

## 1. Introduction

**Modern Slavery Statement has been published in accordance with the *Modern Slavery Act 2018 (Cth)*. It outlines the actions taken by The a2 Milk Company Limited (ARBN 158 331 965) (a2MC) and other relevant a2MC Group companies to identify and mitigate slavery in our business and supply chains, over the financial year ending 30 June 2020 (FY20).**

The a2 Milk Company Limited (**a2MC, we or our**) recognises that a company's values and principles have an impact well beyond its own operations. We strongly believe in the vital role business plays in upholding human rights and consider it our basic responsibility to ensure that individuals, communities and our environment are treated with respect.

We are committed to high standards of responsible conduct, social responsibility and environmental sustainability in all areas of our business, including our supply chain. Our commitment comes not just from an acknowledgement that it is the right thing to do, but from a recognition that the manner in which we and our partners manage social, environmental and economic impacts is critical to our long-term success.

This Statement is a2MC's first modern slavery statement under the Modern Slavery Act.

### Reporting entities

This statement has been made on behalf of the following reporting entities as well as all other entities of the a2MC Group.<sup>1</sup>

- a2MC;
- The a2 Milk Company (Australia) Pty Ltd (ACN 125 331 213) (**a2MC Australia**);
- a2 Australian Investments Pty. Limited. (ACN 126 104 275) (**a2 Investments**);
- a2 Infant Nutrition Australia Pty Ltd (ACN 161 773 913) (**a2IN Australia**); and
- a2 Infant Nutrition Limited (ARBN 618 864 958) (**a2IN**).

## 2. Our Commitment

Modern slavery is unacceptable in our supply chains and addressing risks of modern slavery is an important part of our organisation's approach to business and human rights. Our approach to human rights and the management of modern slavery risk is guided by the United Nations Guiding Principles on Business & Human Rights. We are committed to continuing to develop our approach and focus on addressing modern slavery risks within our supply chain.

## 3. About a2MC

### What we do

a2MC is a New Zealand incorporated dairy nutritional company that is listed on the NZX and the ASX, with a commitment to enrich lives by harnessing the nutritional wonders of nature. a2MC's principal activity is the sale of branded products in targeted markets made with milk

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<sup>1</sup> A full list of a2MC Group entities is published on page 93 of The a2 Milk Company Limited's 2020 Annual Report.

from cows that produce milk naturally containing only the A2 protein type.

### **Where we operate**

Incorporated in New Zealand, our global workforce consists of over 300 employees across Australia, New Zealand, China and the United States, reflecting our established sales markets and production and distribution channels.

Our product portfolio comprises infant nutrition, liquid milk and other nutritional products. Long-standing strategic partners and supplier relationships are an important part of our business.

Other than our supply chain, our operations consist almost solely of direct employment of our employees in Australia, New Zealand, China and the United States. We comply with the relevant industrial relations and work place laws of these jurisdictions. Most of our work force are employed in office environments, including all of our China and United States employees. A small number of our employees in Australia and New Zealand are based on-farm and they are protected by the same industrial relations framework as our office based employees. We also employ a small number of employees who are based in a fresh milk processing facility in Australia and covered by an enterprise bargaining agreement that we comply with.

### **Supply chain**

#### *Infant nutrition*

Our largest product category is infant nutrition, which is sold under the **a2 Platinum™** brand in New Zealand and Australia and via cross border e-commerce online platforms into China and under our China label brand, **a2 至初®**, which is primarily sold in mother and baby stores in China.

All of our infant nutrition products are currently manufactured by Synlait Milk Limited (**Synlait**), a New Zealand dairy processor and manufacturer. Synlait is also listed on the NZX and the ASX. All raw materials and other components that go into manufacturing our infant nutrition products are procured by Synlait. All A1 protein-free raw milk that is used for the manufacture of our infant nutrition products is sourced from New Zealand farmers.

#### *Liquid milk*

Our liquid milk is sold under the **a2 Milk™** brand in Australia, the United States and Canada.

In New Zealand, our **a2 Milk™** liquid milk is co-branded with **Anchor™** and manufactured under licence from a2MC by Fonterra Co-Operative Group Limited (**Fonterra**). Fonterra is owned and supplied by more than 10,000 farmers in New Zealand.

In Australia, our **a2 Milk™** liquid milk is manufactured at four locations in Victoria, Western Australia, Queensland and at Smeaton Grange in New South Wales. **a2 Milk™** manufactured in Victoria, Western Australia and Queensland is manufactured by third parties on a contract manufacture basis, while a2MC Australia operates the processing site located at Smeaton Grange. In the United States, all **a2 Milk®** is manufactured on a contract manufacture basis. In Canada, **a2 Milk™** is sold under an exclusive licensing agreement with Agrifoods International Cooperative Ltd.

Where **a2 Milk™** liquid milk is manufactured on a contract manufacture basis or under a licencing agreement, all raw materials and other components used in the manufacture of the product are sourced by the manufacturer or licensee such that we do not own or have direct supply relationships with our milk suppliers. For **a2 Milk™** liquid milk manufactured at Smeaton

Grange, a2MC Australia manages the relationships with all relevant suppliers, including with the suppliers of the raw A1 protein-free milk. While a2MC Australia now owns the site at which **a2 Milk™** liquid milk is manufactured in Kyvalley Victoria, it leases the site to the contract manufacturer and is not involved in the day-to-day operations of the facility.

#### *Other nutritional products*

The most significant proportion of our other nutritional segment is **a2 Milk™** whole milk and skim milk powder, which are available in Australia and China, with further potential for growth across new channels, particularly in offline China retail channels. Other nutritional products also comprise:

- a2 Smart Nutrition™;
- a2 Smart Nutrition™ UHT;
- a2 Nutrition for Mothers™; and
- a2 Milk™ powder blended with Mānuka honey.

Currently, these products are manufactured by our strategic manufacturing partners who procure all raw materials and other components used in manufacturing the products.

#### *Operational footprint*

Across our operational footprint we source milk from over 200 farms. Despite not having a direct supply relationship with the majority of our raw A1 protein-free milk suppliers, we nevertheless take an active interest in the on-farm practices of those farmers who are supplying the core ingredient of our products.

The number of farms we have a direct sourcing relationship with will increase following completion of the acquisition of a controlling interest in Mataura Valley Milk (**MVM**), a dairy processor in Southland, New Zealand. MVM has direct sourcing arrangements for all raw materials and other components used in the manufacture of its powdered products. This acquisition remains conditional upon the approval of the New Zealand Overseas Investment Office and is expected to complete in June 2021.

### How we are governed

Our Board is responsible for the overall governance and operations of the Group, guiding the strategic direction, monitoring risk, and overseeing the activities of management. The Board delegates certain functions to its three committees (Audit and Risk Management Committee, Remuneration Committee and Nomination Committee).



### 4. Key areas of action in FY20

FY20, we formed a Sustainability Committee, comprised of a number of members of the Executive Leadership Team and other members of senior management. Among other initiatives, we embarked on a comprehensive programme of work to understand the potential modern slavery risks across our operations and identify mechanisms to address our residual exposure. This was in addition to the broader objective of assessing and developing plans to appropriately manage elements across our focus areas:

- our people;
- our farms and environment;
- our supply chain; and
- our communities.

With respect to ethical supply chains, modern slavery and responsible sourcing, activities in FY20 comprised:

- comprehensively mapping our supply chain and creating a heat map for risks across our extended value chain in Australia, New Zealand, China and the United States;
- reviewing our existing supply chain standards and policies, as well as those of our key strategic partners, and identifying any gaps in coverage for human rights under those standards and policies;

- reviewing our commercial engagements with our key strategic partners to identify where human rights risk management can be strengthened;
- reviewing existing training programmes for employees and our on-farm suppliers; and
- updating company and supplier standards to ensure coverage of modern slavery and human rights standards.

The findings and recommendations from these activities were reported to the Board's Audit and Risk Management Committee. Assistance was also received from external third-party service providers, as appropriate.

### **Assessment of potential risks**

In FY20, we mapped our supply chain and created a heat map for risks across our extended value chain in Australia, New Zealand, the United States and China. This involved building the matrix of all of our supply chain partners and key inputs at key stages through sourcing to consumers.

On the basis of that mapping, we undertook research and analysis to identify potential risk areas based on known regions or sectors with high exposure to modern slavery and human rights risks. We also engaged with relevant internal stakeholders and strategic partners to identify and verify assessment of risks across the supply chain. This assessment was materiality based and limited largely to tier one and key tier two suppliers across the group. We intend to extend this assessment further down the supply chain in future.

Within a2MC Group's operations, the risk of slavery and human rights risks is limited to the employment of employees. We directly employ our employees and comply with the relevant industrial relations laws and work place laws of each of the jurisdictions in which we operate. Most of our employees are based in an office environment, including all of our China and United States employees. A small number of our employees in Australia and New Zealand are based on-farm and they are protected by the same industrial relations framework as our office based employees. We also employ a small number of employees who are based in a fresh milk processing facility in Australia and covered by an enterprise bargaining agreement that we comply with. For these reasons, we consider the risk of modern slavery in our operations to be low, however recognise there may be potential risks in our broader indirect operations, under which workers not employed by the a2MC Group play a part, including in sales and marketing. We are continuing our efforts to understand and assess these risks.

As the a2MC Group companies source key inputs from the agricultural sector, the key areas of exposure in our supply chain are generally on-farm. There are known human rights risks within the agricultural sectors in New Zealand, Australia and the United States, where workers (particularly migrant workers) may be susceptible to labour exploitation, including through long hours, lack of access to breaks and low-quality accommodation.

Across our supply chain, the majority of our distribution and logistics arrangements are managed by our strategic partners or third-party suppliers. We recognise that there may be modern slavery risks associated with these arrangements, including where we have low visibility over these labour arrangements.

We also recognise that there are potential risks of modern slavery within other areas of our extended supply chain, particularly in higher risk categories relating to labour supply, raw material sourcing, uniforms, cleaning and waste management services.

We will continue our efforts to deepen our understanding of the modern slavery risks in our operations and supply chain and to mitigate these risks. We look forward to working further with

our strategic partners and suppliers to better identify the risks and implement better due diligence practices. We address our planned next steps for FY21 and beyond in section 6 of this Statement.

## 5. How are we managing these risks

a2MC ensures that it complies with all relevant employment standards, industrial relations and work laws of each jurisdiction in which we operate. We maintain, and will continue to update, sound policies and frameworks that govern our corporate behaviour.

a2MC engages with our strategic partners and suppliers in a collaborative manner, striving to build long-term, high value partnerships. In particular, our key strategic partners in New Zealand are committed to our responsible sourcing standards and we already have due diligence and assessments processes with our strategic partners in place to ensure compliance with social, animal and environmental sustainability standards.

The gap analysis we undertook in FY20 to identify, assess and address potential modern slavery risks included a review of our risk management processes as well as those of our key strategic partners.

On the basis of this review, we have identified a programme of work to improve our due diligence processes and improve employee and supplier awareness of modern slavery risks.

### Policies and standards

We recognise the importance of explicit standards for our employees and suppliers. We maintain several policies to assist us to manage the risks of modern slavery in our operations and supply chain.

Our internal policies include our Code of Ethics, which sets out the expectations that the a2MC Group has of our employees and suppliers regarding lawful and ethical conduct. In August 2020, the Board approved updates to our Code of Ethics to specifically reflect human rights risk. Our Whistleblower Policy sets out protections and support available for employees who raise concerns about misconduct, and mechanisms to report such concerns. We also maintain an Equal Employment Policy and Grievance Policy, to ensure our workplace is free from unlawful discrimination, harassment, bullying and victimisation. All employees are provided with these policies when they commence employment with us and are required to complete training relating to these policies.

In August 2020, the Board adopted a new Responsible Sourcing Policy, which sets out our expectations of our suppliers with respect to ethical business practices, including compliance with applicable legislation in the regions where they operate and taking steps to meet international standards to address modern slavery.

Suppliers are expected to notify a2MC (or the relevant member of the a2MC Group with which they have the relationship) where they become aware of incidents involving them or a member of the supplier's group or supply chain that are inconsistent with the standards set out under the Responsible Sourcing Policy. Where suppliers do not feel comfortable with notifying a2MC directly, they can do so anonymously through an external third party whistleblower channel. This channel is provided pursuant to a2MC's Whistleblower Policy which encourages reporting of any suspected misconduct including within our supply chain.

We will investigate suspected breaches of the Responsible Sourcing Policy or misconduct and where breaches or misconduct are identified, our general approach will be to work with our suppliers towards ensuring full compliance with our relevant standards. We may seek to

terminate our contractual arrangements or seek alternative supply sources if our suppliers are unable or unwilling to work towards full compliance with the standards, or where the non-compliance is of such a nature that we decide ceasing our association with the supplier is the most appropriate course of action.

### **Supplier contracts and agreements with on-farm suppliers**

We have identified that our supplier contracts can be strengthened by inclusion of an anti-slavery compliance clause so that suppliers understand our expectations in relation to identification and management of modern slavery risk. In particular, we have identified areas where farmer standards and contractual arrangements with our on-farm suppliers can be strengthened to ensure awareness and management of human rights risks. We are in the process of updating arrangements.

### **Due diligence**

All new on-farm suppliers undergo a strict due diligence process to ensure compliance with social, animal welfare and environmental sustainability standards. We have identified areas where this can be strengthened in relation to human rights risks and are expanding the due diligence process for higher risk new suppliers.

### **Auditing**

Some of our strategic partners currently have standards and undertake auditing of employment conditions on our supplier farms as part of their best practice requirements for responsible sourcing and environmental management on-farm. These are intended to ensure that industry-wide risks of labour exploitation are appropriately managed. We will continue to work with our strategic partners to develop and improve these standards.

## **6. Looking forward and how we assess the effectiveness of our actions**

We are committed to continuously improving our assessment and management of human rights and modern slavery risk. We assess the effectiveness of our actions in several ways, including through reporting of risks and progress to the Executive Leadership Team and the Audit and Risk Management Committee.

Our priorities and actions for FY21 and beyond include:

- expanding our existing training programme to include training tools for our relevant employees and exploring a training tool for our on-farm suppliers;
- continuing to update internal policies to ensure coverage of human rights and modern slavery risk;
- further assessment of modern slavery risk within our supply chain and operations, including through further engagement with our strategic partners, extended supply chain and indirect operations;
- updating our standards of agreement with farms providing A1 protein free milk to include a commitment to operate slavery-free;
- continued work with our strategic partners to strengthen their standard of employment conditions on our supplier farms as part of their best practice requirements for responsible sourcing and environmental management on-farm; and
- working with priority suppliers to enhance due diligence within their supply chains.

We intend to continue assessing the effectiveness of our actions throughout our supply chain through annual review and assessment of organisational and supplier understanding, identification and management of modern slavery risks.

## **7. Approval**

This Statement has been prepared by a2MC in consultation with the wider a2MC Group entities including a2MC Australia, a2 Investments, a2IN Australia and a2IN. The a2MC Group does not own or control any other entities as at the date of this Statement. The consultation process included regular engagement with members of our sustainability working group, Executive Leadership Team and relevant heads of functions across the business. This Statement was approved by a2MC's Board on 23 March 2021, including on behalf of a2MC Australia, a2 Investments, a2IN Australia and a2IN.

This Statement for the financial year ended 30 June 2020 is made in accordance with s 14 of the *Modern Slavery Act 2018* (Cth).



**David Bortolussi**  
**Managing Director and Chief Executive Officer of The a2 Milk Company Limited**  
**30 March 2021**