suppliers to promote responsible business practices.

Our **Saputo Supplier Code of Conduct** sets the minimum standards of business conduct we expect from our suppliers. We believe our relationships with suppliers are vital to our ability to make high-quality products, and we aim to create an environment where we can build strong, sustainable and long-term relationships with our suppliers.

A copy of the Saputo Supplier Code of Conduct can be found in Section 8.2.





Chapter

7

MILK COLLECTION AND ON-FARM REQUIREMENTS



7.1 Farm Track and Dairy Access

SDA's comprehensive milk collection and on-farm requirements are designed to facilitate safe and efficient farm access and departure for everyone involved in our daily operations.

This is our transport standard which aims to protect suppliers, farm milk collection staff, field services and trading stores employees, and on-farm delivery services from any potential health and safety risks.

7.2 On-farm Safety

Our safety vision, Goal Zero, and the strategy that underpins it, set clear expectations about accepted safety behaviours in our workplaces. It provides the necessary training, tools and information to ensure everyone at SDA successfully fulfils their responsibilities as a safety leader.

We are committed to ensuring compliance with Chain of Responsibility laws and are equally committed to supporting our suppliers to meet your safety needs and requirements, as well as improving your overall health and well-being. While SDA has made a big shift in the safety performance of our workplaces, we believe we can also support others to achieve their own goals. A range of health and safety strategies are available to engage and support you. Please contact your local Field Services Advisor for further details.

7.3 Accessing Your Property

SDA's primary requirement is to ensure safe access to supplier properties to complete bulk milk collection. We also require safe access to:

- inspect the premises to ensure the workplace is safe for our employees;
- inspect and discuss hazards that may have been identified at these premises;
- undertake repairs to the track, fence or dairy caused by our employees or representatives; and
- monitor the quality and supply of milk.

7.4 Requirements for Tanker Access

To ensure safe farm entry and exit for tankers, the following minimum standards for milk tanker access are required:

- a sign displaying your supplier number at the entrance to the track leading to the dairy and clearly visible from both directions to the adjacent road. The sign will be provided by SDA;
- a maintained, splayed entrance that complies with the requirements of local and state authorities. This must allow the tanker to enter the property without having to cross the centre of the roadway when approaching from the left side of the entrance;
- clear access on the track and turnaround from the roadway to the dairy;
- gateways leading to the track are at least 26 metres from the edge of the roadway ensuring a tanker combination is clear of the roadway;
- a track surface suitable for all weather conditions;
- a track with no sharp corners ensuring a tanker can navigate in a single motion;
- a track free of potholes and debris that may cause damage to a tanker combination or tanker operator, and allow a reasonable speed of 10 to 20 km/h to be safely maintained;



7.4 Requirements for Tanker Access *continued*

- trimmed trees or shrubs (maximum height of five metres above ground) allowing an unobstructed view of the whole track;
- clean, maintained cattle crossings;
- tracks and locations designed to ensure tankers do not have to reverse off or onto a public road; and
- tree canopies, shrubs or other objects trimmed or removed to allow at least 300 metres of clear vision for both lanes of traffic where the exit point of the farm is within three metres of the roadway.

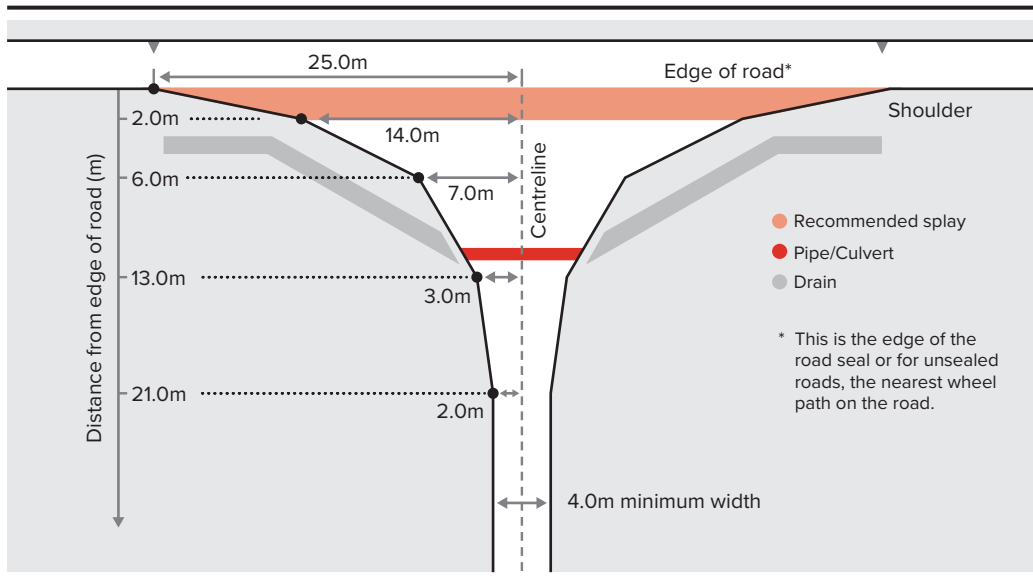
7.5 Access Track Design

SDA encourages all farms to have a multi-directional entrance to their property allowing safe access from, and safe departure onto, adjacent public roads.

Figure 2 illustrates the base requirement for tanker access.

Deviations from this plan can be made to cater for specific farm and topography restrictions through consultation and agreement with SDA.

Figure 2: Baseline tanker access requirement



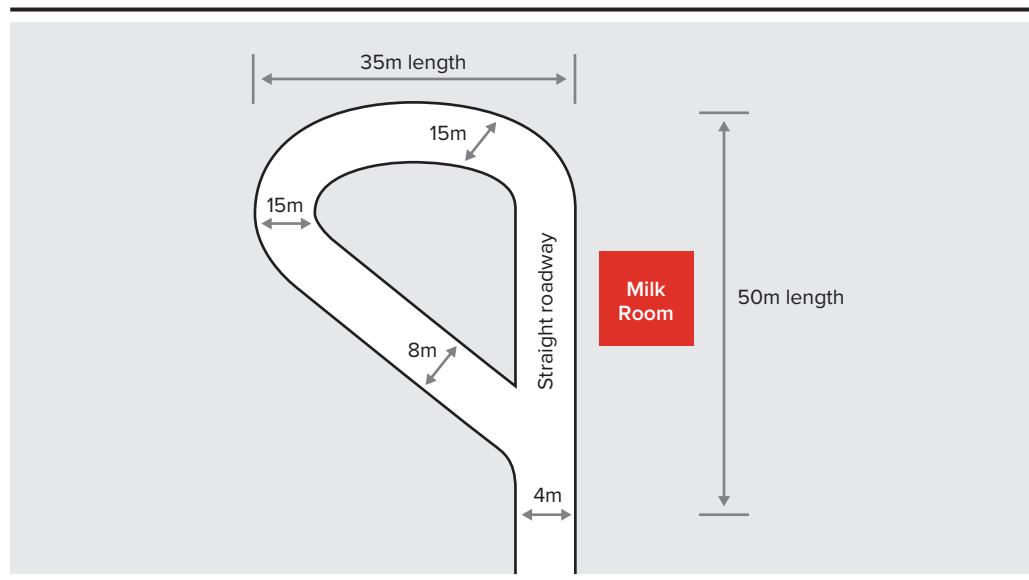
Where an entrance or exit of the farm is adjacent to a boundary fence, it is recommended that the opening be 30 metres in width and splayed back 17 metres to the point where the track reaches a standard width of four metres. Suppliers and farm managers should also be aware that as far as is practicable, all entrances should meet state and local authority requirements. We may also request that existing entrances be upgraded if issues relating to safety are identified.



Standard turning circle

We recommend all farms have a standard turning circle to allow safe and efficient traffic flow on-farm.

Figure 3: Standard turning circle



Where farm topography will not allow for a full turning circle, we recommend the extent that a tanker combination needs to reverse is kept to a minimum. The area to be reversed into must also be kept clear at all times.

When designing a turnaround, we recommend as much room as is practicably possible is made available for the turn around. This will reduce the likelihood of damage to equipment, track or property.

Any items stored on the centre island should not protrude onto the track. Tractors, bikes and implements should be parked well clear of the designated track at all times to protect assets.

Wherever possible, interaction between people and vehicles should be restricted by physical barriers or fences and clearly designated with signed walkways.

Tree canopies and shrubs should be trimmed or removed to allow clear vision of buildings, other traffic or pedestrians that may occupy this space.

7.5 Access Track Design *continued*

7

Private bridges

We understand some farm topography and natural watercourses will require fabricated or earth bridges to allow access to the dairy. Some of these constructions may have existed for several years without issue, however, due to changing equipment, greater volumes and weights carried by tankers and other associated farm activities, we will require engineering assessments and/or improvements to be undertaken on the construction of the bridge to ensure safe milk collection.

Where a new bridge is to be constructed, the farm owner must engage a qualified engineer to assess the proposed works and provide a compliance certificate of construction, including weight ratings and an ongoing maintenance plan for the construction.

Construction or alterations to tanker access tracks and vat rooms

We understand that work will always need to be undertaken to maintain and improve farm facilities. To ensure all safety scenarios are considered prior to work commencing on tracks or in milk rooms, suppliers and/or farm managers must engage with our local Inbound Logistics team prior to commencing:

- construction or modification of tanker access tracks;
- construction of a new dairy;
- construction of a new vat room;
- alterations to an existing vat room;
- replacement or relocation of a vat; and
- construction or alteration to a bridge or culvert.

An SDA representative will be assigned to assist with the process.

Engaging with us before key works are undertaken may prevent the introduction of potential hazards during the works process and avoid the need to undertake alterations at the conclusion of the works.

Power lines

Wherever possible, underground power is preferred. However, in areas where our representatives are required to work under, or park tankers near, overhead power lines, all reasonable steps must be taken to ensure a safe work environment around the power lines. In particular, power lines must meet all required regulations.

Suppliers must ensure warning signs are fitted to all overhead power lines that cross where the tanker combination will be operating.



MILK COLLECTION AND
ON-FARM REQUIREMENTS

7.6 Vat Room Requirements



Ensuring SDA employees have safe and efficient access to farm vat rooms is essential. To assist in this process, the following guidelines apply:

- a tanker parking site that will safely allow milk to be collected with no more than six metres of milk collection hose;
- a farm number sign (as supplied by us) should be affixed and adjacent to the vat room doorway;
- an area where the tanker operator exits the vehicle that is clear of obstacles which may potentially injure the tanker operator, including potholes, boulders or rocks, long grass, cow manure, excessive mud, liquid spills, milk or oil;
- an area for the tanker operator, no less than one metre wide, where the hose can be safely manoeuvred from the vehicle to the vat outlet;
- a formed walkway, where the gradient or surface prevents a slip, trip or fall hazard, when accessing the entrance door to the dairy;
- an unobstructed doorway to the vat room that meets or exceeds the relevant Australian Standard for doorway design;
- a vat outlet that is no more than three metres from the vat room door and suitable to adapt to a three-inch (76mm) BSM female fitting;
- where multiple vat configurations are installed, outlets should be in a manifold type, or within one metre of each other, with the furthest being no more than three metres from the vat room door;
- an unobstructed work area within the vat room where tasks can be safely performed;
- correctly maintained waterproof switches in and around the vat room;
- light switch(es) placed immediately inside and/or outside the tanker operator entry door;
- where sensor lights are installed as an alternative to a waterproof light switch, lights that do not impair the tanker operator's vision when reversing;
- sufficient lighting to allow safe access in and around the vat room;
- any milk stored in buckets must not be left in the vat room;
- a vat room free from chemicals. Where chemicals cannot be removed and must be stored in the vat room for dairy hygiene purposes, they must be stored away from the tanker operator's work area and clearly and correctly labelled with the relevant Material Safety Data sheets readily available;
- vat controls with clear instructions, including wash procedures and/or farm specific requirements positioned in an open space for ease of access and operation;
- a vat rinse hose that is clean and suitable for the task. If the tanker operator is required to climb any type of ladder to rinse the vat, this hose must be suspended from the ceiling and connected to an automatic pressure system;
- segregation of dogs from our employees or representatives while they are on site, to avoid the possibility of threats, attacks or accidents;
- where steps or ladders are required to be used, the step or ladder must meet or exceed the relevant Australian Standards; and
- where a landing or platform is required to be used, fall protection must be installed to meet or exceed the relevant standards.



7.7 Vat Room Asbestos Control Measures



Where dairies have been, or are suspected of being, fabricated from materials containing asbestos the farm owner/manager must:

- notify us of such materials within the vat room;
- report to us any damaged or broken asbestos so that a risk assessment can be conducted prior to any further milk collection;
- affix appropriate warning labels to identified or suspected materials which are undamaged and are to remain within the dairy's construction; and
- seal any damaged edge of broken sheeting with sealed paint to prevent airborne fibrous particles.

Example of an approved label.

7.8 Issue Resolution Process

Where a serious safety hazard has been identified and it has the potential to cause serious injury and cannot be effectively controlled, we may choose to cease collection until a suitable control measure has been agreed and implemented.

We understand there may be circumstances where standards, or the required actions as a result of these standards, may cause concerns for suppliers. Should those circumstances arise, you should contact your local Field Services Advisor for specific assistance with on-farm Inbound Logistics and access issues.





8

Chapter

SDA POLICES



8.1 Saputo Animal Welfare Policy

Saputo reinforces its commitment to bringing industry leaders and dairy producers together to improve animal care on all dairy farms. The Company will continue to use its position as one of the leading dairy processors in the world to promote appropriate animal care and handling practices.

We are a dairy company and milk is our primary ingredient. We care deeply about the way the milk we source is produced. High-quality dairy products begin with high-quality milk from healthy and well-cared for animals. We hold that appropriate animal care and handling practices, housing, nutrition, biosecurity, herd health management and veterinary care are essential for the health and well-being of dairy animals (cattle, goats, sheep and buffalo) and other animals used in meat products sourced from suppliers for our market segments.

Saputo has zero tolerance for any act of animal cruelty. This includes, but is not limited to, willful mistreatment and neglect of animals and acts that maliciously cause pain, injury or suffering. We expect all animal handlers (employers and employees) to adopt and adhere to proper animal care and handling methods at all times.

The Company has established a **Protocol** to address situations when presented with credible evidence to support an allegation of animal cruelty. Saputo will not reinstate the receiving of milk/dairy ingredients/meat products from a producer or supplier until it is satisfied that specific **Reinstatement Criteria** have been met.

We expect all milk and livestock producers to comply with recognized standards for the care and handling of dairy animals (cattle, goats, sheep and buffalo) and other animals used for food production. Our expectation is that animal care assessment programs include a third-party validation component with the goal of providing assurance to the industry, customers and consumers that animal care standards/codes of practice are being observed.

Industry Standards or Codes of Practice refer to either a regulatory requirement or an industry-imposed expectation that outlines acceptable animal care and handling practices. Compliance with such requirements validates that producers supplying Saputo are addressing key animal welfare issues related to all aspects of livestock production, including animal transport and humane slaughter.

Saputo seeks commitment from producers to eliminate or modify routine animal **Management Practices that are unnecessary, cause pain and/or fear, or are otherwise unacceptable, specifically:**

- The practice of **tail docking cattle** must be eliminated.
- The use of **pain control (analgesia and/or anesthesia) for routine management practices that are painful (e.g. disbudding, dehorning, supernumerary teat removal, castration)** must become a minimum industry standard.
- **Electric cattle prods must never be used for routine animal handling.** Electric prod use must be restricted to emergency situations, such as when animal safety is at risk. Electric prods must never be used on sensitive areas of cattle. Electric prods must never be used on sheep or goats.



8.1 Saputo Animal Welfare Policy *continued*

We expect producers to implement appropriate **Animal Care Awareness and Training** programs, including a mandatory animal care **Code of Conduct** that is reviewed annually.

- **Animal care Code of Conduct** templates have been developed by industry groups to assist producers in developing their own.
- **Appropriate training of all animal handlers** using a recognized low-stress (“quiet”) animal handling training program that includes care of non-ambulatory and compromised livestock is key to ensuring that animals receive the best care possible.

The use of animal handling methods that are based on fear or pain must be eliminated.

Saputo is committed to supporting education, awareness and training initiatives and workshops that promote animal care best practices and low-stress (“quiet”) handling for dairy producers in partnership with recognized institutions and experts.

Protocol

Saputo has established a protocol to address situations when presented with credible evidence to support an allegation of animal cruelty:

- Saputo will immediately suspend receiving milk/dairy ingredients/meat products from a producer or supplier at which, based on credible evidence, it reasonably believes an animal was abused or neglected.
- Saputo will continue to suspend receiving milk/dairy ingredients/meat products while the allegations are investigated and validated by the appropriate animal protection authorities and/or independent third-party experts.
- Saputo will further suspend receiving milk/dairy ingredients/meat products from a producer or supplier if the investigation concludes that there has been mistreatment and/or neglect of animals and will not resume such activity until the reinstatement criteria below have been met.

Reinstatement Criteria

Saputo will not reinstate receiving milk/dairy ingredients/meat products from a producer or supplier until it is satisfied that the following re-integration steps have been followed:

- Immediate action has been taken to appropriately address animal handlers found to have engaged in animal abuse or neglect.
- An on-farm welfare audit by a third-party veterinary/animal welfare expert has been conducted to evaluate producer compliance with recognized standards/codes of practice for animal care and handling.
- A Corrective Action Plan, acceptable to Saputo and agreed upon in writing by the producer, has been created, identifying animal care deficiencies and outlining the steps necessary to address the deficiencies. The plan must include a clear implementation timeline to correct the deficiencies with follow-up audits to re-evaluate the implementation of the corrective actions identified. This may include retraining of animal handlers on proper animal handling techniques using a recognized low-stress (“quiet”) animal care and handling training program (e.g. Merck Dairy Care365™, CowSignals®, Dairy Australia ProHand®).
- Failure to implement the actions identified in the Corrective Action Plan to address animal care deficiencies in a timely manner may result in continued or further suspension as well as permanent termination of milk/dairy ingredients/meat products supplier relationships by Saputo when circumstances warrant.



8.1 Saputo Animal Welfare Policy *continued*

Industry Standards and Codes of Practice

Saputo is engaged with the appropriate authorities in all jurisdictions where the Company has operations to pursue the universal adoption of recognized, evidence-based animal care and handling standards/codes of practice and implementation of animal care assessment programs to validate compliance.

Our expectation is that animal care assessment programs include a third-party validation component with the goal of providing assurance to industry, customers and consumers that animal care standards/codes of practice are being observed.

Dairy industry standards or codes of practice that are recognized by Saputo in countries where we have operations are:

- Argentina: Instituto Nacional de Tecnologia Agropecuaria (INTA) animal care manual
- Australia: Australian Animal Welfare Standards and Guidelines for Cattle
- Canada: National Farm Animal Care Council (NFACC) Code of Practice for the Care and Handling of Farm Animals (Dairy Cattle, Sheep, Goats, Beef Cattle, Pigs, Chickens and Laying Hens)
- USA: National Milk Producers Federation – Farmers Assuring Responsible Management (FARM™) Animal Care Program
- United Kingdom: Department for Environment, Food & Rural Affairs (DEFRA) Code of Recommendations for the Welfare of Livestock, Red Tractor Standards®, Davidstow Farm Standards

Management Practices

Saputo requires commitment from its suppliers to eliminate or modify routine management practices that are unnecessary or cause pain and/or fear, specifically:

1. The practice of tail docking cattle must be eliminated.

The practice of tail docking causes pain or discomfort and risk of neuroma formation and infection. There is no scientific evidence to show this procedure contributes to decreased udder infections, cleaner cows or improved working conditions of animal handlers.

The American Veterinary Medical Association, Canadian Veterinary Medical Association, Australian Veterinary Association and the National Mastitis Council all oppose the routine tail docking of dairy cattle. It is not permitted within national animal care assessment programs in Canada (Dairy Farmers of Canada proAction® animal care module), the United Kingdom (Red Tractor Assurance Scheme®) and the United States (National Milk Producers Federation FARM™ Animal Care Program).

Tail docking of sheep may be necessary to enhance animal health and hygiene but it is a painful procedure. If done, it should be performed at the youngest age possible using appropriate techniques, including pain control.



8.1 Saputo Animal Welfare Policy *continued*

2. **The use of pain control (analgesia and/or anesthesia) for routine management practices that are painful (e.g. disbudding, dehorning, supernumerary teat removal, castration) must become a minimum industry standard.**
 - i. Dairy cattle and goats without horns cause fewer injuries to other animals and humans than horned animals. The practice of disbudding dairy cattle and goats may be necessary to enhance handling safety but is a painful procedure. The prevention of horn growth by genetic selection and breeding of polled stock is achievable but polled dairy cattle sire selection is currently very limited. Where genetic selection for polled stock is not an option, calves and kids should be disbudded in preference to dehorning, using appropriate anesthesia and postoperative analgesia. The American Veterinary Medical Association, Canadian Veterinary Medical Association, Australian Veterinary Association and British Veterinary Association recommend the use of pain control for disbudding. Pain control for disbudding calves is a mandatory requirement within national animal care assessment programs in Canada (Dairy Farmers of Canada proAction® animal care module) and the United Kingdom (Red Tractor Assurance Scheme®).
 - ii. Supernumerary (“extra”) teats are a congenital defect of the udder in some ruminants that can cause animal health issues including mastitis. If they are removed, it should be done at the youngest age possible using appropriate techniques including pain control.
 - iii. Castration of cattle, sheep and goats is a procedure performed to avoid unwanted pregnancy, reduce aggression toward humans and other animals and to improve meat quality. When castration is required, it should be done at the youngest age possible using appropriate techniques, including pain control.

3. **Electric cattle prods must never be used for routine animal handling.**

Electric prod use must be restricted to emergency situations, such as when animal safety is at risk. Electric prods must never be used on the sensitive areas of cattle. Electric prods must never be used on goats.

Advancement of Animal Care Standards and Best Practices

We will continue to seek every opportunity to advocate for the advancement of animal care standards and best practices, and for key animal care requirements to become minimum industry standards. Some examples of our achievements:

- We have established funding partnerships with recognized animal welfare academic institutions to advance awareness, education and training in animal care and handling for producers, veterinary students and practitioners.
- In Argentina and Australia, we have collaborated with the veterinary, dairy farming and contract farm services communities on implementing pain management programs for disbudding dairy calves through advocacy, education and training.
- We have supported amendments to Canada’s federal humane transport regulations to promote the health and well-being of animals during the transportation process.

Some examples of our ongoing advocacy:

- We are advocating for the establishment of pain control as a minimum industry standard for disbudding calves and goats.
- We are seeking appropriate modification of male calf marketing systems to promote animal health and minimize risks to welfare during transport.



8.1 Saputo Animal Welfare Policy *continued*

Animal Care Awareness and Training

An animal care Code of Conduct serves to provide an understanding of a producer's policies and values. It also acts as a reminder from the owner to management and staff of the importance of appropriate animal care. Its goal is to protect the safety and welfare of animal handlers and animals. It is the commitment of producers and employees towards doing the right thing. It outlines what needs to happen when things go wrong. Every person involved with handling animals must sign a Code of Conduct that clearly indicates the following:

- Employers/employees are required to support the core objectives of responsible animal care and handling.
- Responsible animal care and handling among employees and service providers must be strictly enforced.
- When an incident involving possible mistreatment, illness or injury of an animal is reported to an employer, it must be taken seriously.
- Employees are required to handle and treat animals with respect and in accordance with farm policies and rules, as well as federal/state/provincial and municipal regulations under which the farm operates.
- Any employee who observes or receives any information that alleges an animal on the farm property or in the farm's care is being mistreated or mishandled must report that information immediately to the employer and/or the appropriate authority.

Appropriate training of all animal handlers using a recognized low-stress ("quiet") animal handling training program that includes care of non-ambulatory and compromised animals is key to ensuring that they receive the best care possible.

Animals must always be handled with care in a calm, easy manner following a consistent routine. Low-stress ("quiet") handling methods reduce fear, help avoid injury, make observation and treatment easier and enhance animal well-being and productivity. Animal handlers must be familiar with animal behaviour and quiet handling techniques. Producers must establish procedures to address the care of non-ambulatory and compromised animals. The use of animal handling methods that are based on fear or pain must be eliminated.

Examples of recognized animal handling programs in countries where Saputo has operations include:

- I. Argentina: Merck Dairy Care365™
- II. Australia: Dairy Australia ProHand®, Merck Dairy Care365™
- III. Canada: CowSignals®, Merck Dairy Care365™, Iowa State University Dairy Goat Wellbeing Program
- IV. USA: CowSignals®, Merck Dairy Care365™, Iowa State University Dairy Goat Wellbeing Program
- V. United Kingdom: CowSignals®, Merck Dairy Care365™

Saputo expects its suppliers to implement appropriate animal handling awareness and training programs, including a mandatory animal care Code of Conduct that is reviewed annually.



8.1 Saputo Animal Welfare Policy *continued*

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8.2 Saputo Supplier Code of Conduct

As a global leader in dairy processing, we place great importance in demonstrating good corporate citizenship in everything we do. This is at the heart of the **Saputo Promise** – the backbone of our approach to social, environmental and economic performance, and our commitment to live up to the values on which our business was founded in 1954.

This commitment extends to our suppliers. We care about how our ingredients, packaging, goods and services are sourced, produced or performed, and expect the same from you.

Relationships are important to Saputo and vital to our ability to make high-quality products. We aim to create an environment where we can build strong, sustainable and long-term relationships with our suppliers, employees and customers.

With this in mind, we created this Code, which embeds the **Saputo Promise**, to ensure we continue to work collaboratively with all our suppliers based on shared standards.

Purpose and Scope

This Supplier Code of Conduct¹ sets out the minimum standards of business conduct that you must follow in providing goods or services to Saputo. This Supplier Code of Conduct applies to your conduct, decisions, actions and interactions with Saputo, including with our employees, officers, directors and agents, as well as our third-party contractors. As a supplier to Saputo, it is your responsibility to ensure that all persons involved in providing goods and services to Saputo through you, including your employees, suppliers and subcontractors, comply with requirements, standards and principles that are, at a minimum materially the same as those set forth in this Supplier Code of Conduct. This Supplier Code of Conduct may be updated or amended from time to time. It is your responsibility to review this Supplier Code of Conduct and any amendments periodically to ensure you remain compliant with it.

Compliance with Laws

In all your dealings with Saputo, you shall always comply in all respects with all applicable federal, state/provincial, municipal and local laws, rules, regulations and ordinances, as well as applicable international conventions, including, without limitation, the International Labour Organisation (ILO) Conventions (the “**ILO Conventions**”), in effect from time to time (collectively, “**Laws**”).

Fair Business Dealings

Antitrust and Fair Competition

You shall engage in fair competitive business practices in compliance with applicable antitrust and competition Laws. In particular, but without limitation, you shall not engage in any of the following practices:

- price-fixing or price control;
- behaviour in restraint of trade or competition; or
- market or customer segmentation in collusion with anyone.

1. In this Supplier Code of Conduct, the terms “Saputo”, “we” or “our” refer to Saputo Inc. and all of its subsidiaries. The terms “supplier”, “you” or “your” refer to Saputo’s suppliers, vendors and other goods and services providers, as well as their employees and third-party contractors.

8.2 Saputo Supplier Code of Conduct *continued*



SDA POLICIES

Protection Against Bribery

You shall comply with all applicable Laws enacted to combat corruption and bribery. Therefore, you shall not, without limitation, directly or through intermediaries, offer, grant, promise, facilitate or authorize the giving of anything in return for a preferential treatment, or to obtain an improper advantage or, in the case of a public official, as consideration for an act or omission in connection with their official duties or to influence official action.

Conflicts of Interest

You shall take necessary measures to avoid conflicts of interest, whether actual or potential, including even the appearance of any conflicts of interest in respect of your relationship with Saputo. Should any such conflicts of interest arise, you shall immediately notify Saputo.

Gratuities, Compensation and Other Advantages

With respect to gifts, entertainment, travel or anything else of value (collectively, “Gifts”), all Saputo employees must abide by the [Saputo Code of Ethics](#) (available for review at [www.saputo.com](#)), which provides, among other things, that Saputo employees are prohibited from asking for Gifts from suppliers. Conversely, you must not offer any Gift to any Saputo employee to gain an improper advantage or preferential treatment. If you decide to provide any Gift to a Saputo employee, any such Gift must be of nominal value and of a kind that does not conflict with the Saputo corporate image and reputation. Moreover, you shall not offer, grant, promise or authorize any Gifts to any of your business partners, suppliers or customers that could give rise to the appearance or suspicion of bribery or any other impropriety.



8.2 Saputo Supplier Code of Conduct *continued*



Labour and Human Rights

Child Labour

In accordance with applicable Laws, and more specifically the ILO Conventions, the use of child labour is strictly prohibited.

The ILO's International Programme on the Elimination of Child Labour (IPEC) defines "Child Labour" as work that deprives children of their childhood, their potential and their dignity, and that is harmful to their physical or mental development, which includes work that is mentally, physically, socially or morally dangerous and/or harmful to children and/or interferes with their schooling. According to IPEC, participation in some activities, including agricultural activities, is not always Child Labour. Age-appropriate tasks that are of lower risk and do not interfere with a child's schooling and leisure time can be acceptable. Therefore, it is important to distinguish between light duties that do no harm to the child and Child Labour, which is work that interferes with compulsory schooling and damages health and personal development, based on hours and conditions of work, child's age, activities performed and hazards involved.

Forced Labour

Under no circumstances shall you use or in any other way benefit from forced or compulsory labour, nor be involved, directly or indirectly, in any form of human trafficking or slavery. Likewise, the use of labour under any form of indentured servitude is prohibited, as is the use of physical punishment, confinement, threats of violence or other forms of harassment or abuse as a method of discipline or control. You shall not cause or permit the utilization of factories or production facilities that force work to be performed by unpaid or indentured labourers, nor shall you contract for the manufacture of products with your own direct or indirect suppliers that engage in such practices or utilize such facilities.

Coercion and Harassment

You shall treat each of your employees, contractors and agents with dignity and respect, and shall not use corporal punishment, threats of violence or other forms of physical, sexual, psychological or verbal harassment or abuse in dealing with any one of them.

Non-Discrimination and Diversity

You shall not discriminate in recruitment, hiring, promotion, compensation, employee development decisions, such as training, and all other practices of employment on the basis of race, national or ethnic origin, colour, religion, sex, gender, sexual orientation, matrimonial status, age, civil state or physical or mental disability, or any other status protected by applicable Laws, as well as aim to promote diversity within your workplace.

Right of Association

You shall respect the rights of employees to associate, organize and bargain collectively in accordance with applicable Laws.

Working Conditions

Work shall be conducted on the basis of freely agreed and documented terms of employment. You must recognize that wages are essential to meeting your employees' basic needs. Therefore, you shall, at a minimum, comply with all applicable wage and hour Laws, including those relating to minimum wages, overtime, maximum hours, piece rates and other elements of compensation, and provide mandated benefits under applicable Laws.

8.2 Saputo Supplier Code of Conduct *continued*



Health and Safety

You shall endeavour to provide a safe work environment for your employees. You shall maintain a work environment which protects the security, health and physical integrity of each of your employees; specifically, by implementing measures to ensure that work is performed safely and in order to minimize the risk of injuries and illnesses. Consideration for health and safety shall govern your actions when planning and overseeing work and training, in supplying equipment, in operating facilities and any other activities that may have an impact on the health and safety of each of your employees, all in compliance with applicable Laws.

Environment

You shall commit to managing your operations in compliance, at a minimum, with applicable Laws, including environmental Laws, pursuing environmentally responsible business practices and seeking continuous improvement in your environmental performance.

You shall seek to use natural resources in an economically, socially and environmentally sustainable way, and to implement solutions to reduce energy and water consumption and minimize all forms of waste, as well as seeking ways to reduce your GHG emissions.

Consideration for the environment shall govern your actions when planning and overseeing your operations and in any other activities that may have an impact on the environment, all in compliance with applicable Laws.

Protection and use of Corporate Assets and Information

Confidentiality and Safeguard of Privacy

You shall maintain the accuracy, confidentiality, privacy and security of all Confidential Information and shall take the necessary measures to safeguard all such Confidential Information. You shall not use, for your own benefit or the benefit of anyone else, nor disclose to anyone, any Confidential Information, unless you obtain Saputo's express prior written consent.

Confidential Information

This means any information that is confidential or proprietary to Saputo or to any third party having disclosed information to Saputo. The following are examples of Confidential Information: sales and price policies; business-sensitive information on customers, suppliers, business partners and third parties; any personal or other information about an identifiable individual, including any employee; Saputo strategies and other information, including potential acquisitions, innovative or upcoming projects, financial information, systems and processes, trade secrets, know-how and technology, and information relating to facilities and equipment, including layout and photos and videos.

Corporate Image

Saputo has built a reputation for the quality of its products and services and we are committed to maintaining our credibility, image and reputation among our business partners and the general public. Therefore, you shall not make, publish or otherwise communicate any disparaging or derogatory statement concerning Saputo, its directors, officers and employees. You are also prohibited from using or referring to the Saputo name and/or visual corporate identity, including our logo, in any manner whatsoever, including, without limitation, in any advertising, website, corporate document or written or oral public communications, without our express prior written consent.

8.2 Saputo Supplier Code of Conduct *continued*



Subcontracting

You shall not use third-party contractors or any other person or entity for the performance of the obligations you undertake towards Saputo, including, without limitation, the manufacture and/or supply of products or services for/to Saputo, without our express prior written consent.

In situations where said prior written consent is given by Saputo, it is your responsibility to ensure that the approved third-party contractors comply with requirements, standards and principles that are, at a minimum, materially the same as those set forth in this Supplier Code of Conduct.

Animal Welfare

If you are a dairy or meat product supplier to Saputo, you must comply with the provisions of our [Animal Welfare Policy](#) (available for review at www.saputo.com), as amended from time to time by Saputo in our sole discretion.

Monitoring and Enforcement

Audit/Inspection

Saputo reserves the right to investigate and audit at any time your compliance with this Supplier Code of Conduct. In this regard, you shall assist with any such investigation and audit and provide access to any information reasonably requested. If remediation is required, you shall implement a corrective action plan and timeline to effectively and promptly resolve the non-conformity.

Reporting

You are responsible for the prompt reporting of actual or suspected violations of this Supplier Code of Conduct, including any applicable Laws, to our internal auditors at the following email address: internal.audit@saputo.com. This includes violations by any employee, agent or third-party contractor acting on behalf of either you or Saputo. Such reporting will remain confidential.

8.2 Saputo Supplier Code of Conduct *continued*



Breach Protocol

We recognize that our suppliers are independent businesses and the exclusive employers of their employees. Yet, the actions of our business partners can impact on our reputation and the level of trust we have earned from customers, consumers and other stakeholders. We also recognize that some of our suppliers operate in different legal and cultural environments throughout the world. With this in mind, we have defined a list of issues for which we have zero tolerance and which applies universally across all our supply chain.

We have **ZERO TOLERANCE** for:

- Child labour
- Forced labour
- An environment that incites or encourages any form of coercion and harassment
- Any major health and safety deficiency posing immediate danger to life or risk of serious injury
- Any major environmental deficiency posing serious and immediate harm to the environment or the community
- Any form of animal cruelty
- Any form of bribery

Protocol

Saputo has established a protocol to address situations when presented with credible evidence of a breach of any of the issues listed above:

- Saputo will immediately suspend receiving goods and/or services from the supplier at which, based on the available facts and when viewed in light of surrounding circumstances, Saputo reasonably believes there was a breach.
- Saputo will continue to suspend receiving goods and/or services from the supplier while the allegations are investigated and validated by the appropriate authorities and/or independent third-party experts.
- Saputo will further suspend receiving goods and/or services if the investigation concludes that there has been a breach, and will not resume reception of goods and/or services until the Reinstatement Criteria have been met by the supplier.

Reinstatement criteria

Saputo will not reinstate receiving goods and/or services from the supplier until it is satisfied that the following re-integration steps have been followed:

- Immediate action has been taken to appropriately address the breach.
- An audit by a third-party expert has been conducted and a corrective action plan, acceptable to Saputo and agreed upon in writing by the supplier, has been created. The plan would identify deficiencies and outline the steps necessary to address the deficiencies. The plan would also include a clear timeline to correct the deficiencies with follow-up audits to re-evaluate the implementation of the corrective actions identified.
- Failure to implement the actions identified in the corrective action plan to address deficiencies in a timely manner may result in further suspension and/or permanent termination of the supplier relationships by Saputo.



8.3 Saputo Complaints Handling Procedure

1. Objective

The objective of this Procedure is to detail the process for dealing with complaints by a party to a Milk Supply Agreement.

This Procedure is intended to ensure that SDA handles complaints from a supplier fairly, efficiently and effectively, and in accordance with the requirements of the Dairy Code.

2. Definitions

Term	Definition
Complaint Handling Officer	The SDA employee appointed to this role from time to time, who is responsible for managing complaints in accordance with this Procedure.
SDA or we, us, our	Saputo Dairy Australia Pty Ltd ABN 52 166 135 486.
Complainant or you	The person making the complaint.
Dairy Code	The <i>Competition and Consumer (Industry Codes – Dairy) Regulations 2019</i> .
Milk Supply Agreement	The written agreement for the supply of milk between the Supplier and SDA.
Procedure	This complaints handling procedure.

3. Procedure

3.1 Scope

This Procedure applies to any complaints or disputes arising under a Milk Supply Agreement.

3.2 How to make a complaint under this Procedure

If you wish to have a complaint in connection with your Milk Supply Agreement dealt with in accordance with this Procedure, you must notify us, in writing, of the following:

- (a) the nature of the complaint (in sufficient detail so that we may consider your complaint);
- (b) that you require your complaint to be dealt with in accordance with this Procedure; and
- (c) the outcome you are seeking.

Complaints can be made by contacting the Complaints Handling Officer by:

- (a) email: sda.supplier.complaints@saputo.com
- (b) post: Saputo Dairy Australia, Freshwater Place, Level 15, 2 Southbank Blvd, Southbank, VIC, 3006, marked to the attention of the Complaints Handling Officer.

Complaints must be made in writing in order to be considered under this Procedure. Verbal (including in-person or by telephone) complaints will not be handled in accordance with this Procedure unless subsequently put in writing.

This Procedure is intended to apply only between the parties to a current Milk Supply Agreement. Any complaints of a general nature or not related to your Milk Supply Agreement will be dealt with separately and not under this Procedure.



8.3 Saputo Complaints Handling Procedure continued

3.3 How we will handle your complaint

All complaints will be dealt with in strict confidence.

Within 5 working days after receiving your written complaint, we will send you a written notice stating:

- (a) that your complaint has been received; and
- (b) our proposed next steps to deal with the complaint. This may include us letting you know that we need more time to investigate the complaint.

You may, at any time, withdraw your complaint by notice in writing to us. A notice under this clause may be given by post or email.

3.4 Our response and potential actions

We will address your complaint with integrity and in an equitable, objective and unbiased manner, and we will decide what action is appropriate in the circumstances. The action to be taken will largely depend on the nature of the complaint. We will endeavour to match our response to the nature of your complaint and your desired outcome, but this may not always be possible.

Some of the actions that SDA may take include:

- (a) conduct an initial assessment of the complaint;
- (b) confirm whether the issue relates to your Milk Supply Agreement;
- (c) request a meeting (or series of meetings) with you, which may include your local Field Services Advisor (if appropriate) or another SDA employee and any persons the subject of the complaint, to discuss the matter reasonably and in good faith;
- (d) request that you provide further information so that we may better assess your complaint;
- (e) take steps to rectify the problem or issue that you have raised, if reasonable and possible;
- (f) provide additional information, advice, explanation or further context to you so that you understand what happened or how SDA has dealt with it; or
- (g) take steps to change processes, procedures or policies if you identify an issue with SDA's conduct.

Any action taken will be tailored to the specific circumstances of your complaint.

We will advise you as soon as possible if SDA has any delays in responding to you and the reasons for that delay.



8.3 Saputo Complaints Handling Procedure continued

3.5 If you are not satisfied with the resolution

If you are not satisfied with the actions taken in respect of your complaint or its resolution, you can request that the Complaints Handling Officer escalate your complaint.

The Complaints Handling Officer will determine, at their discretion, whether your escalation request will be accepted.

Any complaint which the Complaints Handling Officer considers (acting reasonably) is trivial, frivolous or vexatious will not be escalated.

If your complaint is escalated, it will be received and considered by the General Manager – Field Services and Milk Supply and/or the Director – Supplier Relations, depending on the availability of personnel and the seriousness of the complaint.

In considering an escalated complaint, the General Manager – Field Services and Milk Supply and/or the Director – Supplier Relations may:

- (a) uphold the previous actions or decision made;
- (b) suggest a new course of action or resolution; or
- (c) consult with and/or request the assistance of other SDA employees in resolving the escalated complaint, including the Director – Finance, Director – HR, or General Manager, Legal.

If you receive a refusal to escalate or you remain unhappy with the escalated resolution, you may apply to have the matter resolved by mediation, in accordance with section 3.7 of this Procedure.

3.6 Managing unreasonable conduct by Complainants

Your complaint must relate to, or have a reasonable connection with, your Milk Supply Agreement. The Complaints Handling Officer is not empowered to deal with complaints which have no connection to your Milk Supply Agreement.

We are committed to assisting you with your complaint, however, our ability to resolve your complaint depends on:

- (a) the provision of adequate and sufficient information for us to assess your complaint; and
- (b) both parties acting reasonably and respectfully in our dealings with each other. We will not tolerate any behaviour which compromises the physical or mental health, safety and security of our Complaints Handling Officer or any of our employees.

If your complaint contains abusive or offensive language, we may notify you that we will not deal with your complaint unless you wish to re-submit your complaint in a respectful and reasonable manner.



8.3 Saputo Complaints Handling Procedure continued

3.7 Mediation

If your complaint is not resolved to your satisfaction within 60 days after the notice was given to you under section 3.2 of this Procedure, you may take action to have the complaint resolved by mediation.

To avoid doubt, we may also request a mediation after the expiration of the 60 day period if we determine (acting reasonably) that there is no further merit in attempting to resolve the complaint as between us and you.

3.7.1 Appointment of mediator

The party requesting the mediation must request the mediation adviser, who is the current appointment of the Agriculture Minister, to appoint a mediator for the dispute.

The mediation adviser:

- (a) will appoint a mediator within 14 days after receiving the request unless the mediation adviser is satisfied that the complaint giving rise to the dispute:
 - (i) is frivolous or vexatious; or
 - (ii) has previously been the subject of another mediation; and
- (b) must give the parties to the dispute, in writing, details of the mediator appointed.

3.7.2 Conduct and costs of mediation

The mediation will be conducted in accordance with clauses 48, 49 and 50 of the Dairy Code.

Please note in accordance with clause 50 of the Dairy Code, the costs of mediation will be split between us and you.







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Saputo Dairy Australia Pty Ltd
ABN 52 166 135 486