

Saputo
Dairy Australia



**Modern
Slavery
Statement
2020–21**

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Introduction

Saputo Dairy Australia Pty Ltd (ACN 166 135 486) (SDA), and its subsidiaries (together, SDA Group, we, us or our) are pleased to provide the following report outlining our continuing actions to support the requirements of the *Modern Slavery Act 2018* (Cth) (the Act).

As Australia's largest dairy processor, being a good corporate citizen is key to 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*.

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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.

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This report shares our key achievements over the past year, to 31 March 2021, as we work towards improving our performance in identifying and mitigating modern slavery risks in our business and across our supply chain.

ACHIEVEMENTS OVER THE PAST YEAR

Specific modern slavery clauses now included in SDA contract templates

Completed development of our modern slavery online training course, with roll out planned over the coming year

Created a relationship with more than 200 suppliers through the Sedex platform

Engaged with Australian dairy industry bodies to highlight modern slavery requirements

Engaged with our suppliers to understand their approach to modern slavery and provided education about our commitments and expectations

Incorporated modern slavery requirements as part of our new supplier process

Reinforced our commitment to modern slavery with Company-wide communication of our statement

Developed resources to help educate our suppliers about modern slavery risks

Reviewed and updated our risk assessment process to enhance identification of potential modern slavery risks

Reviewed and updated the SDA Sedex site questionnaires with our 2020 data

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 AG Warehouse Pty Ltd (formerly 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 2021 (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 Inc. 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.

We have one senior management team and one due diligence process across the entities as the operations of the SDA Group are closely aligned and fall under the same senior management, policies and processes.

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 wide range of products are sold in several countries under many well-known brands as listed below.



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

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

We also operate an agricultural retail business, AG Warehouse™, with 25 retail stores, seven fertiliser depots and supported by a team of agribusiness experts. In addition, we have two specialty cheese retail stores located at Warrnambool and on King Island.

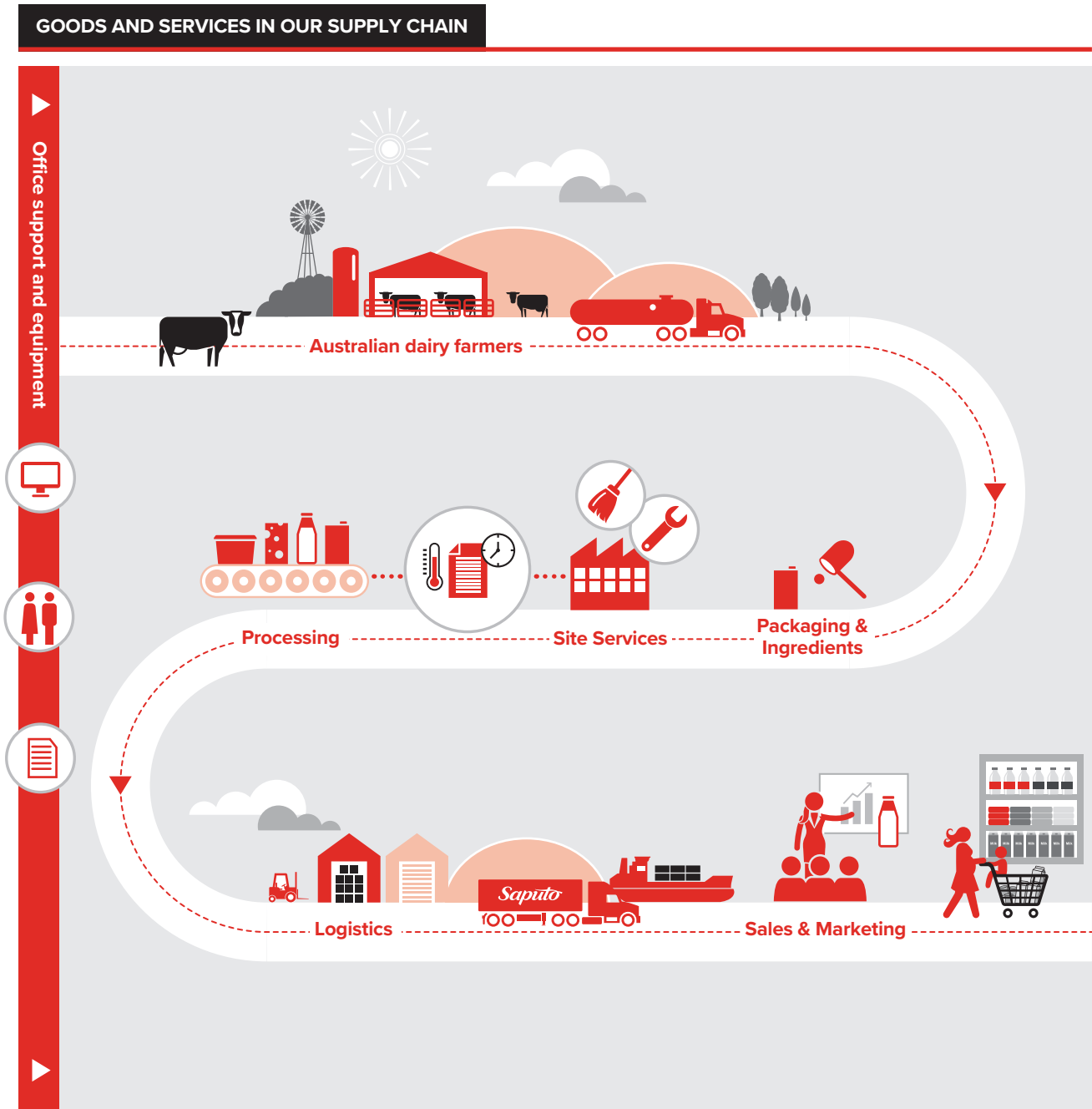
The nature of the SDA Group arrangements with its suppliers are outlined below. In addition to suppliers, we also have important relationships with customers and distributors, including large retailers, government departments and authorities (both domestically and internationally), and end consumers.



Our operations and supply chain continued

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 and the main types of goods and services we procure are outlined below.



In accordance with our *Code of Ethics* and Procurement Policy, SDA Group's Procurement team ensures continuous, reliable and high-quality sources of supply that comply with our *Supplier Code of Conduct*, *Code of Ethics* and Procurement Policy and any relevant legal considerations.

Risk assessment

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.

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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.

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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 that 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, such as the cleaning, warehousing and textiles industries.

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

Managing risks during COVID-19

Like most businesses, COVID-19 impacts to our operations and supply chain included logistics pressures; spikes in demand; fluctuations in supply of key goods such as packaging; and compliance with continually changing government restrictions. This was particularly so over the past year given many of our operations are based in Victoria, which was impacted by an extended lockdown across the state during a second wave in 2020.

Appropriately managing heightened pressures during COVID-19 was vital to ensure no unintended consequence that could impact our operations or those of our suppliers, particularly in relation to reduced labour conditions.

Keeping our employees and suppliers safe remained our first priority. We put in place a range of measures to safeguard our frontline teams. This included supplying appropriate PPE, introducing additional deep cleaning protocols, implementing shift bubbles and segregated hubs to minimise team cross over, and working from home measures for all employee roles that could be undertaken remotely.

We also supported suppliers to ensure undue pressure to deliver wasn't placed on them, which could have increased potential exposure of their workers. At all times, we committed to communicate openly with our teams and suppliers about any risks that might have changed as a result of COVID-19 and ensured appropriate and proportional actions were taken to manage any potential risks.

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 has been undertaken by the SDA Group over the past two years to identify, assess and minimise risk areas within our operations and across our supply chains. This has included education for our employees about Modern Slavery risks, while driving awareness through our supplier base and ensuring our expectations are incorporated in our regular processes.

MODERN SLAVERY DUE DILIGENCE

As part of our ongoing modern slavery due diligence process, in the past year the SDA Group again conducted a detailed risk assessment of our operations and supply chain for the Reporting Period. This 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 and we are committed to refreshing this on an annual basis. This process was followed by detailed due diligence investigations of more than 200 suppliers who are integral to the SDA supply chain, and also suppliers that operate in sectors of potential high modern slavery risk. Some of the industries that we looked at specifically are outlined below.



Labour hire



Clothing/PPE



Warehousing



Cleaning



Bulk gypsum and fertiliser

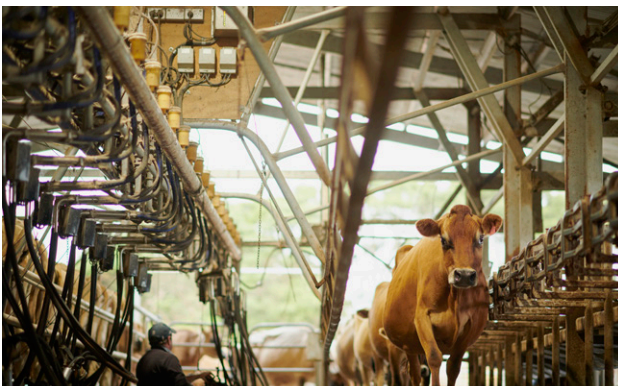
Due diligence remains part of our mitigation strategy. Key to our approach is working in partnership with our suppliers to ensure that, at a minimum, they understand the importance of identifying modern slavery risks, maintain relevant standards and take ongoing action to mitigate risks.

During the reporting period, our supplier onboarding process was updated to incorporate Modern Slavery clauses in all contracts, while Modern Slavery requirements were also specified in our updated supplier process.

The SDA Group continues to expand our approach beyond high risk suppliers as part of our ongoing commitment to raise awareness and combat modern slavery across our operations and supply chain.

EDUCATION AND AWARENESS

We embed education and communications to build awareness specifically in relation to modern slavery, both within our workforce and with our suppliers. During the Reporting period, we communicated our commitment to mitigating any modern slavery risks with company-wide distribution of a memo and our 2020-21 Statement. We also completed the development of an online modern slavery training program to be rolled out to employees in FY22. We produced other resources, such as flyers, to help our team and suppliers to understand modern slavery risks relevant to them; and we worked with industry groups to build education and awareness through their networks.



Risk identification, mitigation and remediation continued

Managing risk once identified

As part of our modern slavery due diligence process, we identified an AG Warehouse supplier as high risk. Based in Asia with an Australian office, the supplier wasn't registered with Sedex so they were asked to provide documentation, policies and procedures to demonstrate how they were assessing and addressing modern slavery risks in their operations and supply chain.

Following multiple requests for this information and escalation through our management team, we did not receive any documentation from the supplier.

In line with our process and commitment to mitigating risks of modern slavery in our business, trading with the supplier was suspended, and we will not engage with this supplier until adequate documentation is received and assessed.

OUR PROCESS TO MITIGATE MODERN SLAVERY RISKS



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. Oversight of SDA Group's approach to identifying modern slavery risks is embedded in the governance framework of the *Saputo Promise*, which supports our strong focus on business ethics and responsible sourcing. This is overseen by a dedicated working group consisting of relevant senior leaders across the business.

Saputo's Corporate Responsibility Committee oversees 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.

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. In the past year, *Code of Ethics* training was compulsory for all SDA Group staff, with all employees required to electronically sign confirmation once it had been completed. Moving forward, all new starters will be required to complete the training as part of our onboarding process.

WHISTLEBLOWING POLICY

SDA Group's *Whistleblower Policy* is publicly available and encourages employees and third parties with a connection to SDA Group to confidentially and anonymously report any modern slavery concerns or other reportable conduct. This may include fraud, corruption, illegal or unethical business practices, criminal behaviour and breaches of legislation, using our Whistleblower Policy. A dedicated whistleblower phone, website and email address is maintained for this purpose.



Phone: **1800 504 246**



Email:
ethics@saputo.com

Website:
www.saputo.ethicspoint.com

Risk identification, mitigation and remediation continued

SUPPLIER CODE OF CONDUCT

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The SDA Group promotes responsible and ethical business practices by working with our suppliers across the supply chain and engaging with them to help support our commitment to safeguarding human rights.

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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
- > any form of bribery

Saputo’s *Supplier Code of Conduct* describes monitoring and enforcement processes. This includes protocols for addressing situations when presented with credible evidence of a *Supplier Code of Conduct* breach. For instance, 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. Any suspended suppliers will be expected to meet our reinstatement criteria to resume business with us.

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. The Code is published online at www.saputo.com to ensure it is readily accessible to workers across our supply chains.



Risk identification, mitigation and remediation continued

Supplier *Code of Conduct* remediation measures include:

- 1 Investigation, inspection and audit
- 2 Establishment and completion, to the satisfaction of SDA Group, of a time-bound remedial action plan
- 3 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 includes 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.

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 modern slavery risks requiring additional remediation steps beyond the detailed risk assessment and case study actions 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.

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.

If, as a result of investigations, it is determined that a particular employee has breached company standards in relation to modern slavery, they may be subject to disciplinary action, or even termination of employment in accordance with Saputo's *Code of Ethics*.

Addressing modern slavery risks

We have a number of measures in place to address any modern slavery risks found in our supply chain.

Our first step is onboarding our suppliers to Sedex, requiring them to review their risks using the Self Assessment Questionnaire, or alternatively by reviewing their internal policies, such as labour and ethical policies or codes of conducts.

If there is still deemed to be a risk, we will request a 4 pillar Sedex Members Ethical Trade Audit (SMETA) or engage with the supplier on a remediation plan to mitigate the identified risk. As a last resort, trading is postponed with a supplier until the issue has been resolved and we are satisfied that appropriate reinstatement criteria has been met.

Monitoring effectiveness

SDA Group's modern slavery risk program is 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.

We have a number of metrics that we use to measure the breadth of our modern slavery risk program.

- ✓ Number of suppliers formally linked with us via Sedex, and percentage spend that they cover
- ✓ Number of suppliers whose risk and percentage spend that they cover has been assessed
- ✓ Number of employees trained in modern slavery over defined periods

There are also some qualitative areas that we operate with and look to improve, but are hard to measure against, including:

- Collaboration with industry organisations about increasing awareness of modern slavery across different industries
- Constant review and refinement of our risk assessment process.

Our intention is to continue expanding 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.

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:

Development of an annual supplier declaration program

Rollout of employee training across SDA Group

Continuation of supplier Sedex onboarding

Engaging with the next layer of our wider, indirect supply base to understand their approach and mitigate any risks.

Refining our risk assessment utilising Sedex risk maps

Continuation of engagement with industry organisations to improve modern slavery awareness

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.

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
President and Chief Operating Officer
Saputo Dairy Australia Pty Ltd

Saputo
Dairy Australia

saputodairyaustralia.com.au