

Mackay Sugar Limited - Modern Slavery Statement

About this Statement

Mackay Sugar Limited ACN 057 463 671, an unlisted public company, (**Mackay Sugar**) is subject to the Modern Slavery Act 2018 (**Act**) which commenced operation on 1 January 2018. The Act requires reporting entities subject to the Act, to produce an annual modern slavery statement, the first of which falls due for Mackay Sugar on 31 August 2021.

This statement outlines how we, and our third-party suppliers, will address the requirements of the Act by identifying and managing the risks of modern slavery in our supply chains and the purchase of raw materials and other products and services used in our business.

Mandatory Criteria

This statement will address the seven criteria under the Act being:

- identify the reporting entities;
- describe the reporting structure, operations and supply chain;
- describe the risks of modern slavery practices in the operations and supply chains of the reporting entities;
- describe the actions taken to assess and address these risks including due diligence and remediation processes;
- describe how the reporting entities assess the effectiveness of the actions;
- describe the consultation processes for the reporting entities; and
- provide any other relevant information.

Reporting Entities

This statement is made on behalf of Mackay Sugar and its wholly owned subsidiary – Queensland Commodity Services Pty Ltd ACN 163 077 601 (**QCS**).

Mackay Sugar

Mackay Sugar is Australia's second largest sugar milling company, with over 140 years' experience and an annual turnover in excess of \$300m. We have three operating sugar mills - at Racecourse, Marian and Farleigh in the Mackay district in North Queensland, crushing around 5 million tonnes of cane annually.

We also hold a 25 per cent interest in sugar refining within Australia and New Zealand in a joint venture arrangement with Wilmar Sugar Australia Limited. Product from the refineries is marketed by Sugar Australia Pty Ltd (under the CSR Sugar brand) and New Zealand Sugar Company Limited (under the Chelsea Sugar brand). Both of these companies are market leaders in Australia and New Zealand respectively, serving large multi-national companies that are household names.

We proudly use a 'nothing is wasted' approach in our business – in other words we reuse and recycle our by-products to create various beneficial 'green' products. This cycle, with a carbon positive footprint, provides a platform for us to expand our future business activities and products.

QCS

QCS undertakes the marketing and pricing of raw sugar on behalf of Mackay Sugar and various growers who have selected QCS as their chosen marketer. QCS also markets and prices molasses on behalf of Mackay Sugar and provides advice on electricity markets.

Nordzucker Group

The Nordzucker Group, headquartered in Braunschweig, Germany, acquired a 70% interest in Mackay Sugar in July 2019. Nordzucker is one of the leading sugar manufacturers worldwide. From beet and cane, they produce white sugar, raw sugar, refined sugar, specialities and liquid sugars. In addition, the company produces animal feed, molasses, fertilisers and fuels from renewable energies as well as electricity. Sustainability along the entire value chain has a high priority in Nordzucker Group and they stand for excellent products and services.

Mackay Sugar - Operations and Products

Our products include raw and refined sugar, molasses and renewable energy and our business strategy aims to grow our 'green' product portfolio even more into the future.

Our mills process sugar cane to produce raw sugar, our primary product. The raw sugar and molasses produced from milling are sold to both the domestic market and for export.

With the increasing demand for renewable energy, we are working to introduce additional revenue streams into our business by improving the efficiency in our usage of bagasse and molasses – both valuable by-products of our sugar milling process. This will enable us to deliver prosperity to our stakeholders but also contribute to an environmentally sustainable future and the international shift away from fossil fuels.

Bagasse is a biomass which fuels our factory boilers, enabling us to produce enough renewable energy to be completely energy self-sufficient across our operations, and to provide energy to the refinery and other activities co-located on the Racecourse mill site. Any excess energy, generated from this process, is then supplied to the national electricity grid.

Molasses is also a biomass. Typically used as supplementary stockfeed, molasses also has increasing value as a feedstock for biofuels.

Mill mud and ash are also by-products of the milling process and these by-products are returned to the farms in the Mackay district.

Mackay Sugar has a small interest in Racecourse Projects Pty Ltd, the largest cane farming operation in the Mackay district, which produces around 160,000 tonnes of cane annually, for supply to the Mackay Sugar mills for processing into raw sugar. That farming operation also supplies other cane to Wilmar's sugar mill at Sarina.

People

We employ people in a variety of management, operational, planning, marketing, procurement, information technology, human resources, accounting, administrative, trade, technical and processing roles. We embrace and promote equal opportunity within the workforce. As at 28 February 2021, we employed 591 people in a variety of roles across our operations. Approximately 200 additional people are employed on a seasonal basis to assist permanent staff with our crushing season (June to November) operations. During the 2020 crushing season our total workforce was approximately 800 people.

Modern Slavery Framework

In addressing our Modern Slavery commitment, we have adopted the following approach to assessing and addressing modern slavery risks:

1. Design - Policies, procedures, documentation and management framework.
2. Assess - review the supply chain, due diligence and risk analysis.
3. Mitigate – develop reporting mechanisms, plans and strategies to address identified risks.
4. Collaborate – engagement with business units, training and communication.
5. Review – the effectiveness of the framework and processes.
6. Report – both internal and external.

1. Design - Policies, procedures, documentation and management framework

We have introduced:

- a. a Mackay Sugar Human Rights Policy;
- b. a Mackay Sugar Code of Conduct for staff and employees (**MSL Code of Conduct**). We also expect consultants, agents and other business partners to respect the MSL Code of Conduct; and
- c. Mackay Sugar Supplier Code of Conduct (**MSL Supplier Code of Conduct**)

to address human rights risks including, specifically, modern slavery risks in the business. These are similar to the documentation adopted by Nordzucker in addressing its human rights policies and commitments.

Mackay Sugar is committed to safeguarding human rights across our operations and will only work with suppliers that share these same values.

Our Board, Senior Management and workforce recognise their responsibility in acting in accordance with the applicable modern slavery laws and will take steps to identify, report, address and eliminate human slavery, human trafficking, and child labour and more generally the exploitation of vulnerable people which our business may be involved with.

Human Rights Policy

The Mackay Sugar Human Rights Policy establishes our commitment to developing an organisational culture and a general conduct of respect and support for internationally recognised human rights. It reinforces our aim to avoid complicity in any human rights abuse

through our activities and business relationships. It also applies, as far as reasonably achievable, to our upstream and downstream supply chain through partners, suppliers and third-party contractors.

MSL Code of Conduct

The MSL Code of Conduct sets out our expectations of our workforce and acceptable workplace behaviours. The MSL Code of Conduct ensures that our workforce are aware of their obligations in respect of business integrity generally, human rights (including modern slavery) and our role in society.

We have existing grievance mechanisms and support systems designed to assist workers including our Whistleblower policy, which is available to all staff and employees and other stakeholders. We offer training programs as part of our policies and procedures rollout.

Expatriate employees on secondment from Nordzucker have specific visa conditions and working rights which are governed by contractual arrangements between Mackay Sugar and Nordzucker group. These staff members are also subject to the Australian policies and procedures.

Suppliers

The MSL Supplier Code of Conduct sets out our expectation of suppliers in respect to modern slavery and social responsibility generally. Mackay Sugar may exclude future dealings with suppliers who do not meet our expectations.

These processes and controls are managed through our adoption of:

- a. the Human Rights Policy;
- b. the MSL Supplier Code of Conduct;
- c. supplier information requests; and
- d. contract documents and supplier terms and conditions.

These documents establish a framework to identify and address potential or actual risks of modern slavery in our supply chain and the expectations of our suppliers and workforce.

We are in the process of updating our purchase order terms and conditions and our contract documentation to ensure suppliers are aware of our expectations. We expect our suppliers to comply with all relevant legislation and to notify us if they become aware of a modern slavery risk in their own supply chains.

2. Assess - review the supply chain, due diligence and risk analysis

Supply chains

Our largest suppliers of goods are our growers who supply around 5 million tonnes of cane each year under a Cane Supply and Processing Agreement. The cane supplied is grown locally and growers are required to comply with the Australian legislation in their farming operations. We have engaged with the major grower representative organisations to assist in dealing with grower modern slavery issues, should they arise.

We also contract with various local, interstate and international companies for the supply of equipment, spare parts, chemicals, fuel, utilities, goods and services to support our operations and the maintenance and capital works on our factories and railway infrastructure.

In addition, our supply chains include third party suppliers of logistics; IT services; telecoms; marketing materials; professional services, such as auditing, accounting, legal and HR services; and facilities management services including, for example, cleaning, security and stationery.

We expect our business partners and third-party suppliers to have zero tolerance to any form of exploitation in their business operations or through any part of their own supply chain.

The majority of goods and services that we purchase, are from Australian suppliers, in keeping with policy to source locally where possible. We also identified some suppliers and supply chains from outside Australia including China and USA being the predominant countries, measured by value.

In a number of cases these suppliers provide the goods under sub-contract arrangements with our Australian suppliers.

Risk Analysis

Due to the nature of our business and our third-party suppliers, our assessment shows that Mackay Sugar has a lower risk profile than in many other industries. However, we do recognise that through our third-party supplier and distribution chains, the risk of being exposed to modern slavery practices is increased. To address this, we have developed internal processes and controls to assist us in identifying and managing the risk that modern slavery may be taking place in our business or third-party supply chains.

We conduct a modern slavery risk assessment of our suppliers. This focuses on the type of goods and services provided, the value and the country of their operations, including any of their sub-contractors. From there we assess our suppliers to determine their modern slavery risk ratings. We are currently using the Amfori BSCI 2020 Countries Risk Classification to assist us in this process

Whilst we are working towards completing the full supplier review process, we are using a tender information request (**TIR**) approach to ascertain the relevant information from suppliers we propose to contract with. The TIR asks the supplier about the nature of their operations, their assessment of the modern slavery risks in their business and their policies and processes to identify, investigate and remedy modern slavery risks within their operations or those of their suppliers.

We consider the indicators of modern slavery, and the sectors that may be at higher risk due to the nature of the product or services supplied or the source of the supply. We expect that some suppliers may not be fully aware of modern slavery risks within their supply chains, and we will work with them through this process.

3. Mitigate – develop reporting mechanisms, plans and strategies to address identified risks

Our ongoing due diligence of our existing and future suppliers will involve our assessment of their operating environments and supply chains. This will include supplier questionnaires and, where possible, site visits to review any concerns raised through our contractual processes or

from grievance reporting mechanisms. Should any suppliers be identified as posing a potential modern slavery risk, we will work with them to develop a mitigation process. We will utilise a range of techniques and processes to seek to mitigate modern slavery risks and suggest remedial action where appropriate. This may result in the development of an action plan in conjunction with the supplier, which could include:

- a. an assessment of the risks relevant to the concern raised;
- b. a root cause analysis carried out in consultation with the supplier;
- c. a remediation plan, to seek to rectify the perceived shortcomings;
- d. requiring the supplier to agree to make changes to their systems and processes to address the shortcomings;
- e. an agreed review process to test the implementation of the changes; and/or
- f. regular communication on progress against the agreed actions.

We have a Whistleblower Policy which provides a confidential process for our staff, employees and contractors to report concerns, including modern slavery concerns. Protections are afforded to such reports to ensure there is an avenue to raise concerns without fear of retribution.

4. Collaborate - engagement with business units, training and communication

The processes and controls highlighted above are managed through our interactions within our business and supplier networks including:

- a. Undertaking appropriate risk assessments to determine potential modern slavery risks in our third-party supplier chain and distribution networks with emphasis on high-risk arrangements and/or geographical locations;
- b. Reviewing and amending internal policies to ensure that modern slavery requirements are included, where relevant;
- c. Developing and delivery of training for relevant staff in modern slavery requirements;
- d. Ensuring due diligence is conducted on local and global third-party supply chains;
- e. Reviewing and amending Mackay Sugar initiated supplier contracts to ensure they contain terms that are consistent with the Act. Taking steps to address any potential modern slavery risks identified;
- f. Setting up a program to monitor adherence to the modern slavery requirements;
- g. The development and implementation of effective escalation processes in the event that modern slavery risks are identified; and
- h. Development and implementation of appropriate governance and reporting to facilitate the preparation of an annual Modern Slavery Statement that meets the requirements of the Act, which is supported by appropriate assurance

All new and existing staff and employees of Mackay Sugar are required to complete training on the Human Rights Policy, the MSL Code of Conduct and related human resource and compliance policies. Staff are required to agree to and adhere to our MSL Code of Conduct. Any matters of misconduct are reported to the Human Resource teams or Company Secretary, investigated and reported to the Mackay Sugar Board as required.

Mackay Sugar's Whistleblower Policy is supported by training and access to a reporting line for all staff, employees and other stakeholders, and encourages the reporting of all instances of wrongdoing. This is further supported by a comprehensive suite of Human Resource policies

and the MSL Code of Conduct. The latter establishes a standard of behaviour expected of everyone who works for or with Mackay Sugar including directors, contractors, suppliers and service partners.

5. Review – the effectiveness of the framework and processes

Mackay Sugar is committed to a culture of continuous improvement with our workforce and suppliers to identify and address modern slavery risks. The Human Rights Policy, MSL Code of Conduct, the MSL Supplier Code of Conduct and the Whistleblower Policy are part of the suite of policies which are reviewed annually by the Board.

Our risk criteria, existing supplier risk profiles and supplier selection processes will be reviewed at appropriate intervals to take account of new or emerging modern slavery risks and to ensure they are effective in identifying the risk of modern slavery in our supply chains.

We will:

- a. share our Human Rights Policy and MSL Supplier Code of Conduct, and engage with suppliers and other external stakeholders;
- b. develop relationships which support open communication; and
- c. encourage suppliers, customers, our workforce and other stakeholders to report any instances or risks of modern slavery that they may be concerned about.

We will continue to work to assess the effectiveness of our actions and to refine our approach if necessary.

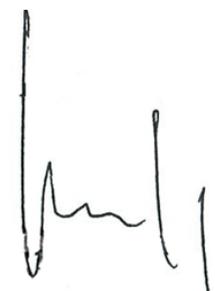
6. Report – both internal and external

Regular reports will be made to the Board and progress will be updated as part of the annual reviews of policies and procedures.

Developments both positive and negative will be addressed internally through Mackay Sugar newsletters, grower communications and with other suppliers through individual or group communications as appropriate.

Annual reporting via the Modern Slavery Statement will provide a further review opportunity of progress which is being made.

This statement was approved by the Board of Directors of Mackay Sugar Limited on its own behalf and on behalf of its wholly owned subsidiary Queensland Commodity Services Pty Ltd on 27 August 2021.



Michael Gerloff
CHAIRPERSON
Mackay Sugar Limited

31 August 2021