

*Saputo*  
Dairy Australia



**MODERN SLAVERY  
STATEMENT  
2019–20**

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## Introduction

As Australia's largest dairy processor, Saputo Dairy Australia Pty Ltd (ACN 166 135 486) (**SDA**), and its subsidiaries (together, **SDA Group, we, us or our**), place great importance on good corporate citizenship in everything we do. This is at the heart of the *Saputo Promise*, which extends beyond our own practices to those of our suppliers, via our Supplier Code of Conduct.

We care deeply about how our ingredients, packaging, goods and services are sourced, produced or performed, and we expect the same from our suppliers. Across our supply chain, we are committed to ensuring that we and our business partners undertake responsible sourcing and follow ethical business practices.

We welcome the requirements of the *Modern Slavery Act 2018 (Cth)* (the **Act**) and are committed to identifying and mitigating modern slavery risks in our business and across our supply chain.

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## Our structure

This modern slavery statement is a joint statement covering SDA Group, Warrnambool Cheese & Butter Factory Company Holdings Limited (ACN 071 945 232) and Murray Goulburn Trading Pty Limited (ACN 004 515 744) (**Statement**).

This Statement sets out the steps that have been taken during the 12 months ending 31 March 2020 (**Reporting Period**) to identify and address modern slavery risks in our operations and supply chains.

The SDA Group is comprised of SDA (the main operating entity of the SDA Group) and its subsidiaries. SDA Group is a wholly owned subsidiary of Saputo Inc. (**Saputo**), a Canadian public company listed on the Toronto Stock Exchange under the symbol "SAP".

During the Reporting Period, Saputo operated its business through four sectors – the Canada Sector, the USA Sector, the Europe Sector and the International Sector. The International Sector includes the Dairy Division (Australia), which is operated by the SDA Group, and the Dairy Division Argentina.

During the Reporting Period, the SDA Group employed approximately 3,000 people across Australia, China and Japan.

As the operations of the SDA Group subject to this Statement are closely aligned and fall under the same senior management, substantially similar board composition, policies and processes, we have been able to engage with the one senior management team and implement one due diligence process across the entities.

We have also consulted with relevant subject matter experts across the business operations to ensure accurate inputs to, and understandings from, our investigations.

# Our operations and supply chain

## OPERATIONS

The SDA Group's core business is the procurement of raw cow's milk and the production, marketing, distribution and export of a wide range of high-quality dairy products for domestic and international markets including cheese, fluid milk, extended shelf-life milk and cream products, cultured products and dairy ingredients.

Our retail products are sold domestically and in several other countries under well-known brand names such as *Caboolture*, *Cracker Barrel*<sup>1</sup>, *Devondale*, *Great Ocean Road*, *King Island Dairy*, *Liddells*, *Mersey Valley*, *MG Ingredients*, *Mil Iel*, *South Cape*, *Sungold*, *Tasmanian Heritage* and *Warrnambool Heritage*.



1. Cracker Barrel is a registered trademark of Kraft Foods Group Brands LLC, used under licence.



## Our operations and supply chain continued

The SDA Group's head office is located in Melbourne. We operate 11 processing sites across south-eastern Australia and we have one national logistics centre.

In addition to our core business, we also operate:

- 32 retail trading stores and fertilizer depots, through SDA's wholly-owned subsidiary Murray Goulburn Trading Pty Ltd; and
- two specialty cheese retail stores located at Warrnambool and on King Island.

Internationally during the Reporting Period, SDA owned a manufacturing site in Qingdao, China (sold in June 2020) and operated an office in Shanghai, China, which undertakes sales and marketing functions, including for our Devondale retail brand.

The nature of the SDA Group arrangements with its suppliers are outlined below. In addition to suppliers, we also have important relationships with customers and distributors, including large retailers, government departments and authorities (both domestically and internationally), and end retail consumers.

### SUPPLY CHAIN

SDA Group sources a broad range of goods and services across Australia and internationally, from countries including China, Germany, Denmark, USA, Singapore, New Zealand and Sri Lanka. We work with several thousand suppliers.

The main types of goods and services are:

- raw milk sourced from Australian dairy farmers;
- packaging;
- ingredients;
- logistics (truck and ocean freight); and
- office-based support and equipment, including information technology systems and support.

In accordance with our *Code of Ethics and Procurement Policy*, the SDA Group's Procurement team ensures continuous, reliable and high-quality sources of supply that achieve the best overall value and in all circumstances, within the parameters of our *Supplier Code of Conduct* and any relevant legal considerations.



# Risk Assessment

## MODERN SLAVERY RISKS

We have considered the potential for the SDA Group to cause, contribute or be directly linked to, modern slavery through our operations and supply chains.

Following assessment of our operations and supply chains, we consider that the SDA Group is at greater risk of contributing or being directly linked with an incident of modern slavery, rather than directly causing an incident of modern slavery within our own operations.

We view the following as potential risks of modern slavery practices in the SDA Group operations and supply chain:

- operating or maintaining relationships in countries whose political systems, as well as economic and socio-cultural structures, are significantly different from those we are accustomed to in Australia;

- cost pressures or delivery timeframes could have an unintended consequence of influencing suppliers to reduce labour conditions. Areas such as international logistics may be particularly subject to such pressures; and
- the use of unskilled and sometimes temporary labour in areas of high labour intensity and low oversight.

These risks were explored in more detail as part of our modern slavery due diligence process.



# Risk identification, mitigation and remediation

While some aspects of modern slavery risk identification, mitigation and remediation are addressed through our *Supplier Code of Conduct*, a separate work program was undertaken by the SDA Group over the past year to identify, assess and minimise risk areas within our operations and across our supply chains.

## DUE DILIGENCE

The SDA Group conducted a detailed risk assessment of its operations and supply chain for the Reporting Period, which included a review of each of our suppliers to identify and then analyse our highest modern slavery risks.

We utilised the Sedex Ethical Data Platform (**Sedex**) as a tool to review our operational practices. The labour element of SDA Group’s Sedex assessment score was “low risk”.

This was followed by detailed due diligence investigations of our suppliers, where we used Maplecroft (a Sedex partner) to assist us to further refine potential “high risk” suppliers. From this process, approximately two percent of suppliers reviewed were identified as “high risk” suppliers. Further due diligence checks of these suppliers resolved any areas of concern. At the time of writing this report, there were no high-risk suppliers identified.

Ongoing due diligence remains part of our mitigation strategy. We are committed to working in partnership with our suppliers to ensure they at least maintain existing standards, and understand and take ongoing action to mitigate modern slavery risks.

The SDA Group will continue to develop our approach beyond high risk suppliers as part of our ongoing commitment to raise awareness and combat modern slavery across our operations and supply chains.

### Our due diligence process



# Risk identification, mitigation and remediation continued

## SAPUTO PROMISE

The *Saputo Promise* is our commitment to live up to the values on which our business was founded.

It consists of seven Pillars that form the backbone of our approach to social, environmental and economic performance.

The *Saputo Promise* is executed daily by our employees. It applies to all our operations and articulates our expectations of all suppliers and other stakeholders in our supply chain.

We have governance structures in place to ensure we implement, monitor and report on our commitments under the *Saputo Promise* in a transparent and responsible manner.





## Risk identification, mitigation and remediation continued

### GOVERNANCE FRAMEWORK

At SDA Group, we value our reputation for business integrity and strive to preserve the quality of our work environment. Oversight of SDA Group's active approach to identifying risks of modern slavery is embedded in the governance framework of the *Saputo Promise*, which supports our strong focus on business ethics and responsible sourcing.

Saputo's Corporate Responsibility Committee oversees the implementation of the *Saputo Promise* and monitors progress for each of its seven Pillars. The President and COO of SDA Group sits on the Corporate Responsibility Committee, has accountability for, and ownership of, SDA Group's performance, and is supported with respect to the "Responsible Sourcing" Pillar by the Procurement team.

In line with our commitment to continuous improvement, our policies evolve to reflect the changing needs of our customers and the marketplace. We continuously monitor compliance with legislative and regulatory requirements, and review and consider recent developments, leading practices and trends.

### CODE OF ETHICS

**Saputo's *Code of Ethics* guides the everyday conduct of all employees, directors and officers to maintain a high level of business integrity.**

Day-to-day operations are guided by six principles within the *Code of Ethics*:

- act with integrity and behave ethically;
- treat people with respect and without discrimination;
- safeguard the confidentiality of information;
- avoid conflicts of interest;
- respect the organisation; and
- follow the law.

Saputo's *Code of Ethics* includes the strict prohibition on forms of modern slavery such as forced labour and child labour.

We train our employees according to these standards and communicate the importance of behaving ethically.

### SUPPLIER CODE OF CONDUCT

**The SDA Group promotes responsible business practices by working with our suppliers across the supply chain and engaging with them to achieve our objectives.**

The Saputo *Supplier Code of Conduct* sets the minimum standards of business conduct we expect from our suppliers and a commitment to comply with the *Supplier Code of Conduct* is contained in SDA Group's standard supply agreements.

As some of our suppliers also operate in different legal and cultural environments throughout the world, Saputo's *Supplier Code of Conduct* defines a list of zero tolerance issues that apply universally across 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; and
- any form of bribery.

Saputo's *Supplier Code of Conduct* describes monitoring and enforcement processes, as well as protocols for addressing situations when presented with credible evidence of a breach and reinstatement criteria that any suspended supplier is expected to meet.

A mechanism within Saputo's *Supplier Code of Conduct* encourages prompt confidential reporting to internal auditors of any actual or suspected violations by any employee, agent or third-party acting on behalf of either the supplier or us. This document is published on [www.saputo.com](http://www.saputo.com) to ensure it is readily accessible to workers across our supply chains.

When presented with credible evidence of a *Supplier Code of Conduct* breach, we may immediately suspend receiving goods or services from a supplier while allegations are investigated and validated by appropriate authorities and/or independent third-party experts.

## Risk identification, mitigation and remediation continued

Remediation measures that may be taken under the *Supplier Code of Conduct* include:

- investigation, inspection and audit;
- establishment and completion, to the satisfaction of SDA Group, of a time-bound remedial action plan; and
- suspension of supply if and until SDA Group can be satisfied that appropriate 'reinstatement criteria' has been met.

Saputo's *Supplier Code of Conduct* contains a Reinstatement Criteria that a supplier must meet before we resume receiving their goods or services if they are found to be in breach.

SDA Group will include termination mechanisms in its standard form agreements, reserving the right to terminate supply if we are not satisfied that a modern slavery concern has been appropriately resolved.

### WHISTLEBLOWING POLICY

SDA Group's *Whistleblower Policy* encourages employees and third parties with a connection to SDA Group to confidentially and anonymously report any modern slavery concerns or other reportable conduct such as (amongst other items) fraud, corruption, illegal or unethical business practices, criminal behaviour and breaches of legislation, using our *Whistleblower Policy*.

Our policy is publicly available, and we maintain a dedicated Whistleblower phone hotline and email address. Our Reportable Conduct Committee determines whether an allegation raised should be investigated and will then conduct or commission an investigation as appropriate.

### REMEDIATION

During the Reporting Period, we did not identify any risks requiring additional remediation steps beyond the detailed risk assessment already described. However, our conversations remain ongoing with a very small number of suppliers where we have sought supplementary documentation to further inform our due diligence investigations.

Where relevant, these matters will be reported in our 2021 statement, along with any remediation measures required.

### Remediation of modern slavery risks

Modern slavery risks identified in our own operations will be reviewed by a cross-divisional team including procurement, legal, corporate responsibility and other relevant areas of the business (as the circumstances warrant), such as operations or human resources. These matters will be escalated to the SDA Group Senior Leadership Team as required.

If, as a result of investigations, it is determined that a particular employee has breached company standards in relation to modern slavery (even if the actions were not strictly illegal), they may be subject to disciplinary action, or even termination of employment in accordance with Saputo's *Code of Ethics*.



## Monitoring Effectiveness

SDA Group's modern slavery risk program will be an ongoing journey of learning and embedding improved practices into our business as usual operations. We also acknowledge that measuring the effectiveness of our actions is inherently complex.

Our initial Reporting Period program has established a baseline that can be developed into comparable indicators for future years, as our processes become more established and we expand our due diligence program beyond the initial high-risk suppliers identified.

In future years, the SDA Group intends to expand our use of Sedex as a tool to manage modern slavery risks, using the system to also monitor the effectiveness of our actions in assessing and addressing risks and tracking remediation.

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## Consultation between the SDA Group entities

This statement is submitted as a joint statement covering the entities comprising the SDA Group. As the Australian arm of a multinational dairy processor, the SDA Group is a group of entities involved in the common purpose of sourcing raw milk, production of dairy products and the sale and distribution of those dairy products. In addition, operations such as those of the Murray Goulburn Trading Pty Ltd entity support dairy farmers to supply the raw milk our operations require by providing outlets in rural and regional locations of Australia for farmers to purchase supplies.

As a group of companies with a common operational direction, the SDA Group is governed by the same policies, senior management and board members.

Given the above, the engagement at an entity level for SDA Group modern slavery programs has been largely through briefing the common Senior Leadership Team, which also includes common directors of the boards of those entities.

There has also been significant engagement, education and collaboration across the business functions common to these entities. Internal stakeholders have been critical to SDA Group's due diligence program, providing key information required to successfully carry out the assessment.



## Future Actions

We are committed to further developing and continuously refining our program as we learn more about our modern slavery risks and ways to mitigate them. For the coming year, our focus will include increasing the visibility and importance of modern slavery risks and mitigation across SDA Group and externally with our suppliers to enhance their awareness and knowledge of the risks.

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## Statement Approval

This Statement has been reviewed and approved by the Senior Leadership Team of SDA and the board of SDA, on behalf of SDA and its related bodies corporate covered by this Statement.

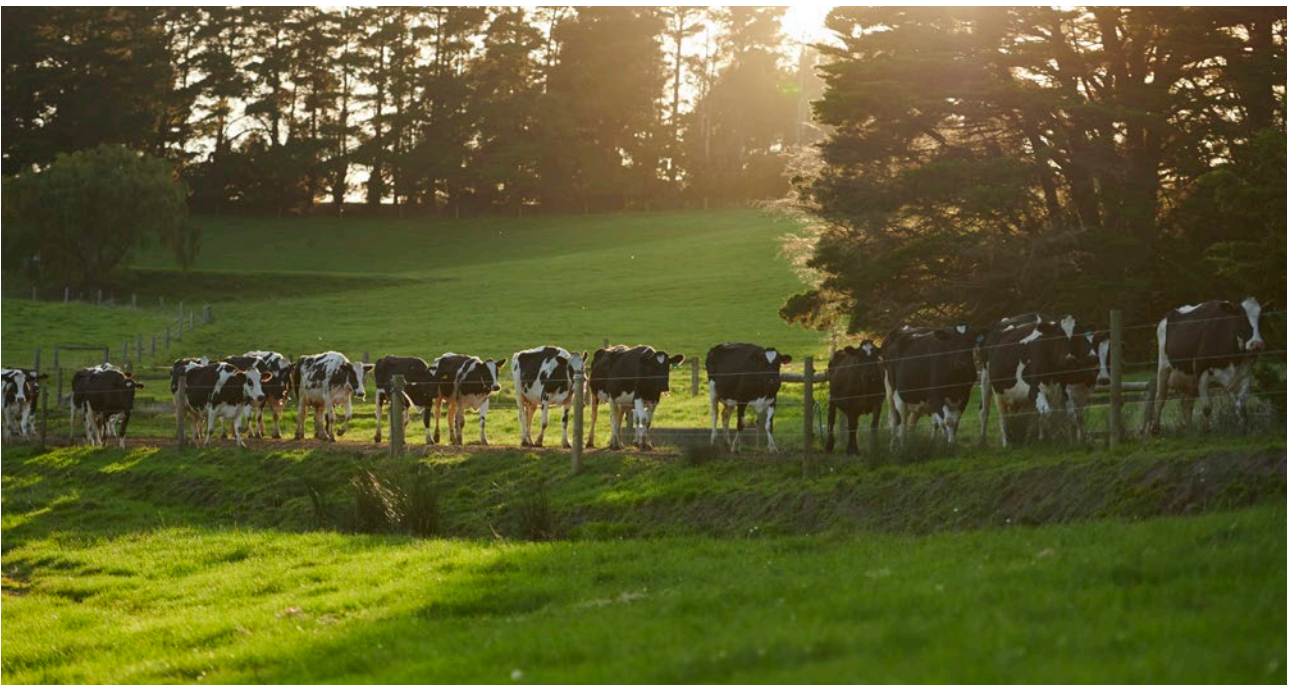
We note that the individual board members are consistent across the entities covered in this Statement, with the only variance that an additional board member sits on the board of SDA.

The Statement is signed by Richard Wallace, President and director of each of the entities covered by this Statement that comprise the SDA Group.



**Richard Wallace**

Saputo Dairy Australia Pty Ltd  
President and Chief Operating Officer



*Saputo*  
Dairy Australia



[saputodairyaustralia.com.au](http://saputodairyaustralia.com.au)