



Modern Slavery Act Statement

2020



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1 Introduction

1.1 Modern Slavery Act Statement

Australian Agricultural Company Limited (AACo) welcomes the opportunity to make its first modern slavery statement under the Modern Slavery Act 2018 (Cth) (**Modern Slavery Act Statement**). The reporting period for this Modern Slavery Act Statement is 1 April 2019 to 31 March 2020.

This Modern Slavery Act Statement covers AACo and each of its controlled entities, details of which can be found in the AACo 2020 Annual Report available at www.aaco.com.au.

1.2 Our Approach

The term 'modern slavery' refers to a range of serious forms of exploitation including forced labour, debt bondage, human trafficking and slavery.

We intend to work in partnership with our suppliers, customers, business partners and other stakeholders to promote ethical practices which minimise the risks of modern slavery in AACo's operations and supply chain and the agricultural industry more broadly.

AACo understands and acknowledges that modern slavery may be present without our knowledge in AACo's operations and supply chain. In particular, AACo recognises that sources such as the Commonwealth Government's 2017 'Hidden in Plain Sight' Report indicate that modern slavery is prevalent within the agricultural industry. AACo is committed to developing its understanding of the modern slavery risks in its operations and supply chain.

AACo is proud to share with stakeholders its progress in this area but recognises that there is more work to do.

2 Our Structure, Operations and Supply Chain

2.1 Our structure

AACo is an Australian beef company with a heritage dating back to 1824. We are Australia's largest integrated cattle and beef producer and the oldest continuously operating company in Australia. AACo is a public company listed on the Australian Securities Exchange.

AACo has 17 controlled entities which are wholly owned by AACo. The majority of the controlled entities are incorporated in Australia and operate solely within Australia. A small number of the controlled entities have operations in the United States and Singapore.

2.2 Our Operations

AACo is a fully integrated branded beef business. We have three principal business activities:

- Ownership, operation and development of pastoral properties;
- Production of beef including breeding, backgrounding, feed lotting and processing of cattle; and
- Sales and marketing of high-quality branded beef into global markets.

AACo owns a strategic balance of properties, feedlots, farms and a processing facility comprising around 6.4 million hectares of land, which equates to roughly 1% of Australia's land mass.

Our integrated cattle production system operates across 22 cattle stations, 3 agisted properties, 2 feedlots and 2 farms located throughout Queensland and the Northern Territory. Each property has a unique strategic position in the AACo supply chain. Across our properties, we manage a cattle herd of around 400,000 head.

AACo distributes its branded beef to a range of customers across the world, tailoring its route-to-market model by country to capitalise on regional opportunities. Our beef feeds more than 1,000,000 people throughout the world every day.

AACo sells branded beef products to more than 21 countries throughout North America, the United Kingdom, Europe, the Middle East and Asia. AACo has distribution arrangements in each of these jurisdictions. AACo also sells its products directly to chefs, hotels and food wholesalers.

AACo's head office is located in Brisbane, with a sales and marketing presence in Sydney, Singapore and Los Angeles. The primary functions of the controlled entities with operations in the United States and Singapore are to employ a small number of sales and marketing personnel located in those jurisdictions and perform treasury functions relating to the sale of product in those jurisdictions.

Our Properties



2.3 Our Supply Chain

AACo has a range of suppliers that provide equipment, machinery, vehicles, grain, feed, mustering, maintenance and fuel. AACo has long term relationships with grain and feed suppliers, meat processing providers, cold storage companies, logistics and shipping companies, freight forwarders and distributors.

AACo's suppliers range from family-owned, small to medium sized businesses, to international organisations. The majority of our suppliers are located in Australia and all AACo branded beef products are processed and packed at accredited and state of the art Australian facilities.

3 Modern Slavery Risk in our Operations and Supply Chain

AACo carried out a risk assessment for the purposes of assessing the modern slavery risk in its operations and supply chain during the reporting period. We developed a modern slavery risk assessment tool for the purposes of this risk assessment.

3.1 Our Operations

Using our modern slavery risk assessment tool, we determined that the risk of modern slavery in AACo's operations is low. Although AACo operates within the agricultural industry, which is considered to have an elevated risk of modern slavery (particularly forced labour), AACo's operations are predominantly based in Australia, which has a low prevalence of modern slavery according to the latest edition of the Global Slavery Index (2018). Further, AACo's own labour practices have a low risk of modern slavery. As at 31 March 2020, AACo employed 423 employees on a full-time equivalent basis. The majority of these employees are located in Australia, and a small number of employees are located in the United States, Singapore, South Korea and France.

AACo has entered into individual employment contracts with each of our employees. AACo offers industry competitive remuneration to attract and retain the best people. The employment contracts establish clear employment terms and conditions in compliance with all applicable labour laws and regulations. AACo is committed to providing employment, career and personal development opportunities for staff.

3.2 Supply Chain

To assess the modern slavery risk in AACo's supply chain, we carried out a risk assessment of a selection of AACo's key suppliers.

We identified that some of AACo's suppliers and distributors have a higher risk of exposure to modern slavery due to the jurisdictions and industries/sectors in which they operate. In particular:

AACo had in excess of 1500 suppliers in the reporting period. For the purposes of this initial risk assessment, we focused on direct suppliers with the highest spend above a spend threshold.

- a number of AACo's suppliers and distributors operate in the agricultural industry, which is considered to have a high risk of modern slavery;
- some of AACo's suppliers and distributors have operations in countries that have a higher prevalence of modern slavery according to the Global Slavery Index (2018); and
- some of AACo's suppliers and distributors supply products and services to AACo that are known to be affected by modern slavery.

A total of 373 suppliers met the spend threshold in the reporting period and were therefore selected for an initial risk assessment using a third party program. The selected suppliers represent 23% of AACo's total suppliers and 95% of AACo's total supplier spend during the reporting period. All of AACo's 58 distributors were also selected for the initial risk assessment.

On a small number of higher risk suppliers, we carried out further due diligence including research into their suppliers (ie AACo's indirect suppliers).

Of the 373 suppliers that were assessed, the program determined that 60 suppliers have an elevated risk of modern slavery. The program utilises key modern slavery indicators including the jurisdiction and industry/sector in which the entity operates and the product or service which they provide. The 60 high risk suppliers were then subject to a detailed risk assessment using our modern slavery risk assessment tool. All of AACo's 58 distributors were also subject to a detailed risk assessment using the tool.

AACo intends to work with its suppliers to better understand the modern slavery risk associated with its supply chain over time. In particular, in order to accurately assess the risk of modern slavery associated with each supplier, AACo requires information about the controls that each supplier has in place to manage modern slavery risk.

The vast majority of the entities were assessed as having a low or very low risk of modern slavery.

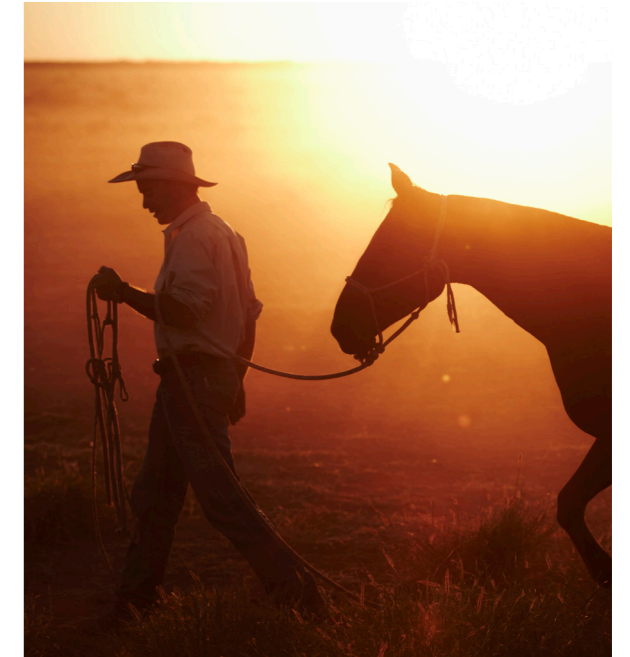


4 Assessing and Addressing Modern Slavery Risks

4.1 Governance Approach

AACo is committed to working with stakeholders to assess and address the risk of modern slavery in its operations and supply chain. It is intended that modern slavery risk management will be incorporated into our overall corporate governance and risk management approach. This will include:

- Progressive and comprehensive compliance assurance processes;
- Regular reporting to and oversight by the AACo Executive and the Audit and Risk Management Committee (ARMC);
- Initial risk assessments of all existing and new suppliers and distributors above a minimum spend threshold;
- Second level due diligence undertaken on all suppliers and distributors assessed as being in an elevated category of modern slavery risk; and
- Incorporation of modern slavery considerations into AACo's compliance framework.



4.2 Modern Slavery Working Group

AACo has established a Management Modern Slavery Working Group (Working Group) to assist with assessing and addressing modern slavery risks and implementing appropriate treatment measures.

The Working Group is Chaired by the Company Secretary and General Counsel. The members include representatives from Legal and Risk, Finance, Human Resources, Procurement, Supply Chain and Customer Experience. The Working Group is advised by external legal counsel on an ad hoc basis.

4.3 Modern Slavery Controls

During the reporting period, AACo in consultation with external legal advisors undertook a comprehensive review of AACo's existing modern slavery controls to determine the extent to which modern slavery risk is effectively managed by those controls.

AACo and its external legal advisors identified a number of potential gaps in the controls. Although the identified gaps were of little material consequence, we are now working to uplift the controls to align with best practice.

4.4 Modern Slavery Risk Assessment

As discussed above, AACo carried out a risk assessment for the purposes of assessing the modern slavery risk in its operations and supply chain during the reporting period.

The results of this risk assessment assisted with the preparation of this Modern Slavery Act Statement and will inform the activities of the Modern Slavery Working Group in the next reporting period.

A risk assessment will be undertaken in each reporting period. Over time, AACo intends to increase the number of suppliers that are subject to detailed due diligence assessments in order to improve its understanding of the modern slavery risk in its supply chain.

4.5 Engagement with Suppliers and Distributors

AACo is monitoring and working closely with elevated risk suppliers and distributors to implement appropriate controls which serve to identify, review and mitigate the risk of modern slavery practices. AACo favours a collaborative approach with suppliers and distributors in the first instance in order to encourage industry-wide best practice.

4.6 Policies and Procedures

AACo has a suite of internal policies and procedures that act as modern slavery controls.

The ARMC, under the authority of the Board, has primary responsibility for identification and control of risks, including modern slavery risks. The Board reviews and implements policies for managing risk.

AACo's Risk Management Policy and associated framework applies to all directors, employees and contractors of AACo and its subsidiaries. It expresses AACo's commitment to robust and transparent management of material business risks including modern slavery risk and the Board's commitment to promoting and embedding a strong risk management culture.

4.7 Grievance and Remediation Processes

The Directors and Management of AACo are committed to high standards of conduct in all business activities, and facilitating a culture where staff feel comfortable reporting or raising concerns about illegal, unacceptable, unethical or undesirable conduct (Misconduct). AACo's Whistleblower Policy outlines comprehensive reporting procedures and mechanisms which enable employees or third parties to report concerns regarding Misconduct, including in relation to modern slavery. Should a reporting party wish to remain

4.8 Supply Chain Controls

AACo has a Contractor Evaluation Checklist that is used to assess suitability of contractors prior to engagement. The checklist requires contractors and subcontractors to declare that they are compliant with relevant legislation, Codes of Practice, Australian standards, workplace health and safety requirements and other instructions issued by AACo or the principal contractor.

AACo already monitors and audits its supply chain and distribution chain to ensure that sustainable and ethical

Other modern slavery controls include:

- Code of Conduct and Workplace Behaviour policy which deal with issues of human rights and implements base threshold requirements for staff conditions;
- Procurement policy and framework;
- Tender review and selection process;
- Due diligence assessment of suppliers and distributors; and
- Development of training for key personnel to detect and mitigate modern slavery risk.

anonymous, they can report online, by phone or by email through our independently operated whistleblower system. Investigations of alleged misconduct is conducted in a manner that is confidential, fair and objective. Where issues are investigated and substantiated, AACo is committed to taking appropriate action.

practices are maintained. AACo intends to broaden these existing monitoring and auditing processes to cover modern slavery.

AACo will continue to engage with our suppliers and distributors to support them in enhancing their approach to managing modern slavery risk.



5 Assessing the Effectiveness of AACo's Actions

AACo understands that it is necessary to continually assess the effectiveness of our actions to assess and address modern slavery risk.

It is intended that the Modern Slavery Working Group will review the effectiveness of our modern slavery controls and report regularly to the Executive, the ARMC and the Board.

AACo will undertake compliance and assurance activities to ensure that it is adhering to the policies and procedures that relate to modern slavery.

As part of our Governance, Risk and Compliance continuous improvement program, AACo will review and update where necessary controls that will impact on modern slavery related risks.

6 Consultation with Controlled Entities

AACo did not consider that formal consultation with its controlled entities was necessary or useful in preparing this Modern Slavery Act Statement.

AACo and its controlled entities are treated as one entity from a corporate governance perspective and AACo's controlled entities adhere to AACo's policies and procedures, including in respect of modern slavery.

7 COVID-19 Pandemic

COVID-19 was declared a global pandemic by the World Health Organisation on 11 March 2020. The impact of the pandemic has seen an unprecedented global response by governments, regulators and numerous industries and sectors. AACo has been faced with significant impacts to our traditional food services markets. For example, Government directives around the world forced most of the restaurants which buy our beef to close temporarily. We sought to mitigate the impact by accelerating our allocation of product to the retail markets and testing direct-to-consumer initiatives. This required AACo to work with our global customers and distributors to swiftly bring our branded beef to new market segments. In doing so, our focus was on ensuring that AACo, its people and animals were safe.

Despite these impacts, AACo considers the overall impact of COVID-19 on the risk of modern slavery in our operations and supply chain to be negligible. Although AACo was required to make changes to our distribution strategy, we continued to engage with largely the same suppliers and distributors (and a small number of new suppliers and distributors in the ordinary course).

AACo continued to take steps to assess and address modern slavery risks during the pandemic through the conduct of modern slavery risk assessment and preparation of this Modern Slavery Act Statement.

This Modern Slavery Act Statement was approved by the Chief Executive Officer and Managing Director and endorsed by the Board of AACo.

Hugh Killen

Managing Director & Chief Executive Officer
Australian Agricultural Company Limited

The Art of Australian Beef

