



Hygain Group

Modern Slavery Statement

This statement is made by HYG HoldCo Pty Limited (“Hygain”) in respect of itself and its subsidiaries (“Hygain Group”) for the period 1 July 2021 – 30 June 2022 (“Reporting Period”)

The Hygain Group designs, manufactures and sells equine nutrition products for Australian and global markets. Its objective is to provide the best possible nutrition solutions to horses of all types and ages across all types of equine activity.

Hygain is a portfolio company of Adamantem Capital Fund I, a fund managed by Adamantem Capital Management Pty Limited. Adamantem Capital aims to deliver outstanding returns on investments alongside positive environmental and social impacts, contributing to sustainable change and a better future beyond its stewardship. It does this through integrating a responsible investing approach across the lifecycle of its investments.

Hygain prioritises the consideration of environmental, social and governance matters in its business both at the board level and at the management and executive leadership level. An important component of those considerations is an assessment of modern slavery risks. The process of engaging our supply chain on modern slavery risks has been a rewarding one this year and we are proud of the outcomes from the review.

Hygain is pleased to issue its first Modern Slavery Statement covering the period to 30 June 2022.



Kevin Bareira
Chief Executive Officer



Andrew Bullock
Director

This Modern Slavery Statement was approved by the Board of Hygain on 22 December 2022.

EXECUTIVE SUMMARY

Hygain believes that organisations have a responsibility to consider their role in ensuring the respect of human rights and the avoidance of human rights abuses.

Hygain has manufacturing and sales activities in several countries and acquires some raw materials and most of its packaging from global sources. In this context, we believe it is important to actively consider and address modern slavery risks in our own operations and supply chains.

We are committed to addressing the risks of modern slavery and have worked to better understand our risk exposure in the preparation of our first modern slavery statement ("**Statement**") in accordance with the *Modern Slavery Act 2018* (Cth) ("**Act**").

Assessing and addressing the risks of modern slavery creates long term value by reducing the risks to people and improving the integrity and quality of our operations and global supply chains, thereby limiting the financial impacts of operational disruption.

This Statement follows the mandatory reporting criteria of the Act, setting out:

- An overview of the Hygain business, including details of our structure, operations and supply chains, to provide context and background
- The actions we have taken during the Reporting Period to **assess** potential modern slavery risks in our operations and supply chains, with a focus on how they may cause, contribute to, or be directly linked to modern slavery
- Any actions we have taken during the Reporting Period to **address** these modern slavery risks, and how we intend to assess the effectiveness of these actions going forward

1. THE HYGAIN BUSINESS

1.1 About Hygain

The original entities in the Hygain Group (the entities below Hygain Holdings Pty Limited (“**Hygain Holdings**”) in the structure chart on page 5) have been operating since the business was established in 1983. Since inception, Hygain has been focussed on improving and scaling advances in equine nutrition, serving ever larger numbers of horses in Australia and around the world.

Hygain was conceived out of a desire by its founder, Greg Manley, to develop better quality feed for his horses. It grew into Australia’s largest equine nutrition business on the back of similar desires of the horse racing industry in Australia, stud owners and equestrian horse owners. Over time, Hygain began to export its products to important markets in New Zealand and Japan and to racing trainers in other Asian countries, the middle east and other global markets.

In 2017, Adamantem Capital Fund I acquired Hygain Holdings and Hygain’s founder, Greg Manley exchanged some of his shares for shares in Adamantem’s investment vehicle, HYG HoldCo Pty Limited. Shortly afterwards, Hygain acquired the business of Mitavite, its largest competitor, from Inghams, a listed animal feed business. Mitavite was subsequently integrated into the Hygain business and, accordingly, this Modern Slavery Statement covers its modern slavery exposures, as well as those of the original Hygain entities.

Since acquisition by HYG HoldCo, the Hygain Group has established legal entities and operations in the United States, the largest market in the world for equine products.

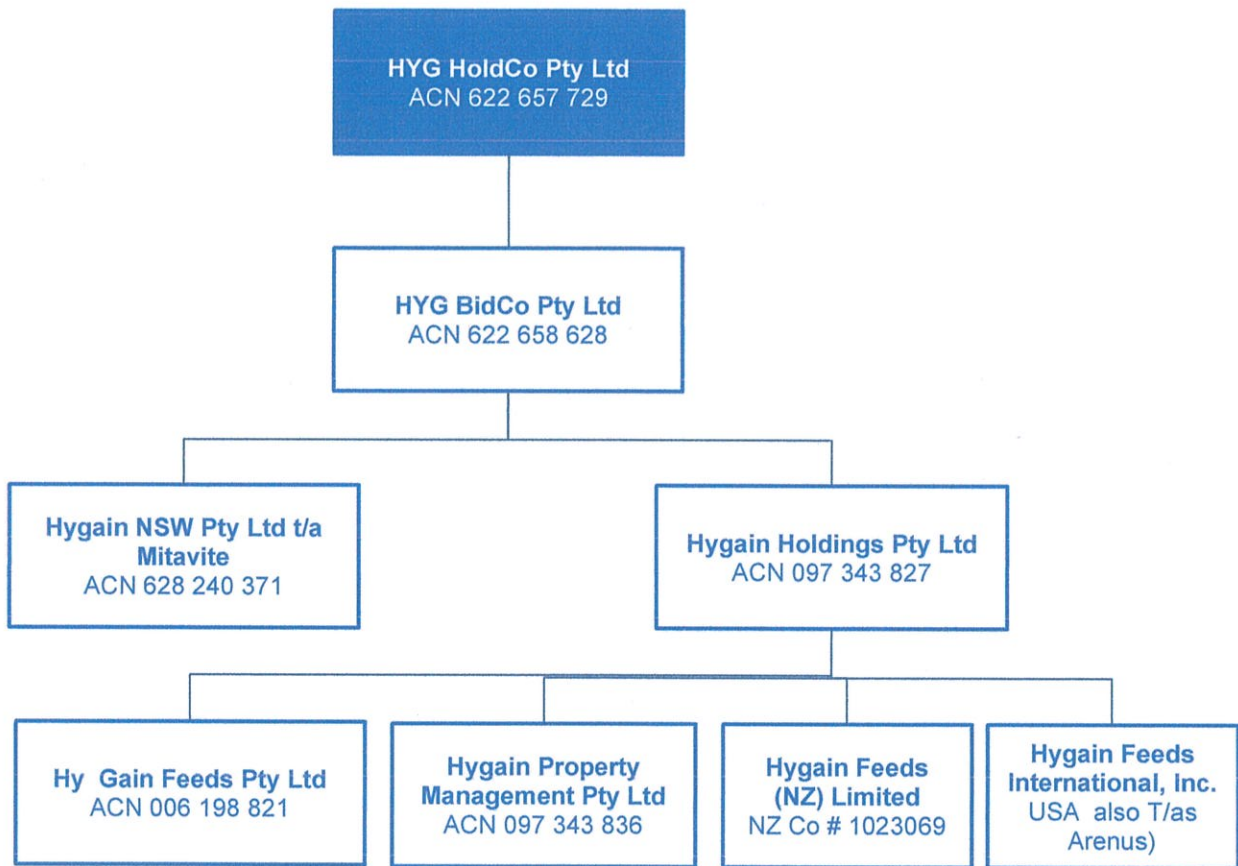
Hygain’s environmental, social and governance policies and practices cover all aspects of its business today.

1.2 Hygain’s Structure

1.2.1 Corporate Structure

This statement is made by HYG HoldCo Pty Limited a private company with its registered office at 10 Hickson Road, Officer, Victoria.

The corporate structure of the main operating entities in the Hygain Group is set out below. All entities shown in the corporate structure are companies.



Hygain Feeds is the main operating and procurement entity for the Hygain Group in Australia. Hygain Feeds (NZ) Limited operates Hygain’s sales and marketing in New Zealand. Hygain Feeds International conducts Hygain’s US business and the Arenus supplements business in the United States.

1.2.2 Governance structure

The board of HYG HoldCo Pty Limited is responsible for reviewing and approving Hygain’s modern slavery statements.

Hygain’s risk management framework is aligned to the principles of Australian Standard ISO 31000:2018, and identifies modern slavery and unethical supply practices as supply chain risks. These risks have an inherent rating as low (modern slavery risks) and moderate (unethical supply practices risk) and are reviewed and reported on annually. This report covers the status and effectiveness of the risk controls adopted and any recommendations for improvement.

1.3 Hygain's Operations

1.3.1 General operations

Hygain:

- Manufactures grain based feed for horses and some supplement products at two sites in Australia - at Officer in Victoria and at Somersby in NSW
- Procures the manufacture of supplements from contract manufacturers in Australia and, in the case of Arenus products, in the US
- Procures for distribution a limited range of third party owned branded products
- Sells and markets equine nutrition products directly or through distributors in 19 countries around the world.

Hygain has approximately 140 employees (133 plus labour hire), 90% of whom are permanent and the remaining retained on a casual basis. No workers are under 18 years of age and one is a registered migrant worker. Hygain's staff work across:

- Manufacturing roles including operating and maintaining feed manufacturing facilities and warehouses
- Sales and marketing of equine nutrition products
- Nutrition advice and research
- Procurement of raw materials
- Administration, finance and management roles

Hygain manufactures more than 100,000 tonnes of feed per year through its facilities and sells feed under the Hygain and Mitavite brands. It also sells supplements under those brands as well as under the Arenus and Sore No More brands in the United States.

1.4 Hygain's Supply Chains

Hygain procures the vast bulk of raw materials required for its feed products through grain brokers and growers in Australia. The exceptions to this are:

- Sugar beet products which are sourced from Chile
- Rice bran oil and fish oil which are sourced primarily from Thai and other Asian manufacturers
- Certain supplement additives

Packaging for Hygain's products is sourced ultimately from China with limited agency arrangements in New Zealand and Singapore.

Branded clothing and merchandise is also sourced from China.

Arenus sources its products from contract manufacturers in the United States except for Psyllium which is sourced directly from India.

Professional service support, office supplies and other sales and administration related supplies for the business are sourced from Australia in the main, and from the United States in the case of the US business (including Arenus).

Freight is an important feature of the Hygain business. Freight is outsourced to several reputable freight providers in Australia; to international freight providers (primarily Mainfreight, a NZ provider); and to reputable freight providers in the United States.

2. MODERN SLAVERY RISKS IN HYGAIN'S OPERATIONS AND SUPPLY CHAINS

2.1 How we assess our modern slavery risk exposure

Hygain is aware that it has the potential to inadvertently *cause, contribute to, or be directly linked to* modern slavery¹.

During this Reporting Period Hygain engaged an external consultant, to assess its modern slavery risk exposure through analysing:

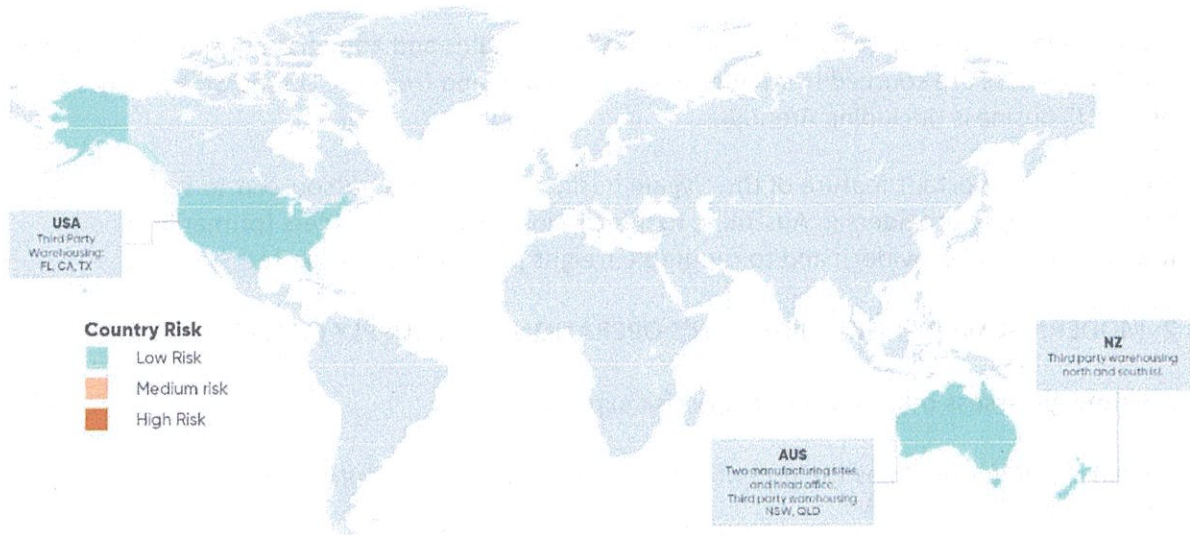
- Risk factors within Hygain's workforce
- Geographical risks based on the location of its operations and material suppliers
- Product, service, sector and industry risks based on the sector(s) in which it operates and the nature of the products and services supplied by our material suppliers
- The level of modern slavery risk management being practised by its material suppliers

Hygain used the findings from this analysis as the starting point for assessing its modern slavery risk exposure.

Country risk associated with Hygain's own operations was assessed as follows:

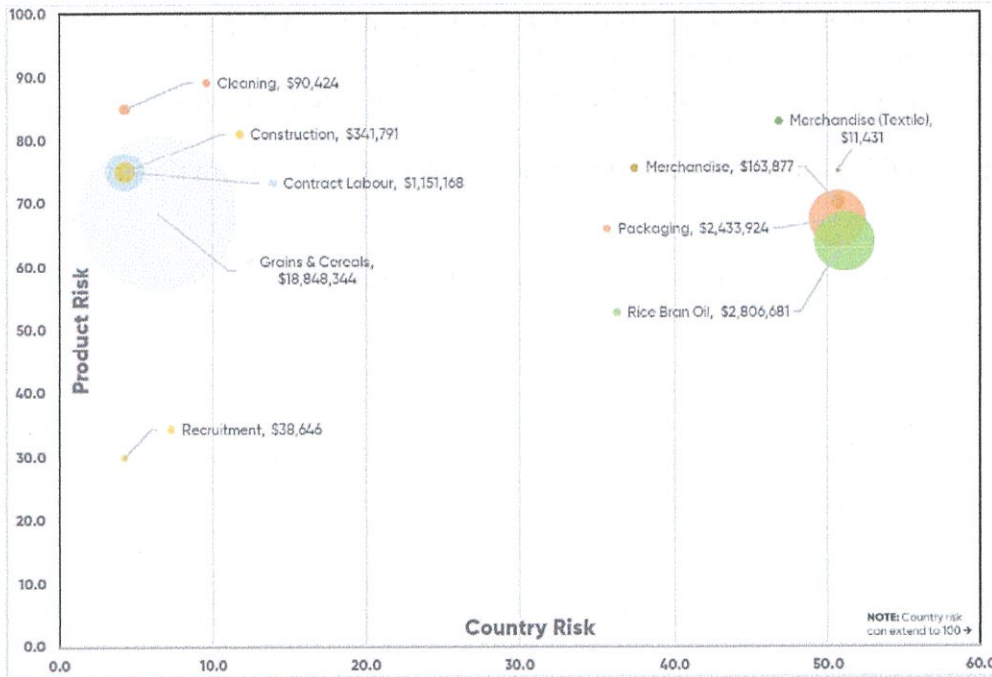
¹ Key terms applied by the United Nations Guiding Principles on Business and Human Rights.

Figure 1: Own Operations Risk



In Hygain's supply chain, modern slavery risks based on relevant products and services, countries and spend were assessed as follows:

Figure 2: Spend risks for highest risk suppliers^a



Cleaning	
Gosford Cleaning Pty Ltd	Jim's Cleaning Officer
Workpac Pty Ltd	
Construction Add Pacific Salar	
EFI Group	Make Project Solutions
Millennium Plumbing and Drainage	Price Excavations
Contract Labour	
Glennie Park	Shed 7 Group
Staff Australia Pty Ltd	
Grains & Cereals	
Australian Grain Export P/L	Cootamundra Oilseeds Pty Ltd
Direct Grain Pty Ltd	Glencore Agriculture Pty Ltd
Graincorp Oil Seeds Pty Ltd	Kanematsu Australia Limited
Robinson grain Trading Co P/L	Sudima Australia Pty Ltd (almond hulls)
TSS Grain Pty Ltd	Van Diemens Land Commodities
Merchandise	
Gifts Unlimited	
Merchandise (Textile)	
Top Crown International	
Packaging	
BSY Pack	Fengwah Industrial Co Ltd
Kindvast Paper Display Co	PGL HK Ltd
Recruitment	
Hays Recruitment	MAP Recruitment
Six Degrees Executive	
Rice Bran Oil	
Thai Edible Oil Co Ltd	

^a Risk ratings were identified using country rating data from the Global Slavery Index 2018, and commodity risks from Verite, Trafficking in Persons Report 2020, the TVPRA List of Goods Produced Using Child or Forced Labour Report, and published data from Anti-Slavery International. Hygain's top 30 highest risk suppliers were used for this analysis (shown right). Further info is shown in the following 2 figures.

As can be seen above, the external consultant identified that Hygain’s modern slavery risk exposure is higher through its supply chains than through its own operations. Accordingly, during this Reporting Period, Hygain undertook focused activities to more accurately assess supply chain risks.

The principal activity undertaken was to request suppliers to complete a detailed modern slavery questionnaire to enable us to assess the level of modern slavery risk exposure in our supply chains more accurately. The questionnaire covered topics of mandatory reporting, operations, policies and responsibilities, due diligence processes, training and improvement, and supplier and subcontractor management. We sent this questionnaire to 150 suppliers and had a 33% completion rate. Of suppliers assessed as having a high risk of modern slavery exposure, there was a 100% response rate with all except one completing the questionnaire accurately.

2.2 Findings

Key findings from the external consultants risk assessment work undertaken this Reporting Period are as follows:

Commodity	Overall risk [product x country risk] 0-100	Risk weighted by Hygain spend contribution* 0-100	Comments
Merchandise (Textile)	62.8	0.42	Manufacturing is considered high-risk with 15% of forced labour occurring in this industry. ¹⁰ In addition, textiles is known for wider exploitation with workers frequently employed outside of legal terms, and vulnerable to trafficking due to informal work arrangements and transient employers. ¹¹
Merchandise	60.3	5.73	Comments as above, manufacturing is the source of 15% of modern slavery cases, however the risk rating is not as pertinent in comparison to textiles.
Packaging	59.1	20.40	Packaging operates within the manufacturing industry and therefore weighted similarly to merchandise. This can be a more automated manufacturing process however still requires base skill labour in packing processes.
Rice Bran Oil	57.6	93.60	The risk rating for rice bran oil has been heavily influenced by the sole supplier’s country of operation, Thailand. Thailand has faced extensive scrutiny for labour practices that leave workers and migrants vulnerable to abuse and slavery. ¹² Rice bran oil is also considered a derivative of the agriculture industry, with an estimated 11% of forced labour victims. ¹³
Cleaning	44.6	0.78	Cleaning falls under domestic labour, which has high inherent risk of modern slavery due to informal labour arrangements and a lack of transparency, totalling 24% of forced labour victims. ¹⁴ In Australia, cleaning is also a risk due to the high number of migrant workers in the industry in addition to extensive previous cases of exploitation. ¹⁵
Contract Labour	39.6	1.96	Contract labour risks are heightened due to the lack of transparency, oversight, and accountability inherent to subcontracting a workforce on a temporary basis. ¹⁶ The labour service landscape in Australia is only legislated and regulated in a very inconsistent manner, with some states now implementing compulsory registration and permits for labour service providers. ¹⁷
Construction	39.6	8.81	The construction industry also has a high inherent risk of modern slavery due to lack of transparency, work requiring base-skill labour, and a high number of migrant workers. Construction is estimated to be the source of 18% of modern slavery cases. ¹⁸

* This was calculated using the overall risk score multiplied the fraction of spend within the 30 risk suppliers. Dark blue indicates the spend heightens the risk Hygain contributes to, where light blue indicates risk still exists but at a lower spend. Hygain may choose to use this to prioritise its approach, either by area of greatest spend, or area of highest overall risk.

¹⁰ ILO “Global Estimates of Modern Slavery” 2017

¹¹ US Department of Justice Trafficking in Persons Report 2020

¹² Ibid.

¹³ ILO “Global Estimates of Modern Slavery” 2017

¹⁴ Ibid.

¹⁵ ACSI “Modern Slavery Risks, Rights & Responsibilities” 2019

¹⁶ Ibid.

¹⁷ <https://www.ccaustralia.com.au/public-practice/toolkit/inpractice/labour-hire-licensing-scheme-what-you-need-to-know>

¹⁸ ILO “Global Estimates of Modern Slavery” 2017

Key findings from the questionnaires completed by material suppliers were:

- Suppliers with operations in China tend to rely on a combination of compliance with labour laws and workers mandatorily taking out labour insurance to mitigate risks of modern slavery
- Modern Slavery is generally accepted as a business risk, but principally because of the disruption to supply chains associated with prosecutions or other actions taken to protect human rights

Collectively, these findings informed the development of our multi-year modern slavery action plan described in Section 3 below.

3. ACTIONS TAKEN BY HYGAIN DURING THE REPORTING PERIOD TO ADDRESS MODERN SLAVERY RISKS

In addition to preparing this Statement and undertaking the associated enquiries with a detailed Supplier Assessment Questionnaire, Hygain has developed a plan to take further actions over the coming year. These are likely to include:

- Engaging with Hygain's solar panel provider to understand its sourcing policy
- Engaging with fish oil suppliers to understand better their value and supply chain and associated modern slavery risks
- Explore opportunities for industry collaboration
- Creating engagement terms that incorporate due diligence items on modern slavery
- Undertaking broader consultation on modern slavery risks with Hygain's employees and broader networks.
- Integrating modern slavery risks into Hygain's overall risk management systems

4. ASSESSING THE EFFECTIVENESS OF OUR ACTIONS THIS YEAR

This Statement represents a key development for Hygain in its first year of having a compliance obligation in relation to modern slavery. The process of engaging with Hygain's supply chain has facilitated stronger ties with key suppliers and a focus on a common human rights objective that improves all businesses.

We have primarily assessed the effectiveness of our actions through the development of our modern slavery action plan and progress reporting against those milestones. Moving forward, we will seek to mature our approach to tracking and assessing the effectiveness of our actions.

5. OUR PROCESS OF CONSULTATION

Hygain's internal consultation process involved engaging its management team, shareholders and directors to discuss the matters the subject of this Statement. As a result, there is a

common awareness throughout the Hygain Group of modern slavery risks in the business and the actions that need to be taken.

