



MILK SUPPLY AGREEMENT & SUPPLIER HANDBOOK

NSW – Sydney Milk Region 2020/21



MILK SUPPLY AGREEMENT

NSW – Sydney Milk Region 2020/21

Saputo Dairy Australia Milk Supply Agreement (NSW – Sydney Milk Region)

This 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

This MSA applies to your supply of Milk to us during the 2020/2021 Milk Year which commences on and from 1 July 2020.

Your actual Supply Period may be shorter than this period. If you start supplying us after 1 July 2020, the start date of your Supply Period will be the date we first pick-up your Milk.

You do not need to sign this MSA. You and SDA are deemed to have agreed the terms of this MSA on the date we first pick-up your Milk.

2

End Date

30 June 2021, unless terminated earlier in accordance with this MSA.

3

Cooling-off Period

This MSA is subject to a 14 day cooling-off period.

- If your Supply Period commenced on 1 July 2020, the end date for your cooling off period is: 15 July 2020.
- If your Supply Period commenced on any date after 1 July 2020, the end date for your cooling off period is: 14 days after the date we first picked up your Milk.

During the Cooling-off Period, you may terminate this MSA without any liability by providing us with written notice by no later than 5pm on the last day of the Cooling-off Period.

4

Non-exclusive

This MSA is non-exclusive.

You may supply any of your Milk to other parties during the Supply Period.

If at any time during the Supply Period you intend to supply one or more other processors *at the same time* 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.

If at any time during the Supply Period you wish to *temporarily cease* supply to us and supply to another processor (before returning to us at some stage during the Supply Period) or *permanently* 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 Rate Table

The minimum price that you will receive per kilogram of fat and protein in each month during the 2020/21 Milk Year, for the supply of Premium quality milk, is set out below:

Month	\$ per Kg butterfat	\$ per Kg Protein
July	5.90	11.80
August	5.68	11.36
September	5.45	10.90
October	5.45	10.90
November	5.45	10.90
December	5.68	11.36
January	5.90	11.80
February	6.13	12.26
March	6.35	12.70
April	6.35	12.70
May	6.35	12.70
June	6.13	12.26

6

Statement of justification for minimum price

SDA's minimum price has been determined based on an assessment of the expected dairy market and general business conditions for the 2020/21 Milk Year.

Factors which SDA consider in setting the minimum price include (in no particular order):

- one pricing offer for all suppliers in the NSW – Sydney Milk Region;
- anticipated milk intake volumes and processing capacity;
- strong competition for milk and NSW market characteristics;
- evaluation of expected dairy market conditions, including:
 - domestic dairy market conditions in the channels in which we operate (e.g. retail grocery, food service and route); and
 - export dairy market conditions, considering variable market factors (e.g. global commodity prices and exchange rates);
- producing an optimal product mix, given SDA's manufacturing footprint;
- manufacturing costs, including operating and overhead costs; and
- providing certainty to our supplier base - we have committed to no prospective step-downs in any circumstances.

7. Milk payment options

You can apply to have your milk proceeds paid:

- 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.

Refer Chapter 5 of the Supplier Handbook (attached as Schedule 1 to this MSA).

Your total, aggregate monthly payment is comprised of the Minimum Price *less* any quality deductions *plus* any other payments (less quality deductions) and is calculated as follows:

Minimum Price	As set out above. This is the Minimum Price that we are obliged to pay per month under this MSA if you supply Premium quality Milk.
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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.
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Other charges	Volume charges apply to the collection of Milk, depending on your collection zone. Refer clause 7.1 of the General Terms below. SDA may charge daily collection charges and minimum collection charges in certain circumstances. Refer clauses 7.1 and 7.2(3) of the General Terms below.
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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 clause 4.3 of the General Terms below.
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Additional Payments	Your Minimum Price may be increased by: <ul style="list-style-type: none">• Productivity Payment (refer Chapter 5 of the Supplier Handbook)• Milk quality bonus (refer Chapter 5 of the Supplier Handbook). Any additional payment may be reduced if you do not supply Premium quality milk.
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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 NSW – Sydney Milk Region. Refer clause 5.1 of the General Terms below.
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C. OTHER KEY TERMS

8. Supplier Handbook

SDA's Supplier Handbook 2020/21 NSW – Sydney Milk Region, which is attached as Schedule 1 to this MSA, contains important information relating to your supply of Milk.

The terms of the Supplier Handbook are expressly incorporated, and form part of, this MSA.

9. Application – NSW – Sydney Milk Region

This MSA applies to the NSW – Sydney Milk Region only.

The NSW – Sydney Milk Region is the dairy regions in the Sydney area, Southern Highlands, South Coast, Hunter Valley, Manning Valley, Central West, Tamworth, Dubbo and Comboyne.

10. 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 800 litres, per collection. Charges may apply if three consecutive collections occur below 800 litres (refer Chapter 5 of the Supplier Handbook, attached as Schedule 1 to this MSA).

11. Milk Quality

Chapter 4 of the Supplier Handbook (attached as Schedule 1 to this MSA) contains SDA's quality requirements, including sampling procedures and volume accuracy assurances.

12. Complaints and Disputes

SDA takes your complaints seriously. Our internal complaints handling procedure is set out in Chapter 8 of the Supplier Handbook (attached as Schedule 1 to this MSA). Any disputes under this MSA will be dealt with in accordance with this procedure.

13. 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.

D. DOCUMENTS FORMING PART OF THIS MSA

14. Components

This MSA comprises:

- this Key Terms document, inclusive of the General Terms set out below; and
- Schedule 1 – SDA's Supplier Handbook for the NSW – Sydney Milk Region 2020/21.

If there are any inconsistencies between the above documents, the terms set out in the higher listed document will prevail.

Saputo Dairy Australia Milk Supply Agreement (NSW – Sydney Milk Region) *continued*

GENERAL TERMS

I 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' 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 Sydney, Australia.
Farm	the farm(s) identified in the I&I Form.
I&I Form	in relation to a Farm, the Supplier's information and instruction form.
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 2020 to 30 June 2021.
Relevant Standards	SDA's standards or policies applicable to the supply of Milk, being: <ul style="list-style-type: none">• Chapter 4 (Milk Quality Standard) of the Supplier Handbook;• Chapter 7 (Milk Collection and On-Farm Requirements) of the Supplier Handbook;• Saputo Animal Welfare Policy (refer Chapter 8 of the Supplier Handbook, attached as Schedule 1 to this MSA); and• Saputo Supplier Code of Conduct (refer Chapter 8 of the Supplier Handbook, attached as Schedule 1 to this MSA).
Supplier	the person or entity described in the I&I Form.
Supplier Handbook	the Saputo Dairy Australia Supplier Handbook 2020/21 NSW – Sydney Milk Region, attached as Schedule 1 to this MSA.
Supply Period	the period specified in the Key Terms.

2 Term

The term of this MSA is for a maximum of one year, commencing on the date set out in the Key Terms and ending on 30 June 2021, unless terminated earlier.

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 clause 4.3. The Minimum Price will always be the minimum price payable for premium quality Milk supplied during the Supply Period.

4.2 Discounts to 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 Standard) and Chapter 5 (Milk Payment System) of the Supplier Handbook;
- (2) any applicable collection charges (refer clauses 7.1 and 7.2(3)).

4.3 Increases to the Minimum Price

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

Additional Payments

- (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 share farming 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.

Step-ups and back-pay

- (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.

4.3 Increases to the Minimum Price continued

- (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 Standard) 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

5.1 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 5 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 NSW – Sydney 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

6.1 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 have nominated.
- (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.

7 Collection and Testing

7.1 Volume charge

Volume charges apply to the collection of milk from the three collection zones in the NSW – Sydney Milk Region, with each zone having two rates as follows:

Zone	Cents per Litre	
	B-double	Tri-axle
Inner Zone Sydney area; Southern Highlands; South Coast	0	0.2
Main Zone Hunter Valley; Manning Valley	1.0	1.2
Outer Zone Central West; Tamworth; Dubbo; Comboyne	2.0	2.2

7.2 Daily or alternate collection and charges

- (1) We will collect Milk from the Farm on a daily or alternate day basis and will provide reasonable prior notice of any change from daily collection or alternate day collection.
- (2) The litres of Milk collected will be measured by flowmeter fitted to the milk tanker.
- (3) No collection charge will be incurred for the first daily collection of Milk, however second and subsequent daily collections from the same Farm will incur a collection charge of \$50 (unless the second or subsequent daily collections were solely due to our operational decisions).

7.3 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.

7.4 Circumstances where we can refuse to collect your Milk

- (1) We may refuse to collect Milk from the Farm for any 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 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 7.4.

Saputo Dairy Australia Milk Supply Agreement (NSW – Sydney Milk Region) *continued*

7.5 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 above 5°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 7.5(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 Chapter 4 (Milk Quality Standard) 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 the MSA.

9 Quality assurance

If the Milk does not comply with Law or the Relevant Standards, or the Supplier or Farm does not comply with the terms of this MSA (including, for the avoidance of doubt, the Supplier Handbook), then without limiting our rights and remedies (including our right to terminate this MSA under clause 15.1):

- (1) we may temporarily suspend collection of your Milk by notice to you;
- (2) on our request, you must prepare an improvement plan which sets out how you will make improvements and submit the plan for our review and approval; and
- (3) upon our approval of the improvement plan, you must implement and carry out the plan in accordance with its terms.

10 Compliance

- (1) Each of SDA and the Supplier must comply with the Law in performing any obligations under the 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 the New South Wales Food Authority).
- (4) You must promptly notify us if you have any reasonable basis to suspect that any Milk may not comply with the Law or the Relevant Standards.
- (5) 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 the 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 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 the MSA;
 - (c) SDA will issue tax invoices in the form of recipient-created tax invoices in respect of the Milk supplied to it under the MSA; and
 - (d) SDA may issue an adjustment note in relation to GST adjustment events, where applicable.

14 Confidentiality

The terms of this MSA, and all confidential or commercial information relating to the subject matter of the supply arrangement is confidential to the disclosing party (**Confidential Information**) and must not be disclosed by either party unless required by law or a stock exchange, or if the disclosure is to their legal or other professional advisers. This obligation does not apply to Confidential Information already in the public domain (other than as a breach of this agreement).

15 Termination

15.1 Termination by Supplier

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 breached any obligation under this MSA, and:

- (1) you have provided us with written notice setting out details of the breach and requiring the breach to be remedied; and
- (2) SDA has failed to remedy the breach within 20 Business Days of the date on which the notice of breach was delivered to us.

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 breach of this MSA includes (but is not limited to):

- (1) a breach of clause 10(1), clause 10(3), clause 10(5) or clause 11(1);
- (2) a breach of the Saputo Animal Welfare Policy by injuring or mistreating any animals;
- (3) 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 Chapter 4 of the Supplier Handbook);
- (4) consecutive failures to meet the minimum Milk composition standards (refer to Chapter 5.4 of the Supplier Handbook); or
- (5) a serious safety hazard has been identified 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.

16 Consequences of termination

- (1) At the expiration or termination of the MSA, all amounts owing by one party to the other pursuant to the MSA become immediately due and payable in accordance with this MSA.
- (2) Clauses 7.4, 12, 14, 16 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 the 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 the 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, our email address is supplierservices@saputo.com; and facsimile number is +61 3 9040 5100.
- (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 (including any policies which form part of this MSA).
- (2) We can only unilaterally vary this MSA (including any policies which form part of 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 and the reasons for it.

18.3 Mutual variation

Other than as permitted by clause 18.2, this MSA can 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*.

Saputo Dairy Australia Milk Supply Agreement (NSW – Sydney Milk Region) *continued*

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 by it to the Supplier, against any amount due and payable by the Supplier to SDA or any of our related bodies corporate (whether under the MSA or any other agreements).
- (4) Neither party may assign or otherwise deal with the 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 these Terms is unenforceable, illegal or void, or makes our MSA (or any part of it) with you unenforceable, illegal or void, then that provision is severed and the rest of the 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 New South Wales govern the MSA. The parties submit to the non-exclusive jurisdiction of the courts of New South Wales and of the Commonwealth of Australia.



SCHEDULE I SUPPLIER HANDBOOK

NSW – Sydney Milk Region 2020/21



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.

Our products are sold in several countries under well-known brand names such as *Saputo*, *Alexis de Portneuf*, *Armstrong*, *Cathedral City*, *Clover*, *COON*, *Cracker Barrel*®, *Dairyland*, *DairyStar*, *Devondale*, *Friendship Dairies*, *Frigo Cheese Heads*, *Joyya*, *La Paulina*, *Liddells*, *Milk2Go/Lait's Go*, *Montchevre*, *Murray Goulburn Ingredients*, *Neilson*, *Nutrilaite*, *Scotsburn*®, *South Cape*, *Stella*, *Sungold*, *Tasmanian Heritage*, *Treasure Cave* and *Woolwich Dairy*.

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

*Trademark used under licence.

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.

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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CHAPTER I SAPUTO DAIRY AUSTRALIA

I.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 and produce some of Australia's best known dairy brands including Caboolture, COON, Cracker Barrel®, Devondale, Great Ocean Road, King Island Dairy, Liddells, Mersey Valley, MG Ingredients, Mil Iel, 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



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I.2 Dairy regions and processing plants



SAPUTO DAIRY
AUSTRALIA

Milk collection areas

Victoria
New South Wales
South Australia
Tasmania



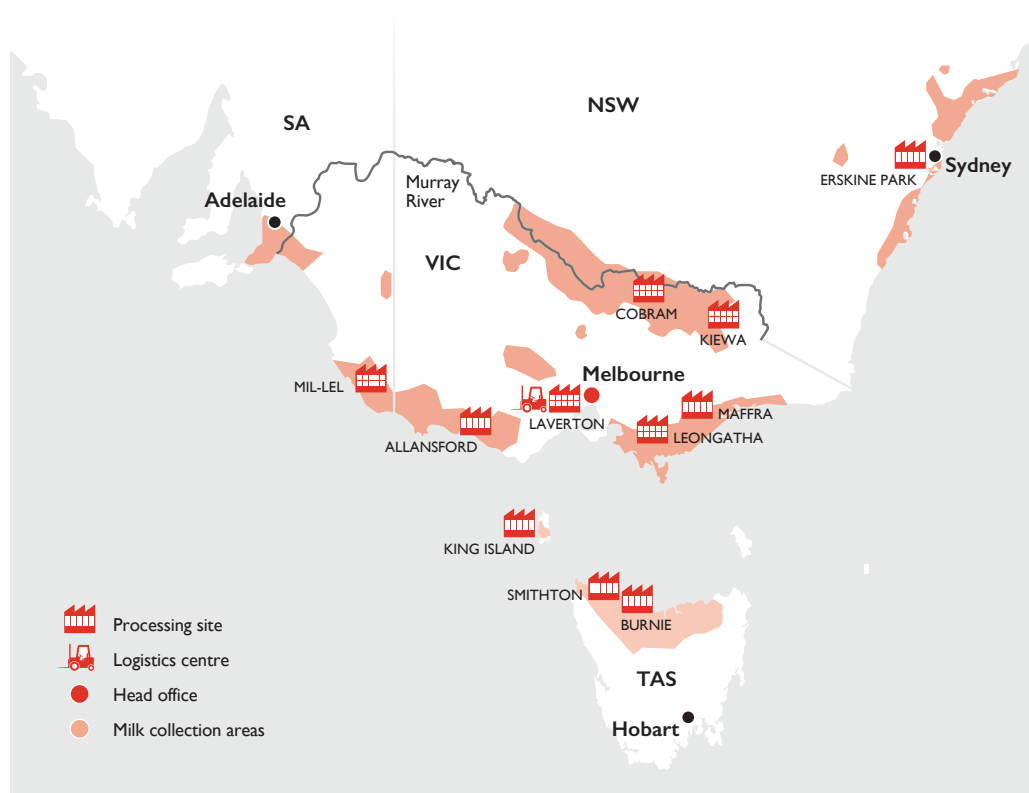
Processing sites

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 the SDA 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 and dairy investment rebates;
- managing the SDA milk quality system and quality assurance audits; and
- milk quality support and quality issue investigation.

2.2 Agribusiness Specialists

Our team of 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 suppliers with access to critical information and tools required to support the productivity and profitability of their 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 website 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 their 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 SDA's 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 (SOL) 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 (SFL) 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 Standard**) 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 \$100,000 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 the 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), palm kernel extract (PKE), hay, straw, almond hulls and a wide range of other manufactured options from selected mills.

Expertise and risk management

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

As an SDA supplier, this provides 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 regarding a feed purchase strategy for their business.

Contact

For any questions regarding our products or to discuss any feed strategy options, please contact SDA Feeds on 1800 643 333 (Freecall).





CHAPTER 3

MG TRADING

3.1 MG Trading service offering

MG Trading provides our suppliers and other rural customers with one of the largest ranges of competitively priced farm inputs and on-farm services to help farm businesses operate more effectively and efficiently.

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

3.2 MG Trading locations

MG Trading has 25 stores and seven fertiliser depots servicing most of the South-East Australian dairy region.



3.2 MG Trading locations *continued*

3



MG TRADING

Contacts

Location	Address	Phone/Fax	Email
MG TRADING HEAD OFFICE			
MELBOURNE	Level 15, Freshwater Place, 2 Southbank Blvd, Southbank VIC 3006	P: 03 9040 5000 F: 03 9040 5104	mgtrading.head.office@saputo.com
TRADING STORES			
COBRAM	93 Broadway St Cobram VIC 3644	P: 03 5872 2955 F: 03 5872 2731	mgtrading.cobram@saputo.com
COHUNA	40 Western Rd Cohuna VIC 3568	P: 03 5456 2802 F: 03 5456 2998	mgtrading.cohuna@saputo.com
COLAC	526 Princes Hwy Colac VIC 3250	P: 03 5231 2455 F: 03 5231 3721	mgtrading.colac@saputo.com
CORRYONG	989 Murray Valley Hwy Corryong VIC 3707	P: 02 6076 1288 F: 02 6076 1556	mgtrading.corryong@saputo.com
DELORAINÉ	2 Racecourse Rd Deloraine TAS 7304	P: 03 6362 3099	mgtrading.deloraine@saputo.com
DUMBALK	Farmers Rd Dumbalk VIC 3956	P: 03 5664 4202 F: 03 5664 4351	mgtrading.dumbalk@saputo.com
ESKDALE	3764 Omeo Highway Eskdale VIC 3701	P: 02 6072 0303 F: 02 6072 0028	mgtrading.eskdale@saputo.com
FINLEY	29 Tongs St Finley NSW 2713	P: 03 5883 1692 F: 03 5883 3055	mgtrading.finley@saputo.com
FOSTER	12 Lower Franklin Rd Foster VIC 3960	P: 03 5682 2011 F: 03 5682 1011	mgtrading.foster@saputo.com
HEYWOOD	1777 Princes Hwy Heywood VIC 3304	P: 03 5527 1606	mgtrading.heywood@saputo.com
KIEWA	19 Kiewa East Rd Kiewa VIC 3691	P: 02 6027 3233 F: 02 6027 3176	mgtrading.kiewa@saputo.com
KOROIT	96–98 Commercial Rd Koroit VIC 3282	P: 03 5565 8643 F: 03 5565 8972	mgtrading.koroit@saputo.com
KORUMBURRA	40 Princes St Korumburra VIC 3950	P: 03 5655 1166 F: 03 5655 2900	mgtrading.korumburra@saputo.com
LEONGATHA	1 Cusack Rd Leongatha VIC 3953	P: 03 5662 2308 F: 03 5662 4309	mgtrading.leongatha@saputo.com
MAFFRA	Foster St Maffra VIC 3860	P: 03 5147 1994 F: 03 5147 1878	mgtrading.maffra@saputo.com
NUMURKAH	3325 Goulburn Valley Hwy Numurkah VIC 3636	P: 03 5862 1166 F: 03 5862 2186	mgtrading.numurkah@saputo.com
ORBOST	10 B Rd Orbost VIC 3888	P: 03 5154 1589 F: 03 5154 1433	mgtrading.orbost@saputo.com

3.2 MG Trading locations *continued*

Contacts

Location	Address	Phone/Fax	Email
TRADING STORES CONTINUED			
ROCHESTER	Cnr Fraser & Moore St Rochester VIC 3561	P: 03 5484 1005 F: 03 5484 2469	mgtrading.rochester@saputo.com
SIMPSON	2140 Lavers Hill Rd Simpson VIC 3266	P: 03 5594 3307 F: 03 5594 3471	mgtrading.simpson@saputo.com
SMITHTON	23 Nelson Street Smithton TAS 7330	P: 03 6456 2880	mgtrading.smithton@saputo.com
SWAN HILL	113–117 Karinie St Swan Hill VIC 3585	P: 03 5032 1017 F: 03 5033 1729	mgtrading.swanhill@saputo.com
WANGARATTA	6–10 Parfitt Rd Wangaratta VIC 3677	P: 03 5721 9366 F: 03 5721 7536	mgtrading.wangaratta@saputo.com
WARRAGUL	Shop 3, 183 Queen St Warragul VIC 3820	P: 03 5622 0999 F: 03 5622 0466	mgtrading.warragul@saputo.com
WONTHAGGI	19B Inverloch Wonthaggi Rd Wonthaggi VIC 3995	P: 03 5672 1677 F: 03 5672 4044	mgtrading.wonthaggi@saputo.com
YARRAM	39 Commercial Rd Yarram VIC 3971	P: 03 5182 5647 F: 03 5182 6290	mgtrading.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	mgtrading.yarram@saputo.com



CHAPTER 4 MILK QUALITY STANDARD

4.1 Milk quality compliance

This is our milk quality standard which all suppliers must comply with. Our Field Services Advisors, in conjunction with the Regional Milk Quality team, offer assistance to help suppliers maintain compliance with this milk quality standard.

4.2 Milk quality standards

SDA assesses and grades milk quality in accordance with Table 1.

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 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, SDA's milk pricing is based on the supply of premium quality milk. Where milk is not premium quality, discounts apply as set out in Table 7, 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.

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

All milk tankers are tested for inhibitory substances before milk is unloaded into the factory (Section 4.6).

If a milk tanker tests positive for inhibitory substances, then a vat sample from each farm 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.

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

(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.

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 Section 4.15).

4.5 Milk rejection

We may reject your milk if our driver arrives at a supplier's farm and 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 SDA's 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, SDA 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. SDA 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 Section 4.8). Where an inhibitory substance is detected and subsequently confirmed but SDA was not notified in advance of collection:

- SDA 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 Table 1, Section 4.2 and Table 7, 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. SDA may permanently cease collection by written notice to you.





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 SDA's 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 SDA's 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 $>60\mu\text{g}/100\text{g}$ 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 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 their 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

SDA's standards for milk collection temperature are based on our quality and food safety requirements.

When milk is not stored at low temperatures, quality declines quickly due to the growth of bacteria and the accumulation of enzymes. As a result, pumping warm milk into an otherwise cool tanker load of milk can cause rapid deterioration of the entire tanker load, particularly with long travel times. Milk temperature is measured by the tanker flow meter or as determined by the driver at the time.

When SDA sells milk to third-party processors, SDA must deliver the milk at the temperature standard agreed with that third party. If the temperature exceeds the agreed standard, the milk is rejected and redirected at SDA's cost. In the NSW– Sydney Milk Region, this means:

- milk must be 5°C or less at the time of collection; and
- where the temperature of milk is greater than 5°C at the time of collection, a risk assessment will be conducted to decide whether to accept the milk or not.

All milk collections, irrespective of the time of collection and in addition to third-party processor requirements, are subject to a senses test, and potentially an escalated quality assessment.

4.8 Tipped milk

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

To encourage this behaviour, SDA 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 SDA's 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 which 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 Table 1, Section 4.2) for Bactoscan or Thermoduric, SDA will continue testing each subsequent milk consignment 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 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 Table 1, Section 4.2)

SDA 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.

A supplier who supplies more than 60 days of 3rd Grade or 4th Grade Bactoscan or Thermoduric (considered separately) milk across a rolling 12-month period may upon written notice have their milk collection suspended by SDA until the supplier demonstrates their milk production has returned to Premium grade for all quality parameters.

4.10 Bulk Milk Cell Count (BMCC) testing

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. SDA calculates a monthly weighted average by taking into account the total BMCC of the supplier's milk and litres collected, as set out below.

Calculation of the monthly BMCC weighted average

The weighted average is determined 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, Day 1 consignment of 2,000 litres x 240,000 BMCC = 480,000,000;

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

2. The monthly sum of the consignment cell counts 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)

4.11 Impact of export requirements on SDA's raw milk collection

In order to comply with quality standards of many export markets, a 'Rolling Geometric Mean' is the industry standard used to measure BMCC (over three months) and Bactoscan (over two months).

The Rolling Geometric Mean thresholds are contained in Table 4, and are based on Bactoscan or BMCC results in the applicable period. Where farm performance is non-compliant for a sustained period, SDA may suspend collection upon written notice until compliance can be demonstrated.

Table 4: Rolling Geometric Mean

Rolling Geometric Mean Bactoscan (two months)	Must be <464,000
Rolling Geometric Mean BMCC (three months)	Must be <400,000





4.12 Vat breakdown or power failure

If there is a vat breakdown or power failure, the supplier must notify SDA's Inbound Logistics (IBL) Centre and their Field Services Advisor immediately, including after hours, that there has been a Vat Out.

Milk must be cooled to ensure quality is not compromised and that SDA can take immediate steps to rectify the situation. If there is a delay in rectifying vat cooling issues, SDA will assist the supplier to put in place an emergency rectification plan to address the cooling issue within an agreed timeframe. If SDA considers the supplier's rectification plan is not satisfactory, SDA reserves the right to not collect the milk.

If the proposed rectification plan is acceptable to SDA:

- all reasonable efforts will be made to pick-up the milk as soon as possible to minimise both the quality impact to SDA's products and to the supplier's milk quality. SDA will assess every collection using senses testing, as per standard practice;
- the supplier must initiate appropriate vat repairs within two business days of the Vat Out notification; and
- no additional charge will initially be levied for any collections after the Vat Out notification.

Every effort should be made by the supplier to ensure pre-cooling of milk through the plate cooler is as effective as possible. Pre-coolers that deliver milk to the vat at excessive temperatures often result in milk not being cooled to 5°C within 90 minutes of end of milking. This places the relevant farm's collection at risk and is particularly relevant in high ambient temperature zones. Pre-coolers that reduce milk temperature by 15°C or more will reduce the risk of milk rejection if there is a vat failure.

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 Table 1, Section 4.2 and Table 7, Section 5.3) and SDA 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 the supplier on the same day the sample has been tested. This information can be accessed via a number of methods including tanker docket (where available), Milkroom, text and email.

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

4.16 SDA Quality Solutions programs

To assist suppliers 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 a supplier.

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

Suppliers are encouraged to contact their local Field Services Advisor if they 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.

SDA pays 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. SDA 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 SDA announces 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.

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

Milk price commitment

SDA is committed to paying a market-competitive milk price and will pay at least an equivalent price to the average price of the largest two milk processors in the NSW – Sydney Milk Region.

This milk price commitment is available to all suppliers who supply milk during the Milk Year.

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

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 6) if they supply only premium quality milk across an entire month. The Milk Quality Bonus will be payable on top of the current milk price.

Table 6: 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 payable by SDA will be discounted, as follows:

Table 7: 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 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 Table 7). 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 Standard) for full details regarding milk quality grading and testing requirements.



5.4 Minimum milk composition

SDA has minimum composition standards for milk supplied from the NSW – Sydney Milk Region. Milk supplied across an entire month must have a minimum average composition of 3.2 percent butterfat and 2.9 percent protein.

Where the milk supplied in a month (or consecutive months) does not meet either of these minimum composition standards, monthly discounts may apply to the milk price payable by SDA for the milk supplied (refer Table 8).

SDA may permanently cease collection on any farm that supplies four consecutive months of milk which do not satisfy the minimum composition standards.

Table 8: Discounts for not meeting minimum milk composition

Minimum butterfat composition	Minimum protein composition	Months below minimum standards (consecutive)	Monthly discount (to milk price)
3.2%	2.9%	1 (warning letter and action plan)	0%
		2	-5%
		3	-10%
		4 and/or cessation of collection	-20%

Discounts under this Section 5.4 are cumulative with any applicable milk quality discounts and subject to the 50 percent discount cap per consignment (refer Section 4.3 and Section 5.3 of this Handbook).

5.5 Transport charges

Volume charge

Volume charges apply to the collection of milk from SDA's three collection zones in the NSW – Sydney Milk Region, with each zone having two rates as detailed in Table 9.

Table 9: Volume charge rates (cents per litre)

Zone	B-double	Tri-axle
Inner Zone Sydney area; Southern Highlands; South Coast	—	0.2
Main Zone Hunter Valley; Manning Valley	1.0	1.2
Outer Zone Central West; Tamworth; Dubbo; Comboyne	2.0	2.2

5.5 Transport charges *continued*

Collection charge

SDA does not apply a first daily collection charge. Second and subsequent daily collections from the same farm 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 a supplier makes changes to vat capacity, they must notify their 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 2021. 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 800 litres. Where three consecutive collections occur below 800 litres, suppliers will be charged \$50 per subsequent collection under 800 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.

5.6 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.

New South Wales

www.foodauthority.nsw.gov.au

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

SDA is 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, suppliers demonstrate to regulators and SDA 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
- 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.

SDA encourages 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 the phase out 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. These include the practice of tail docking cattle and the use of pain control when dehorning or disbudding cattle. 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.

6.4 Position on genetic modification

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

SDA will not accept milk which contains any GM material.

6.5 Supplier conduct

At Saputo, 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 SDA's 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 risk to their health and safety.

7.2 On-farm safety

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

SDA is committed to ensuring compliance with Chain of Responsibility laws, and is equally committed to supporting our suppliers to meet their safety needs and requirements, as well as improving their 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 now 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 SDA employees;
- inspect and discuss hazards that may have been identified at these premises;
- undertake repairs to the track, fence or dairy caused by SDA 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 that is 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.

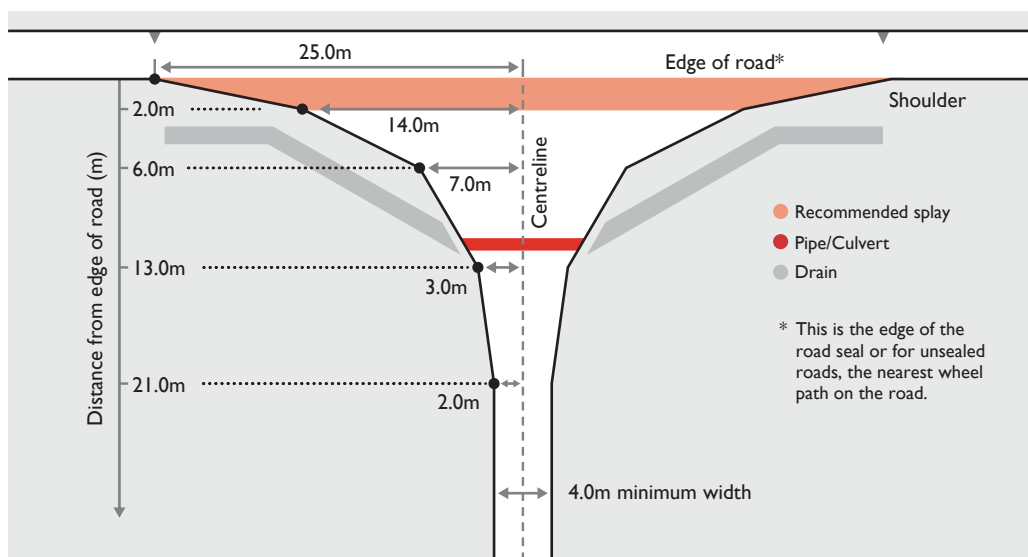
7.5 Access track design

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. SDA may also request that existing entrances be upgraded if issues relating to safety are identified.

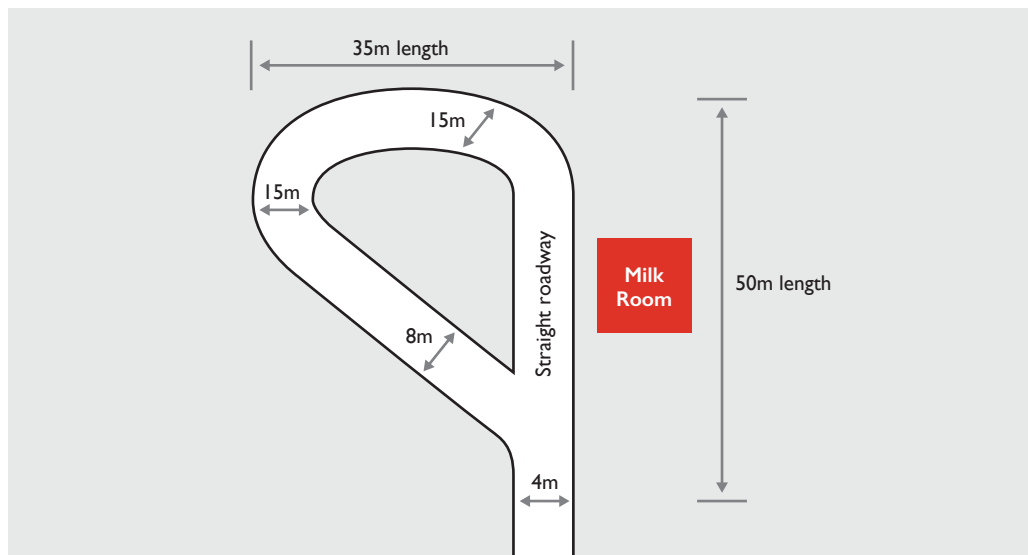
7.5 Access track design continued

7

Standard turning circle

SDA recommends 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, SDA recommends that the extent to which 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 turn around, SDA recommends 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.



MILK COLLECTION AND
ON-FARM REQUIREMENTS

Private bridges

SDA understands 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, SDA 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

SDA understands 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 SDA's 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 SDA 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 SDA 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, including the following:

- in New South Wales, the Code of Practice Electricity transmission and distribution asset management.

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





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 SDA) must 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 SDA staff 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 SDA of such materials within the vat room;
- report to SDA 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, SDA may choose to cease collection until a suitable control measure has been agreed and implemented.

SDA understands 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, the supplier should contact their local Field Services Advisor for specific assistance with on-farm Inbound Logistics and access issues.





CHAPTER 8

SDA POLICIES

8.1 Saputo Animal Welfare Policy

Saputo reinforces its commitment to bringing industry leaders and dairy farmers 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 animal care and appropriate dairy cattle and goat 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 and veterinary care are essential for the health and well-being of dairy cattle and goats.

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 dairy cattle and goat 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 milk receiving from the farm until it is satisfied that specific **Reinstatement Criteria** have been met.

We expect all milk producers to comply with recognized standards for the care and handling of dairy cattle and goats. Producer compliance with industry standards/Codes of Practice must be validated by a third-party animal welfare audit in order to meet expectations of industry, customers and consumers.

Industry Standards or Codes of Practice refer to either a regulatory requirement or an industry imposed expectation that outline acceptable dairy cattle and goat care and handling practices. Compliance with such requirements validates that dairy farms that supply Saputo with milk are addressing key dairy cattle and goat welfare issues.

Saputo seeks commitment from its suppliers to eliminate or modify routine Management Practices that are unnecessary or cause pain, specifically:

- The practice of tail docking dairy cattle must be eliminated.
- The use of pain control when dehorning or disbudding cattle or goats must become a minimum industry standard.

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.

- Animal care Code of Conduct templates have been developed to assist producers in developing their own.
- Appropriate training of all dairy cattle and goat handlers using a recognized low-stress ('quiet') animal handling training program that includes care of non-ambulatory and compromised dairy cattle and goats is key to ensuring that animals receive the best care possible.

Saputo is committed to supporting initiatives and programs that promote communication, awareness and training opportunities for dairy production welfare issues.

Saputo supports training initiatives and workshops in low-stress ('quiet') dairy cattle and goat handling training for producers in partnership with recognized experts in the field of animal handling and welfare.

We will demonstrate leadership in pursuing the universal adoption of these animal welfare standards in all of the jurisdictions where we have operations.



8.1 Saputo Animal Welfare Policy *continued*

Our efforts will be directed at all dairy industry stakeholders, including milk cooperatives and marketing Boards. Immediate focus will be placed on achieving these objectives in the shortest time period possible.

Ensuring that these standards, which are based on sound scientific evidence, are met is a top priority for Saputo and we expect all of our suppliers to be industry leaders in this respect.

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 milk receiving from a farm at which, based on the available facts and when viewed in light of surrounding circumstances, it reasonably believes an animal was abused or neglected.
- Saputo will continue to suspend milk receiving while the allegations are investigated and validated by the appropriate animal protection authorities and/or independent third-party experts.
- Saputo will further suspend milk receiving if the investigation concludes that there has been mistreatment and/or neglect of animals, and will not resume it until the Reinstatement Criteria have been met.

Industry Standards and Codes of Practice

Producer compliance with industry standards/Codes of Practice must be validated by third-party auditors in order to meet expectations of industry, customers and consumers.

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 Dairy Cattle.
Canadian Agri-Food Research Council (CARC) Recommended code of practice for the care and handling of farm animals – Goats.
- United States of America: National Milk Producers Federation – National Farmers Assuring Responsible Management (FARM) Program.

Saputo is engaged with the appropriate authorities in all jurisdictions where the Company has operations to ensure recognized industry standards/Codes of Practice are updated, and to advocate for them to become minimum industry standards.

8.1 Saputo Animal Welfare Policy *continued*

Reinstatement Criteria

Saputo will not reinstate milk receiving from the farm until it is satisfied that the following re-integration steps have been followed:

- Immediate action has been taken to appropriately address dairy cattle and goat handlers found to have engaged in mistreatment or neglect of animals.
- An on-farm welfare audit by a third-party veterinary expert has been conducted to evaluate producer compliance with recognized standards/Codes of Practice for care and handling of dairy cattle and goats.
- 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 would include a clear timeline to correct the deficiencies with follow-up audits to re-evaluate the implementation of the corrective actions identified. This may include retraining of dairy cattle and goat handlers on proper animal handling using a recognized low-stress ('quiet') dairy cattle and goat 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 further suspension and/or permanent termination of milk receiving by Saputo.

Management Practices

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

The practice of tail docking cattle must be eliminated.

The practice of tail docking has been done based on the assumption that this procedure will decrease the risk of udder infections, contribute to cleaner cows and improve the working conditions of those handling dairy cows. Scientific evidence has not identified any differences in udder or leg hygiene, somatic cell count or prevalence of intramammary pathogens that could be attributed to tail docking. Tail docking causes pain or discomfort, and neuroma formation, risk of post-operative infections and loss of ability to control flies are welfare concerns associated with tail docking. 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.

Alternative management practices to avoid dairy cattle handler discomfort can be used such as:

- I. Tail switch trimming
- II. Building stalls and floors that contribute to cow cleanliness
- III. Cleaning stalls and floors frequently to ensure cow cleanliness

The use of pain control when dehorning or disbudding dairy cattle and goats must become a minimum industry standard.

Dairy cattle and goats without horns cause fewer injuries to other animals and humans than horned animals. The practice of dehorning 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 anesthesia and post-operative analgesia. The American Veterinary Medical Association, Canadian Veterinary Medical Association and Australian Veterinary Association recommend the use of pain control for disbudding and dehorning of dairy cattle and goats.





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 company's policies and values. It also acts as a reminder from owner, to management, to staff, about the importance of appropriate animal care. It exists to protect the safety and welfare of handlers and animals. It is a company's and employees' commitment to doing the right thing. It outlines what needs to happen when things go wrong. Every person who handles or comes into contact with an animal must sign a Code of Conduct that clearly indicates the following elements:

- Employers/employees are required to support the core objectives of responsible care and handling.
- Responsible animal care and handling among employees and service providers is strictly enforced.
- When an incident involving possible mistreatment, illness or injury of an animal is reported to an employer, it will 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 dairy cattle and goat 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 dairy cattle and goats receive the best care possible.

Dairy cattle and goats must always be handled with care in a calm, easy manner following a consistent routine. Low-stress ('quiet') handling methods reduce fear, avoid injury, make observation and treatment easier and enhance animal well-being and productivity. Animal handlers must be familiar with cattle and goat behaviour and quiet handling techniques. The use of electric cattle prods must only be used in extreme situations, such as when animal or human safety is at risk, and must never be used on the face, anus or reproductive organs of dairy cattle. Electric prods must never be used on goats. Suppliers must establish procedures to address the care of non-ambulatory and compromised dairy cattle and goats.

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™
- IV. USA: Cowsignals®, Merck Dairy Care365™

Saputo expects its suppliers to implement appropriate dairy cattle and goat handler 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, your interaction with Saputo, including with our employees, officers, directors and agents, as well as our third-party contractors, and your access to our facilities. As a supplier to Saputo, it is your responsibility to disseminate this Supplier Code of Conduct to, as well as educate and exercise diligence in verifying compliance with this Supplier Code of Conduct by, all individuals providing goods and services to Saputo through you. 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.



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*

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.

Protection Against Bribery

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

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 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.

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.

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 utilize 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.



8.2 Saputo Supplier Code of Conduct *continued*

Coercion and Harassment

You shall treat each of your employees and third-party contractors 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 hiring and employment practices on the basis of race, religion, age, nationality, social or ethnic origin, sexual orientation, gender, political opinion, 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.

Health and Safety

You shall maintain a work environment which protects the security, health and 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, in training employees, 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, the whole in compliance with applicable Laws.

Environment

You shall pursue environmentally responsible business practices, including continuous improvement in your environmental performance, which are, at a minimum, always in compliance with all applicable Laws, particularly those relating to the environment.

Protection and use of Corporate Assets and Information

Confidentiality and Safeguard of Privacy

“**Confidential Information**” means any information that is confidential or proprietary to Saputo and any information that a third party has disclosed to Saputo.

You shall maintain the accuracy, confidentiality and privacy 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.

Corporate Image

Saputo has built a reputation for the quality of our products and services and we are committed to maintaining our credibility, image and reputation among our business partners and the general public. Therefore, you are 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*

Protection and use of Corporate Assets and Information *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.

Animal Welfare

If you are a raw milk and/or cream supplier to Saputo, you must comply with the provisions of our Animal Welfare Policy.

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. Where applicable, we also reserve the right to terminate our relationship at our sole discretion should you fail to comply with the provisions of this Supplier Code of Conduct or any requested remedial action plan.

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

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 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 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.

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) the steps to be taken to deal with the complaint, which may include an estimate of the time required 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.



8.3 Saputo Complaints Handling Procedure *continued*

3.4 Our response and potential actions

We will address each complaint with integrity and in an equitable, objective and unbiased manner.

For each complaint, 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 to confirm whether the issue relates to a Milk Supply Agreement and if so, whether such issue is within our control;
- (b) 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;
- (c) request that you provide further information so that we may better assess your complaint;
- (d) take steps to rectify the problem or issue that you have raised, if reasonable and possible;
- (e) provide additional information, advice, explanation or further context to you so that you understand what happened or how SDA has dealt with it; or
- (f) 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.

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 the Head of 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.

8.3 Saputo Complaints Handling Procedure *continued*

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.

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
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