



# MILK SUPPLIER HANDBOOK

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**National Edition 3**

1 July 2022 - 30 June 2023



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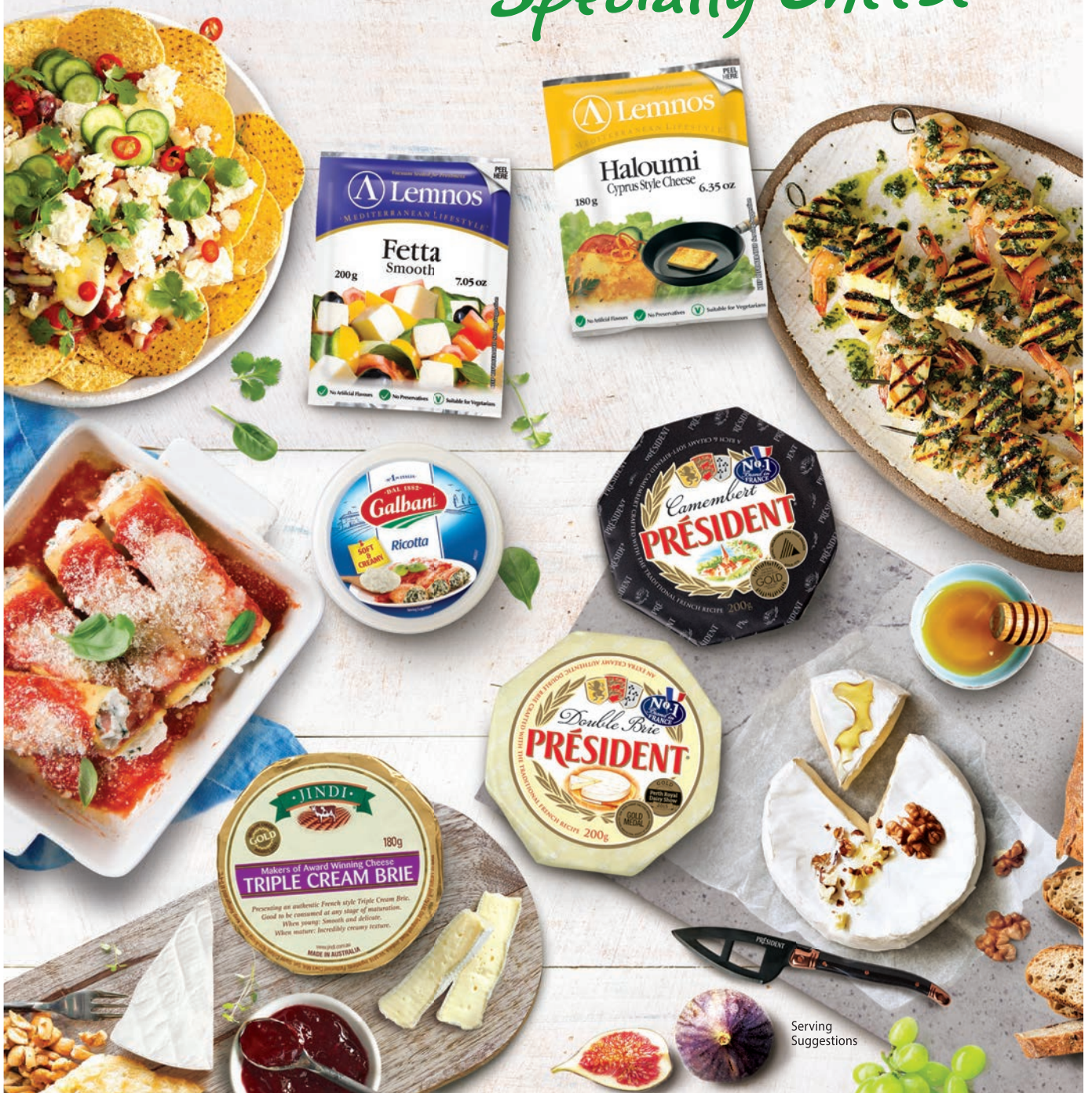
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# Celebrate!

ANY OCCASION

## Inspired Moments with Specialty Cheese



Serving Suggestions

# Lactalis Australia's Vision

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*TO HAVE EVERY DAY CONSUMERS RECOGNISE LACTALIS AS  
THEIR FIRST CHOICE PROVIDER OF TASTY AND NUTRITIOUS DAIRY  
PRODUCTS AND BEVERAGES*



# About Lactalis

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## *Company History in Australia*

We are a national dairy company with a long and proud history in Australia, a history that commenced with the opening of the Pauls milk factory on the banks of the Brisbane River back in the 1930s. More than 80 years on, we are now part of a global dairy organisation that brings nutrition to people all over the world. We have great brands and great people. We continue to invest and expand in Australia, setting the benchmark for the dairy industry locally and playing an ever-increasing role in the export of dairy products into Asia.

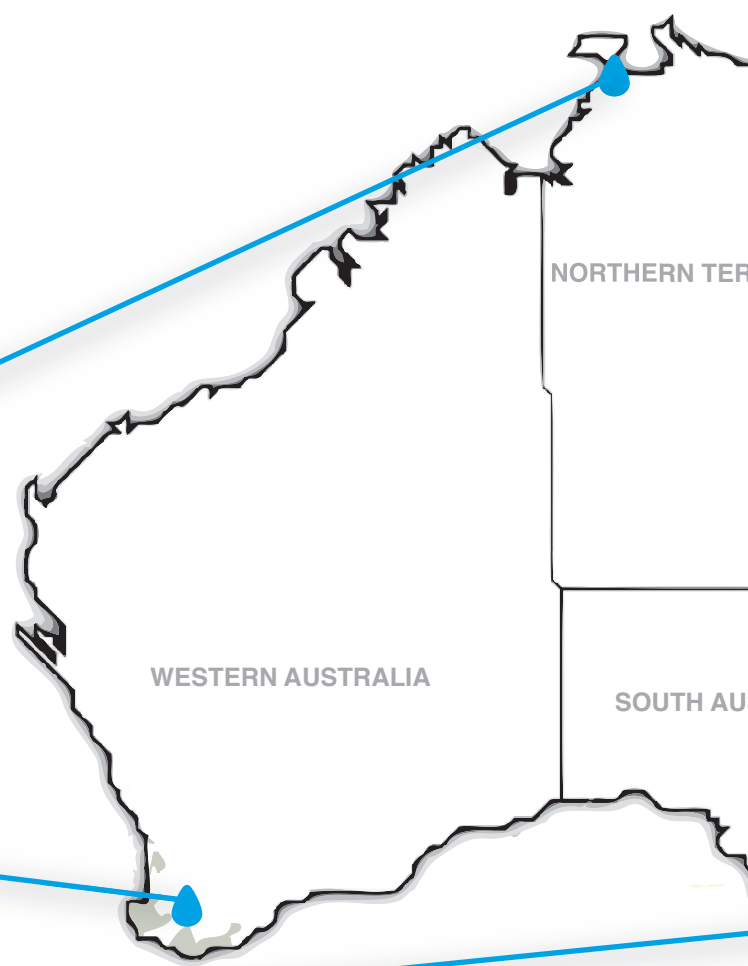
## *Lactalis Australia and Lactalis Group*

Lactalis Australia is owned and operated by the Lactalis Group. A third generation, French family owned business, Lactalis Group is the world's largest fresh dairy company with over 250 production sites and 80,000 employees across 94 countries.

Lactalis Australia benefits from the multi-national scale and ambition of its parent company, without sacrificing any of the proud local heritage and traditions that began with the original Pauls milk business in 1932.

At the heart of business locally, we have more than 2300 passionate employees, working closely and constructively with some 500 Australian farmers to produce the finest dairy goods in the country.





**DARWIN**

- White & Flavoured Milk

**HARVEY**

- White & Flavoured Milk
- UHT Milk
- Yoghurt and Desserts
- Creams
- Juice

**CLARENCE GARDENS**

- White & Flavoured Milk
- ESL Milk
- Yoghurt and Desserts

**ECHUCA**

- Yoghurt and Desserts

**BENDIGO**

- White & Flavoured Milk
- ESL Milk
- Yoghurt and Desserts
- Creams

**JALNA**

- Pot Set Yoghurts

**LEMNOS FOODS**









- Mediterranean Style Specialty Cheeses


**JINDI CHEESE**

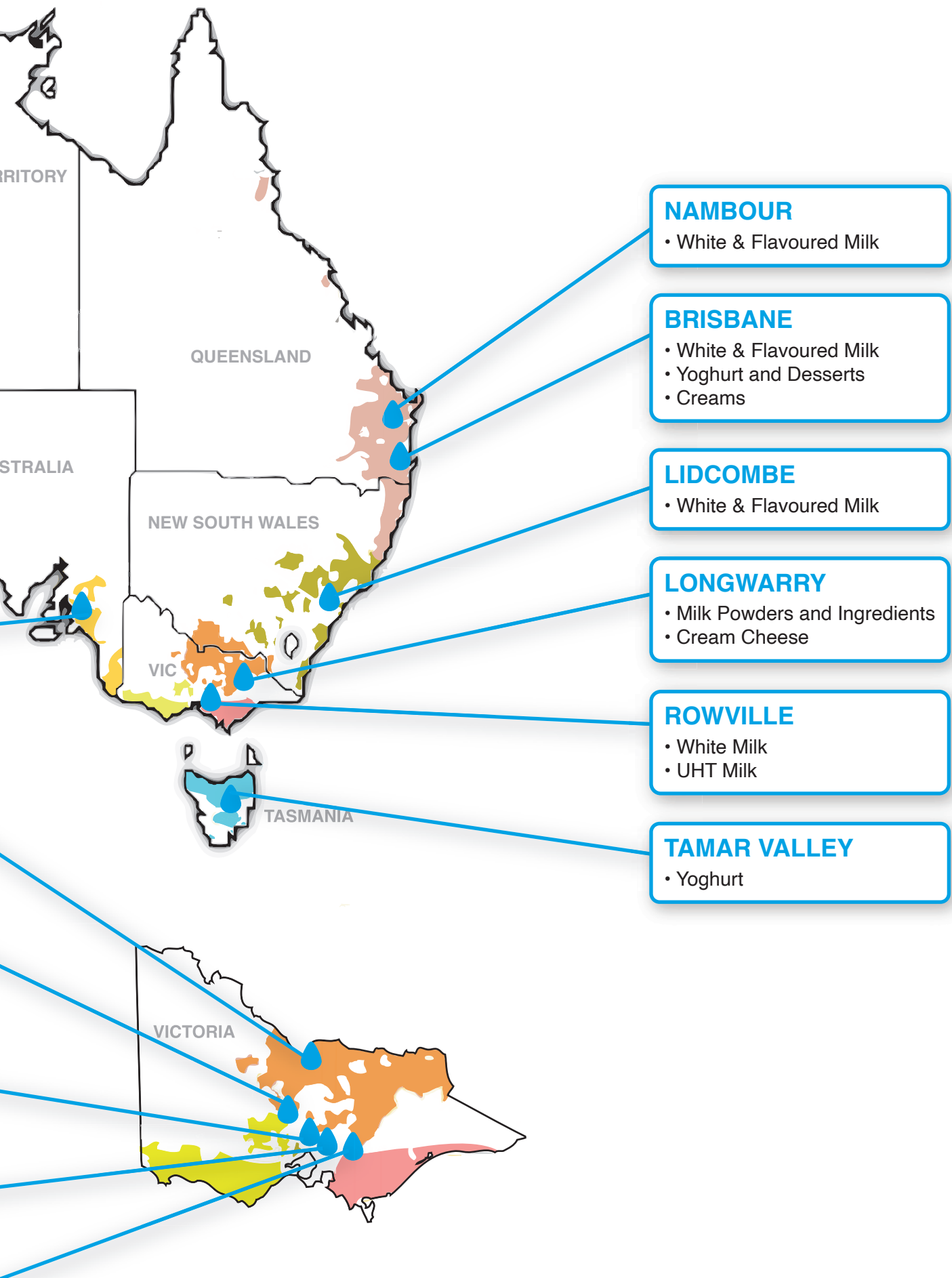
- Specialty Soft Cheeses

**LACTALIS AUSTRALIA**

**LEGEND OF DAIRY FARMING AREAS BY REGIONAL DEVELOPMENT PROGRAM**

 Dairy Industry Development Company	 Murray Dairy
 DairySA	 Subtropical Dairy
 DairyTas	 WestVic Dairy
 GippsDairy	 Western Dairy

 **Lactalis Site**



# Our Brands

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Pauls Milk, Jalna, Kraft, Ice Break Iced Coffee, Tamar Valley and Vaalia yoghurt, Oak and Breaka flavoured milk are leading examples of Lactalis Australia products which over the years have become synonymous with high quality and Australian community values.



## PAULS

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Pauls is Extraordinary Dairy. Catering for your whole family's needs with a nutritious range of milk, custard, yoghurt and creams. Pauls, a family tradition for more than 75 years.



## VAALIA

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With a special combination of live and active probiotic cultures, Vaalia is deliciously creamy yoghurt that makes you feel good.



## TAMAR VALLEY

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There's nowhere on earth like the rolling hills of the pristine Tamar Valley in Tasmania. We think it's the perfect place to create our range of thick and creamy yoghurts. Tasmanian Tamar Valley Dairy tastes delicious because we make it in Tasmania from locally sourced fresh milk. But don't take our word for it, taste the Tassie goodness in Tasmanian Tamar Valley Dairy for yourself.



## LEMNOS

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Lemnos offers a range of delicious and authentic Mediterranean style cheeses.

Representing the No. 1 Haloumi brand in Australia and an extensive range of quality Fetta cheeses, Lemnos crafts cheeses to traditional recipes so you can share a little bit of the Mediterranean. Celebrate life the Mediterranean way!



## ICE BREAK

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Perfect to get your day going and keep you pumping, nothing satisfies quite like and ice cold Ice Break. With heaps of pack sizes available, Ice Break is ready for anything and everything.

Bring It On!



## OAK

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Oak really hits the spot when you're hungrythirsty. An Australian favourite for more than 40 years with its wide range of rich, creamy and authentic flavours - OAK is always the answer. Full flavour, full strength, full on.



## PRÉSIDENT

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Président® is one of the world's premier cheesemakers and the number one brand of cheese in France.

Through over 75 years of French tradition and expertise, Président has become the hallmark of taste and quality.



## GALBANI

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130 years of inspiration from Galbani, the No. 1 cheese brand in Italy!

With Galbani fresh mozzarella and bocconcini, your family can enjoy the deliciously fresh, authentic taste of Italian style cheese made right here in Australia.



Home cooking calls  
for Président Butter



# General Information



# 1. General Information

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## 1.1 Abbreviations

Within this document the following abbreviations/definitions are used.

ABBREVIATION	FULL NAME
ADF	Australian Dairy Farmers
Agreement	Milk Supply Agreement
AMRA	Australian Milk Residue Analysis
Bacto	Bactoscan
BMCC	Bulk Milk Cell Count
bST/BGH/rbST	bovine Somatotropin/Bovine Growth Hormone/recombinant bovine Somatotropin
CAR	Corrective Action Request
EBL	Enzootic Bovine Leucosis
GE / GM	Genetically Engineered / Genetically Modified
GMO	Genetically Modified Organism
GST	Goods and Services Tax
Handbook	Milk Supplier Handbook
IBC	Individual Bacteria Count
ICCC	Individual Cow Cell Count
Lactalis	Lactalis Australia Pty Ltd
MRL	Maximum Residue Limit
Q&Q Statements	Quality and Quantity Statements
SCC	Somatic Cell Count
Thermo	Thermoduric Plate Count

## 1.2 Purpose

This Handbook provides requirements for and information relating to:

- a. quality and quantity of milk supplied,
- b. milk collection,
- c. sampling procedures
- d. volume accuracy assurances,
- e. testing of the milk and
- f. statements that we provide to you about the milk.

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### **1.3 Minimum Collection Requirement**

At the time of each collection, you must supply at least 400 litres of milk for collection. The collection must also include the entire volume of milk in each vat or silo, unless otherwise agreed in writing between us.

If you are likely to be impacted by this requirement then please let us know and we will work with you to ensure that you are fully in a position to make appropriate decisions for your business.

It is your responsibility to ensure you have sufficient vat capacity to allow for a maximum of once per day collection.

Milk must be refrigerated, agitated and less than 48 hours old from harvesting.

### **1.4 Payment for Supply**

#### **General**

You will be paid for milk supplied in accordance with the prices and methods set out in the Agreement. Payment will be made on the 15th day of the month following the month of supply. However, if the 15th falls on a weekend or public holiday, payment will be made on the business day prior to the 15th.

All payments will be made to your nominated bank account, as verified by us. We will send payment statements by email.

#### **Share Farm or Lessee Payments**

We have an agreement with you. If you share-farm or lease part of your farm, then it is up to you to determine whether a percentage payment is to be made to a share-farmer or lessee. If this is the case then please provide us in writing with details of such payments.

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## 1.5 Supplier Reimbursements

### Reimbursements for servicing your Milking Machine and Vat

You may request reimbursement of the cost of one milking machine service and one vat service each Supply Period, to a maximum value of \$3000 per service per farm. We will only reimburse you the costs associated with labour and travel for each service (excluding GST only). Parts and labour for repairs and upgrades are not eligible for reimbursement.

You are to pay for the service and then provide us with a copy of the itemised invoice no later than three months from the date of the service in order to be eligible for reimbursement.

### Reimbursement for replacing your vat

We will reimburse you one third of 20% of the costs associated with upgrading your milk cooling capability with the purchase and installation of a new or second-hand milk vat, for each year that you contract with us up to a maximum of three years.

The 20% is calculated on the cost of the vat and associated cooling equipment, including installation costs (excluding GST).

To be eligible for this assistance, the following criteria must be met:

- a.** All vats must have a 75 mm outlet, or an equivalent adaptor;
- b.** Vat capacity must be increased to at least 1.4 times peak daily production;
- c.** The above-mentioned vat capacity must be achieved with no more than two vats being installed and in use on the farm;
- d.** The vat must be positioned so that the outlet is no more than six metres from the tanker connection and no more than three metres from the tanker access doorway.

Where all of the above criteria are met, you should contact your Supplier Relationship Manager to calculate the reimbursement amount.

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## Reimbursement for herd testing and recording

We will reimburse you \$3.50 per cow each year of the Agreement that you complete herd testing and recording.

Regular herd testing and recording provides you with valuable information about your individual cow cell counts and will help to:

- a.** identify individual cows that may be causing the Bulk Milk Cell Count to rise;
- b.** track new infection rates during key times of the year;
- c.** make decisions about the drying-off treatment strategy;
- d.** make decisions about culling.

Herd testing also provides information on milk yields to aid in drying-off decisions in late lactation.

We encourage you to conduct herd testing and to use the results in farm management decisions. The data from herd recording is also used by the wider industry for sire progeny testing.

You are eligible for this reimbursement if you meet the following requirement:

- a.** By 31 July of the current Agreement year, you must submit to us the previous agreement year's (1 July – 30 June) annual statement for herd testing costs. You must use a recognised herd recording centre to carry out the testing, and the statement must show the number of cows tested and the total testing costs.

Reimbursement will be made with the monthly milk payment for July (i.e. on or about 15 August).



*The*  
**CREAMERY.**  
*The* **BETTER**

**THICK & CREAMY YOGHURT**

# Milk Quality Requirements



## 2. Milk Quality Requirements

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### 2.1 Milk Quality

We set out in this section our sampling and testing procedures and other matters relevant to assessing whether your milk meets our quality requirements, as set out in section 2.6 and the table below.

### 2.2 Sampling Procedure

Milk samples for composition and cell count testing are taken automatically at every collection by either an inline drip sampler which is fitted to the tanker or a dip method directly from the vat. These sampling methods are designed to ensure a representative sample of the milk is taken from the collection.

Before pumping into the tanker, the driver will agitate the vat to ensure an adequate distribution of components throughout the milk.

#### Drip Sample Collection - During Loading

These samples are collected from a hygienic sampling device which is fitted to the tanker, and collects small quantities of milk during loading.

All sample bottles are labelled to identify the collection, Supplier and analysis requirements.

Samples are aseptically collected in a sterile sample bottle, which is sealed and stored, on ice or under refrigerated conditions until analysis is completed.

#### Directly From the Vat DIP Method

In the case where a drip sample is not possible, or may not be sufficiently filled, where possible, a manual dip sample must be taken.

All sampling equipment is sterilised using a 250ppm chloride solution or 70% alcohol solution.

#### Australian Milk Residue Survey

Australian Milk Residue Survey is a national independent monitoring program for potential agricultural and veterinary chemical residues and environmental contaminants in Australian bovine milk.

We are required to collect milk samples as part of our participation in the AMRA Survey. Raw milk samples are taken randomly from all dairy regions and submitted to independent testing laboratories for analysis. When a residue is detected in a sample, we, the relevant state regulatory authority, and the Department of Agriculture are notified.

### 2.3 Volume Measurement

To assure volume accuracy, the volume of each collection will be measured for payment purposes by a calibrated flow meter fitted to the milk collection tanker. We require that the carrier collecting the milk, meets and conforms to all relevant regulatory requirements and uses and maintains all volume and temperature recording equipment according to all national measurements legislations and trade measurement regulations.

We require any flow meter installed on a milk collection vehicle to be maintained in good working order and be calibrated on a 6 monthly basis. All temperature sensing equipment fitted to a milk collection vehicle must be calibrated on a 6 monthly basis.

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## 2.4 Testing Procedure

### Point of Collection

Prior to collection, the driver assesses the time and temperature cooling profile and completes a sensory evaluation (odour and visual appearance) for potential contamination, food safety risk, and milk quality deterioration. From time to time we may require more specific testing to be completed.

### Point of Delivery

When the milk is delivered, it is tested by the receiving site for contaminants and milk quality. If it does not meet these standards, individual farm samples are tested to detect the source of the contamination or defective milk collection, for example antimicrobial substance residue.

An independent external milk testing service provider tests all collection samples for components, somatic cell content, bacteriological content and residues and conducts a range of other tests as required. These results are then reported to us at the same time.

Milk composition (fat and protein) is measured on a mass volume basis.

### Payment for Additional Testing

If you request for us to organise additional testing then we will directly pass through third party costs to you by deducting them from the monthly milk payment. We will obtain your confirmation of any third party costs associated with additional tests prior to proceeding with that testing.

## 2.5 General Quality Requirements

In calculating the minimum price for milk under the Agreement, adjustments will be applied to the base rates for each collection of milk to reflect the level of compliance with the Quality Requirement specifications as set out in the table in section 2.6 below. The adjustments per collection will be shown on your monthly milk statement.

Any adverse or non-compliant test result could result in us auditing your compliance with the Agreement.

Any failure to meet Quality Requirements imposed under this Handbook which results in the contamination of other milk in the tanker or in the processing system, may render you liable for the total volume of milk lost, including costs for additional testing, segregation, extra transport, processing/disposal of the contaminated milk and other costs arising out of the contamination. Such contaminants may include, but are not limited to:

- a.** Antibiotics;
- b.** Blood;
- c.** High microbial counts to such a level that the tanker load is rejected by the receiving factory;
- d.** Agricultural or veterinary chemicals.

In these circumstances, we are also not required to pay you for the milk.

## 2.6 Milk Quality Requirements

You are required to supply Milk to us in the following way:

- a. Milk will be tested by us at the times set out in column 2 of the Quality Requirements Table;
- b. Milk falls within the specifications in column 3 of the Quality Requirements Table;
- c. If the Milk meets the specifications in column 3 then we may still accept your milk, but we will make a percentage adjustment to the base rate component of the minimum price that we pay you for your milk;
- d. The amount of the adjustment will be calculated in accordance with column 4 of the table below. Any deduction to the base rate component of the minimum price will not be more than 50% per collection.

We may also reject or suspend collection of your Milk in accordance with clause 11 of the Agreement. We also have a right to audit, upon reasonable notice for compliance to the Agreement.

	TEST FREQUENCY	SPECIFICATIONS/ TEST RESULTS	PERCENTAGE ADJUSTMENT(+/-)
<b>SENSORY ASSESSMENT</b>	Every collection of milk, prior to loading by the tanker driver	Fresh clean smell. No unpleasant characteristics, including clean white appearance, no odours, no chemical residue or foreign matters	0%
<b>TEMPERATURE</b>	Every collection of milk	≤5°C	0%
		>5°C – no prior notification of cooling failure	0% Milk may be rejected
		>5°C – prior notification of cooling failure	0% If milk is deemed unsuitable for collection, it may still be paid for at base rate in accordance with clause 11.1(b) of the Agreement
<b>ANTIBIOTICS</b>	When antibiotics are detected on a tanker of milk ex-farm, each Supplier on that tanker will have their vat sample tested	Antibiotics present in milk tanker with NO PRIOR NOTIFICATION of possible or probable residues in milk	-100% + costs Refer to clause 11.2 of the Agreement. We will not pay you for that collection of Milk and you may be held responsible for the total volume of milk lost and recover the cost of disposal of the milk and other costs arising out of the contamination
		Antibiotics present in farm vat with PRIOR NOTIFICATION of possible or probable residues in milk (i.e. milk not collected)	0% for first incident in an Agreement year (milk is paid for at base rate component of the Minimum Price)
<b>FAT &amp; PROTEIN</b>	Every collection of milk	Milk Fat ≥ 3.30% m/v MINIMUM Protein ≥ 3.10% m/v MINIMUM	Refer to clause 11.3 of the Agreement. We may either reject or suspend collection of your Milk. If we do decide to reject or suspend collection then we will provide you with written notice of the reasons or the rejection or suspension, the consequences of the rejection or suspension and any associated costs for you to pay and any action plan that we require you to implement to ensure continuous improvement of milk composition.

	TEST FREQUENCY		SPECIFICATIONS/ TEST RESULTS	PERCENTAGE ADJUSTMENT(+/-)
<b>BULK MILK CELL COUNT BMCC / SOMATIC CELL COUNT (SCC)</b>	VIC/ SA/ TAS/ NSW	Every collection of milk	≤200,000 cells/mL	+3%
			201,000 – 300,000 cells/mL	0%
			301,000 – 400,000 cells/mL	-10%
			401,000 – 600,000 cells/mL	-20%
			>600,000 cells/mL	-30%
			We may exercise our rights in accordance with clause 11.3 of the Agreement and suspend collection if 5 results over a 30 day period are greater than 800,000 cells/mL	
	QLD	Every collection of milk	≤200,000 cells/mL	+3%
			200,000 - 250,000 cells/mL	+1.5%
			251,000 – 300,000 cells/mL	0%
			301,000 – 400,000 cells/mL	-5%
			401,000 – 500,000 cells/mL	-10%
			>500,000 cells/mL	-22%
	We may exercise our rights in accordance with clause 11.3 of the Agreement and suspend collection if 5 results over a 30 day period are greater than 800,000 cells/mL			
	WA	Every collection of milk	≤150,000 cells/mL	+5%
			151,000 – 200,000 cells/mL	+3%
			201,000 – 300,000 cells/mL	0%
			301,000 – 400,000 cells/mL	-10%
			401,000 – 600,000 cells/mL	-20%
			>600,000 cells/mL	-30%
	We may exercise our rights in accordance with clause 11.3 of the Agreement and suspend collection if 5 results over a 30 day period are greater than 800,000 cells/mL			
	<b>BACTOSCAN (‘Bacto’)</b>	Three times per month, at a minimum.  Additional testing may be conducted to determine the source of a tanker with a high Bacto count	≤80,000 IBC/mL	0%
81,000 – 150,000 IBC/mL			-5%	
151,000 – 300,000 IBC/mL			-20%	
301,000 – 400,000 IBC/mL			-30%	
>400,000 IBC/mL			-40%	
We may exercise our rights in accordance with clause 11.3 of the Agreement and suspend collection if 5 results over a 30 day period are greater than 600,000 IBC/mL over a 30 day period				

	TEST FREQUENCY	SPECIFICATIONS/ TEST RESULTS	PERCENTAGE ADJUSTMENT(+/-)
<b>THERMODURIC (Thermo)</b>	Once per month, at a minimum	≤2,000 cfu/mL	0%
		2,001 – 5,000 cfu/mL	-5%
		5,001 – 10,000 cfu/mL	-20%
		>10,000 cfu/mL	-30%
		We may exercise our rights in accordance with clause 11.3 of the Agreement and suspend collection if 5 results >15,000 cfu/mL over a 30 day period	
<b>EXTRANEOUS WATER / FREEZING POINT</b>	Discretionary	≤-0.512°C	0%
		>-0.512°C	
		We may exercise our rights in accordance with clause 11.3 of the Agreement and suspend collection if 5 results > -0.512°C over a 30 day period	
<b>ACIDITY</b>	Discretionary	≤0.14%	0%
		>0.14%	-100%
<b>PH</b>	Discretionary	≥6.6	0%
		<6.6	-100%
<b>SEDIMENT / EXTRANEOUS MATTER</b>	Discretionary	Grade A or B	0%
		Grade C	-20%
		Grade D	-30%
<b>PESTICIDES OR OTHER CHEMICAL CONTAMINANTS</b>	Discretionary The dairy industry also conducts contaminant testing as part of the AMRA Survey	Below Australian MRL	0%
		Above Australian MRL	-100%
<b>AFLATOXIN</b>	At Lactalis' discretion The dairy industry also conducts aflatoxin testing as part of the AMRA Survey	≤0.50 ppb aflatoxin M1	0%
		>0.50 ppb aflatoxin M1	-100%

## 2.7 Application of Quality Requirement Adjustments Explained

### BMCC

In Victoria, New South Wales, South Australia, Tasmania and Queensland, the first three BMCC results per month will be treated as “advisory tests” and the base rate component of the minimum price will be adjusted by +3% for the individual collections to which those first three BMCC results relate.

In WA, the first three BMCC results per month will be treated as “advisory tests” and the base rate component of the minimum price will be adjusted by +5% for the individual collections to which those first three BMCC results relate.

Subsequent adjustments will be applied as set out below.

#### **VIC/SA/TAS/NSW**

- a. Where the weighted average of the BMCC test results for the month is less than or equal to 200,000 cells/mL, then the base rate component of the minimum price will be adjusted by +3% in respect of all milk supplied in that the month.
- b. Where the weighted average for the month is greater than 200,000 cells/mL, then the base rate component of the minimum price for each collection of milk in that month will be adjusted by the percentage applicable to the test result range that the actual BMCC result falls within for that collection, as set out in the table above.

#### **QLD**

- a. Where the weighted average of the BMCC test results for the month is less than or equal to 200,000 cells/mL, then the base rate component of the minimum price will be adjusted by +3% in respect of all milk supplied in that month.
- b. Where the weighted average of the BMCC test results for the month is greater than 200,000 cells/mL but less than or equal to 250,000 cells/mL, then the base rate component of the minimum price will be adjusted by:
  - i. +1.5% for each collection during that month which has a BMCC test result of greater than 200,000 cells/mL but less than 250,000 cells/mL; and
  - ii. +3% for each collection which has a BMCC test result less than or equal to 200,000 cells/mL during that month.
- c. Where the weighted average for the month is greater than 250,000 cells/mL, then the base rate component of the minimum price for each collection of milk in that month will be adjusted by the percentage applicable to the test result range that the actual BMCC result falls within for that collection, as set out in the table above.

#### **WA**

- a. Where the weighted average of the BMCC test results for the month is less than or equal to 150,000 cells/mL, then the base rate component of the minimum price will be adjusted by +5% in respect of all milk supplied in that month.
- b. Where the weighted average of the BMCC test results for the month is greater than 150,000 cells/mL but less than or equal to 200,000 cells/mL, then the base rate component of the minimum price will be adjusted by:
  - i. +3% for each collection during that month which has a BMCC test result of greater than 150,000 cells/mL but less than 200,000 cells/mL; and
  - ii. +5% for each collection which has a BMCC test result less than or equal to 150,000 cells/mL during that month.
- c. Where the weighted average for the month is greater than 200,000 cells/mL, then the base rate component of the minimum price for each collection of milk in that month will be adjusted by the percentage applicable to the test result range that the actual BMCC result falls within for that collection, as set out in the table above.

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## Bacto

The first three Bacto test results per month will be treated as “advisory tests” and there will be no adjustment made to the base rate component of the minimum price in respect of those advisory tests. However, if you are on follow-up testing for Bacto that continues from one month into the next, you will not have any Bacto tests treated as “advisory tests” in that subsequent month until three consecutive results are  $\leq 80,000$  IBC/mL.

Subsequent adjustments (being deductions only) will be applied to each individual collection according to the range that the actual result falls within, as set out in the table above.

## Thermo

The first six Thermo test results per month will be treated as “advisory tests” and there will be no adjustment made to the base rate component of the minimum price in respect of those advisory tests. However, if you are on follow-up testing for Thermo that continues from one month into the next, you will not have any Bacto tests treated as “advisory tests” in that subsequent month until three consecutive results are  $\leq 2,000$  cfu/mL.

Subsequent adjustments (being deductions only) will be applied to each individual collection according to the range that the actual result falls within, as set out in the table above.

## 2.8 Milk Temperature

Milk stored at greater than 5°C for any length of time increases bacterial activity, resulting in a reduction in milk quality. You are required to reduce the temperature of your milk to 5°C or less as quickly as possible, and maintain this temperature until the milk is collected.

Milk is required to be cooled to  $\leq 5^\circ\text{C}$  within 2 hours and 20 minutes from completion of milking (“cups off time”) and maintained at that temperature until collected.

Milk cooling must be compliant with the industry standard ‘milk cooling curve’, as demonstrated in the table below.

TIME SINCE END OF MILKING	TEMPERATURE (°C)	
	ONE MILKING IN VAT	TWO OR MORE MILKINGS IN VAT
0 min	25.0	15.0
20 min	22.2	13.6
40 min	19.3	12.2
1 hr	16.5	10.8
1 hr 20 min	13.7	9.3
1 hr 40 min	10.8	7.9
2 hr	8.0	6.5
2 hr 20 min (and any time onwards)	5.0	5.0

Milk rejected by the tanker driver for failing a sensory test as a result of high storage temperatures will not be collected and may not be paid for.

You are not to place freshly-harvested milk on top of milk that has not been cooled and maintained at 5°C or below.

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Milk will not be collected under any circumstances from storage vessels that are not refrigerated.

You are required to check your vat thermometer compared to a calibrated thermometer, such as the tanker thermometer.

You should check the temperature recorded on each tanker slip, SMS or Q&Q Statement and call us if you believe the recorded temperature is incorrect.

**IMPORTANT: A record of milking completion times must be clearly displayed in the milk vat room to allow the driver to complete a time/temperature assessment before collecting the milk. If the milk is over 5°C and the milking completion time is not displayed, the milk may not be collected.**

## Vat Temperature Monitoring

We encourage you to install a real time vat monitoring device to provide alerts if cooling issues arise, but also ask you to ensure any such device is compliant with our milk data management requirements. Please contact your Supplier Relationship Manager for these requirements.

### 2.9 Age of Milk

Milk which has been harvested in excess of 48 hours prior to collection will not be collected without the prior approval of the National Milk Quality Manager.

### 2.10 Bactoscan (Bacto)

The Bacto test measures the total number of bacteria present per millilitre of milk. Bacterial contamination of milk is the main cause of milk and product spoilage. For pasteurised milk to achieve the “Use By” date, it is necessary to start with a clean raw product.

Milk is tested for Bacto at a minimum of 3 times per month. Milk is expected to be  $\leq 80,000$  IBC/mL.

Any Supplier whose milk returns a result of  $> 80,000$  IBC/mL will be subject to follow-up testing on the next samples collected from the farm, until three consecutive results  $\leq 80,000$  IBC/mL are received.

Additional testing may be conducted to determine the source of a tanker with a high Bacto count.

If a Supplier has a two-month Bacto rolling geometric mean of greater than 456,000 IBC/mL (TPC equivalent of 100,000 cfu/mL) Lactalis will contact the Supplier in writing and advise that the two-month Bacto rolling geometric mean must be reduced below 456,000 IBC, otherwise collection may be suspended.

### 2.11 Thermoduric (Thermo)

The Thermo test is completed at a minimum of once per month. The test is designed to detect heat-resistant types of bacteria in milk. The milk sample is pasteurised so that only the heat-resistant bacteria remain, then the sample is plated and incubated for 72 hours (three days). This means that the test result is available three days after a Supplier’s milk sample arrives at the testing laboratory.

As Thermo can survive pasteurisation and product processing, they have the ability to cause spoilage in dairy products, resulting in a reduced shelf life. Milk is expected to be  $\leq 2,000$  cfu/mL.

Results of  $> 2,000$  cfu/mL will be subject to follow-up testing on the next samples collected from the farm, until three consecutive results  $\leq 2,000$  cfu/mL are received.

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## 2.12 Bulk Milk Cell Count (BMCC)

The BMCC test, measures the number of white blood cells in milk, which is essentially measuring the level of infection in the udder. These cells are called somatic cells and can be referred to as SCC.

Mastitis is an infection of the udder, and both ICCCs and BMCC can be used to monitor the level of mastitis infections in a herd.

Milk with a BMCC over 400,000 cells/mL is deemed unfit for human consumption by many global markets. Suppliers are encouraged to contact their Supplier Relationship Manager if they need assistance to improve their BMCC through the adoption of a mastitis control program.

A Supplier's milk is tested for BMCC on every collection. For payment purposes, BMCC averages are rounded to the nearest 1,000 cells/mL.

If BMCC is consistently greater than 400,000 cells/mL, a Lactalis representative will liaise with the Supplier to work towards reducing BMCC to an acceptable level as required by regulatory requirements and the Countdown Downunder program.

If a Supplier has a three-month BMCC rolling geometric mean of 400,000 cells/mL or above, Lactalis will contact the Supplier in writing and advise that the three-month BMCC rolling geometric mean must be reduced below 400,000 cells/mL, otherwise collection may be suspended.

## 2.13 Antibiotics (Inhibitory Substances)

The occurrence of any form of antibiotic above the legal MRLs in our milk supply, when tested using a recognised Australian test method, automatically renders that milk unsuitable for processing.

### Milk Vat Antibiotic Contamination

It is your responsibility to inform us of possible or probable antibiotic residues in any milk BEFORE the tanker arrives on farm. You must also place a sign on all suspect vats to eliminate the possibility of accidental collection. If you suspect that contamination has occurred you can contact your Supplier Relationship Manager who will provide you with instruction regarding testing and collection. It is your responsibility to ensure that milk samples are transported to an appropriate testing facility for DELVO T testing.

Any milk that subsequently tests positive for antibiotic residues must be measured and dumped.

### Milk Tanker Antibiotic Contamination

All milk tankers are tested by a rapid antibiotic screen test on arrival at the factory. Should a positive result be detected on the tanker, the tanker is segregated while the recognised official DELVO T test is conducted. Each Supplier's vat sample is then checked for the presence of antibiotics and the offending Supplier is notified. It is the offending Supplier's responsibility to have the next collection of milk tested and declared negative by DELVO T test before the next tanker collection can proceed.

If antibiotics are present in the milk tanker with NO PRIOR NOTIFICATION of possible or probable residues in milk there may not be payment for the full collection of the contaminated milk and we may recover from you costs associated with:

- a. Additional testing, segregation, extra transport and processing/disposal of the contaminated collection
- b. Demurrage charge for the cost of the tanker being held up for the duration of the recognised Australian standard broad spectrum antibiotic test e.g. DELVO T, which is approximately three hours
- c. The actual net value of the other Suppliers' milk
- d. Cartage

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**Please note:** The Supplier can obtain insurance to cover any loss or damage it may cause (including any costs payable to Lactalis in the event of milk contamination). We recommend that you speak to an insurance broker about your options.

Where a Supplier's milk has tested positive for antibiotics through any routine testing procedures (e.g. "rapid test" or Australian standard test), Lactalis may conduct an audit to determine the cause of the issue.

## Calving Cows

You should be cautious when introducing large numbers of freshly calved cows back into the herd if they have been treated with dry cow therapy. Some treatments assume a small number of cows are introduced at any one time when setting withholding periods.

### 2.14 Extraneous Water/Freezing Point

All milk supplied to Lactalis must be free of extraneous (added) water. The average freezing point of cow's milk is approximately  $-0.525^{\circ}\text{C}$  and the freezing point of pure water is  $0^{\circ}\text{C}$ . The addition of water to milk increases the freezing point on a linear scale.

The freezing point standard adopted by Lactalis and most processors and dairy authorities is  $-0.517^{\circ}\text{C}$  maximum. Compliance with this standard is essential but we will allow latitude up to  $-0.512^{\circ}\text{C}$  until otherwise advised.

### 2.15 Acidity and pH

Acidity is measured as a percentage of lactic acid present in the milk sample.

The pH of milk is 6.7; milk is tested to determine any change in pH which may be acid or alkaline in nature.

We will conduct acidity and pH analysis at our discretion. These tests are generally conducted if there is some doubt as to the milk quality (cooling rate during storage), age of milk or potential contamination with chemicals, however they are not limited to these circumstances.

### 2.16 Sediment

Milk is to be free of sediment and foreign matter.

### 2.17 Chemical Standards and General Milk Quality Standards

Chemicals used in the operation of the dairy and coming into either direct or indirect contact with milk, e.g. lubricants, cleaning chemicals, rubber-ware and coolants must be classed as "Food Grade" and able to be verified as "Food Grade".

Any chemicals used in the operation of the dairy, e.g. pesticides, lubricants, cleaning chemicals and coolants must be stored and used in a way that ensures the milk is protected from contamination.

Chemicals used to clean milking plants must indicate on the label that they are listed for cleaning contact surfaces in a dairy plant.

### Prohibited Chemicals

Cleaning chemicals which contain Quaternary Ammonium Compounds and teat sprays/dips which contain Nonylphenol Ethoxylates NPEs as surfactants are prohibited for use.

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## Iodine

The iodine level in milk will be tested at our discretion and if the result is greater than the standard of 500 µg/L you may be monitored more frequently. We will work with you to reduce iodine to the levels required by Australian MRLs.

The use of unregistered pre-milking teat disinfectants is strictly prohibited.

Any iodine products must be used strictly in accordance with the manufacturer's instructions.

## Pesticide (Chemical) Detection

If you suspect that your milk may be contaminated with a pesticide or other chemical contaminant you must notify us immediately. If you are unable to contact your Supplier Relationship Manager, the carrier must be notified and the milk must be measured and then dumped.

If pesticides or other chemical residues above the Australian MRL are detected in your milk then we may exercise our rights in accordance with clause 11.3 of the Agreement and suspend collection until the matter is rectified.

## Aflatoxin

We conduct monitoring of raw milk for aflatoxins, as does other dairy industry bodies. Aflatoxin is a compound that can be toxic when consumed by mammals. If aflatoxin is consumed by dairy cattle, a small amount of a less toxic form of aflatoxin is secreted into milk resulting in a milk residue.

Feed can be contaminated with aflatoxin as a result of mould growth which may occur pre-harvest or while in storage.

The Agricultural Standards Act 1994 (Qld) and the Agricultural Standards Regulation 1997 (Qld) set stock food standards that limit contamination to: 0.20 mg aflatoxin B1/kg in peanut by-products; 0.02 mg aflatoxin B1/kg in grain; 0.05 mg/kg in stock food for beef cattle, horses and sheep, 0.02 mg aflatoxin B1/kg in stock food for dairy cattle; and various levels in stock food for other classes of stock.

In the absence of a quantitative "MRL/ML" for aflatoxin in milk, Lactalis, in consultation with the dairy industry, regards the acceptable level of detection as less than 0.50 ppb aflatoxin M1 in raw milk.

We expect all Suppliers nationally to comply with the standards imposed by the Agricultural Standards Act 1994 (Qld) and the Agricultural Standards Regulation 1997 (Qld).

## GMOs

Our policy is to avoid the use of GE or GM materials whenever possible. For example, the ingredients that we use in our products are purchased against documented assurances as to their non-GE/GM status.

Our preference is that Suppliers avoid GE/GM feed for their cows whenever possible. However, we recognise that there are times when feed of non-GE/GM status is either in extremely short supply or that the cost of non-GE/GM feed is prohibitive given economic realities. In such times, and especially in periods of drought, we accept that feed containing GE/ GM substances may have to be used. When situations return to normal availability of feed, we expect that you will do all in your power to avoid the purchase of feed containing GE/GM materials.

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## Enzootic Bovine Leucosis (EBL)

Dairy Australia monitor EBL Free Status via bulk milk testing of dairy herds and provide a national annual report to demonstrate maintenance of EBL Freedom to international trading partners. Any detections of infection are reported to the relevant state Chief Veterinary Officer to follow up on eradication actions.

Milk samples for bulk milk testing must be provided to us on request.

It is important to be aware that some beef herds in Australia may still have a low level of EBL, so any dairy farmers considering introduction of beef bulls or other beef animals must ensure that they are coming from properties free of the disease.

You are required to maintain biosecurity controls that prevent the introduction of EBL to your herd by:

- a. Isolating any introduced beef animals from the dairy herd until they have tested clear of EBL;
- b. Ensuring that no unsterilized implements are used on the dairy herd that have previously been used for procedures on beef cattle such as ear tagging, castration or dehorning.

## Oestradiol Restrictions

In 2008, the Australian dairy industry introduced a voluntary restriction on the use of oestradiol benzoate in lactating dairy cows. This was due to changes in export market regulations in which some countries banned the importation of dairy products that have been treated with oestrogens, including oestradiol.

It is a condition of supply that you do not treat lactating animals with oestradiol.

Oestradiol is still permitted to be used for oestrus synchrony programs in non-lactating heifers, however it cannot be used in lactating cattle. Suppliers should discuss alternative options for the treatment of non-cycling cows with their veterinarian.

## Recombinant Bovine Somatotropin (rbST)

Bovine Somatotropin (bST), also known as Bovine Growth Hormone (BGH), is a naturally-occurring peptide hormone which is produced in the pituitary gland of the cow. A synthetic version of bST, rbST, is produced via biotechnological processes and is used in some countries to increase milk production and feed efficiency.

In Australia, as at 1 April 2020, no rbST product is registered for sale or approved for use for any species.

Suppliers must not use rbST on the farm.

## 2.18 Testing Results

We will notify you as soon as practicable after we test of all results. You must ensure that we are able to contact you at all times.

Daily Q&Q Statements are e-mailed each afternoon, containing all results currently available for that month to date. Preliminary monthly Q&Q Statements are sent on or about the second day of the following month and final Q&Q Statements are sent on or about the fifth day of the following month.

Results are also available on the Milk Supply website (<https://farmers.parmalat.com.au>), via SMS and on milk tanker dockets. Results are communicated once we receive them from the external laboratory. SMS are sent within the hour of result receipt.

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## 2.19 Payment for Milk Not Collected when Notified of Potential Issues

Where a Supplier suspects a contamination of farm milk may have occurred involving antibiotics, chemical residues, temperature or foreign matter and they notify Lactalis of such an event prior to collection and Lactalis subsequently elects not to collect that milk, then the Supplier is eligible for payment at 100% of base rates only, not including any other seasonal incentives or bonuses, for one incident only per agreement year.

In the event of a suspected contamination, Lactalis will review the farm's Food Safety Program (QDairy). Lactalis reserves the right to conduct an on-farm audit whether the Supplier receives payment or not.

Milk not for collection by a tanker (including colostrum vats/tanks) must clearly be labelled NOT FOR COLLECTION BY TANKER. The Supplier must ensure it is labelled prior to the next milk collection.

Lactalis will not pay for rejected milk or milk collected and subsequently found to be defective. All test results for rejected milk remain the property of Lactalis.

## 2.20 External Auditing

Milk will only be collected from milking premises that comply with these Quality Requirements and maintain compliance at all times with all relevant state and federal legislation, such as dairy licence.

You will be audited for compliance every two years at a MINIMUM by an external auditor. Depending on the result of the audit Lactalis and State Authorities may require audits to be completed on a more frequent basis. You may also be audited for other purposes.

We will cover the cost of one external audit every 2 years per farm by an auditor approved by us. You will be responsible for all additional fees associated with for example, an increase in the frequency of audits, return visits to the farm by the auditor to close out non-conformances or non-conformances being closed out by the auditor off-farm.

We will also charge you any audit cancellation fees. Audits cancelled within one week of the notified audit date will incur a charge equal to 25% of the audit cost. Audits cancelled within one day of the notified audit date, or a no-show on the day of the audit will incur a charge equal to 50% of the audit cost.

- a. Audit cost \$400.50
- b. On-farm non-conformance clearance cost \$302.50 per audit
- c. Off-farm non-conformance clearance cost \$110 per audit

As part of the audit process, auditors may take photos of your records and the premises. The photos will be only used for the purposes of the audit and reporting to us. The photos will be stored securely on both the auditor's system and Lactalis' system in accordance with our privacy policies.

In accordance with clause 11 of the Agreement, collection may cease as the result of a critical non-conformance relating to food safety or quality.

In addition, the external auditor may classify the non-conformance as follows and require you to provide evidence of effective corrective action. The external auditor will provide you with a period of time (depending on the nature of the non-conformance), to instigate and implement corrective action.

**Minor non-conformance** - Not likely to lead to the production or supply of unacceptable milk.

**Major non-conformance** - May lead to the production or supply of unacceptable milk.

**Critical non-conformance** - Presents an imminent and serious risk to the safety of milk.

If the audit uncovers a non-conformance that presents an imminent and serious risk to the safety of the milk then we and / or the approved auditor may be required to immediately contact the state authorities to advise them of the circumstances warranting the issue of a critical CAR. The state regulator will work with you to close out the critical CAR additional to any action that we may take in accordance with the terms of the Agreement and advise the approved auditor and/or us of the action taken to rectify the non-conformance.

A CAR will be issued by the approved auditor where there is an identified minor non-conformance, major non-conformance or critical non-conformance. If the CAR is not closed out by the agreed date, the approved auditor will review the reasons why and, depending on the approved auditor's view of your non-conformance with the Agreement and this Handbook, may take one of the following actions:

- a. Issue a new close out date determined by the approved auditor; or
- b. Determine that you have failed to satisfactorily implement the systems and requirements described in the Handbook, close the current CAR and raise a new CAR at an increased severity level.

Where more than one related minor or major non-conformances are raised which collectively are likely to compromise food safety, the non-conformances may be classified as major or critical.

Where practical, a minor or major CAR may be closed out remotely by sighting sufficient documentary or photographic evidence without attending the premises.

In the case of Queensland Suppliers, the following also applies:

In relation to the approved performance based auditing, you (Accreditation Holders) will be assessed into one of two categories set out below.

Category allocation/reallocation will be based on quality and audit results for the preceding financial year (year ending 30 June). Allocation will take place when these results are finalised. You will be notified of your category status and next audit on your monthly Q&Q Statements.

If you are new to supplying us, or a supplier returning after a break in supply to us, you will be required to have supplied for a minimum of one full financial year before being allocated to a category. During this period you will receive annual audits and your category status will appear on your monthly Q&Q Statements as category 2.

In the event of a dispute over category allocation, you will default to annual audit (category 2).

### Category 1: Two Year Compliance Audits

You must attain the following quality results and audit rating over the preceding financial year to be eligible for two year compliance audits.

QUALITY RESULTS	
<b>Antibiotic</b>	No recorded antibiotic incidents on tanker (and traced back to Supplier) detected by DELVO T
<b>Total Plate Count</b>	All monthly averages less than or equal to 50,000 cfu/mL
<b>Bulk Milk Cell Count</b>	Annual average less than or equal to 400,000 cells/mL
<b>Temperature</b>	Less than or equal to 5.0°C - No more than 6 pickups greater than 5.0°C for the year provided they are recorded within approved pickup times

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## Audit Rating

Critical Nil

Major non-conformances 1 only.

## Category 2: Compliance Audits at 12 Month Intervals

If you do not reach the requirements of category 1, you default to this category.

### Auditing and Reporting Requirements

Critical, and major non-conformances are defined in Section 49, Food Production (Safety) Regulation 2014.

Safe Food Queensland has the right and responsibility to conduct check audits at their discretion, with or without prior notification. If critical or major non-conformances are identified in check audits, follow-up audits will be conducted by Safe Food Queensland and these will be at your cost.

### In the case of New South Wales Suppliers, the following also applies:

The NSW Food Authority uses a rating system to rank audit performance. CARs identified during audits can be rated as minor, major or critical, depending on their severity. Each CAR attracts a numerical value, with a minor CAR worth 2 points, a major CAR worth 8 points and a Critical CAR worth 64 points. The total points of all the CARs raised at the audit determines the facility rating and audit frequency as shown in the below table.

The audit result and rating is communicated to you at the end of the audit and will also be recorded on the audit report. The facility rating determines the audit frequency.

FACILITY RATING	CUMULATIVE CAR SCORE	AUDIT RESULT	AUDIT FREQUENCY
A	0 – 15	Pass	2 yearly
B	16 – 31	Pass	12 monthly
C	32 – 47	Marginal	6 monthly
D	48 – 63	Failure	1 month
E	64+	Failure	1 month

We may exchange information with the NSW Food Authority.



easy to digest\*

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**You'll love Zymil because Zymil loves you.**

\*As part of a healthy and varied diet, consuming Zymil instead of regular milk helps ease digestion in those who are sensitive to lactose.

# Our Agreed Responsibilities



## 3. Our Agreed Responsibilities

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Our Agreed Responsibilities is a summary of the set of standards and behaviours we expect from everyone involved in our business, including employees, contractors and you - our farmers that supply us milk.

It is important as a Supplier to Lactalis that you understand what we stand for and how we like to conduct our business. This policy has been specifically developed to complement our core values and vision of trust, integrity, ethics and social responsibilities.

Lactalis is committed to being a responsible corporate citizen and we look for suppliers that will adhere to all applicable laws and regulations. We expect all of our suppliers to uphold and respect human rights, fair working conditions, environmental protection and animal welfare principles in all business activities.

### 3.1 Work Health and Safety

Health and safety are fundamental to the way we conduct business. We are guided by the principle that no job is ever so urgent or important not to take the time to do it safely and that all accidents, workplace injuries and workplace illnesses are preventable by implementing food, work, health and safety management practices.

We expect you to follow standards, policies and operating procedures around your dairy farm and continue to be aware of ongoing or new hazards and unsafe practices.

### 3.2 Social and Ethical Policy

In accordance with the expectations of our customers, trade partners, the public community at large and the requirements of legislative authorities; we endeavour to always operate responsibly within the community and we expect the same from our suppliers. Lactalis fully supports the United Nations Framework and Guiding Principles in Business and Human Rights and as a minimum we expect suppliers to adhere to the following principles:-

- a. **Bribery and Corruption** Suppliers will not engage in acts of bribery and/or corruption, including falsifying documents and records relating to the business.
- b. **Discrimination** Suppliers will not engage in discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status and sexual orientation.
- c. **Harsh or Inhumane Treatment** As an ethical and moral organisation, we prohibit and do not tolerate physical abuse, the threat of physical abuse, sexual harassment, verbal abuse (including swearing) or other forms of intimidation.
- d. **Employment Law** Suppliers will ensure to every extent possible, that work performed must be on the basis of recognised employment relationships, established through national laws and practices.
- e. **Modern Slavery and Human Rights** The risk of modern slavery in the Agriculture Industry is considered high by the International Labour Organisation. Suppliers will comply with all applicable anti-slavery and human rights laws, including;
  - i. the Modern Slavery Act 2018 (Cth);
  - ii. Division 270 and 271 of the Criminal Code Act 1995 (Cth);
  - iii. any other applicable law which prohibits exploitation of a worker, human trafficking, slavery, slavery-like behaviour, servitude, forced labour, child labour, debt bondage or deceptive recruiting for labour or services (or similar);
- f. **Conditions of work** The Supplier agrees to negotiate and document in writing terms of employment or engagement for its workforce. The Supplier agrees to comply with all applicable laws, including minimum wage, hours, overtime, maximum hours and provide mandated benefits in accordance with legislation.

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### 3.3 Whistleblower Policy

We encourage you to report any wrongdoing that may cause our financial or non-financial loss or damage to our reputation or harm to others. Our Whistleblower Policy aims to establish an effective reporting and investigation mechanism and allows those with concerns to raise their concerns confidentially and without fear of reprisal.

All reports will be taken seriously and treated confidentially to the maximum extent possible. Our whistleblower policy can be found at annexure a of this handbook.

### 3.4 Corporate Image

Maintaining a reputation for consistently high legal, moral, ethical and socially responsible standards, and expectations in our dealings with our customers and other stakeholders is critical for our ongoing success.

The Supplier acknowledges that business reputation is important to us and that as a supplier to Lactalis your actions can reflect on the reputation of our business and relationships with other suppliers and customers.

### 3.5 Farm Presentation

The appearance of Lactalis' Suppliers' farms is very important to us, the public and our customers. Given our Suppliers' farms are essentially a food manufacturing facility, we ask that the presentation of your farms reflects the milk quality and food safety standards we all strive for.

Our Suppliers must maintain the following aspects of their premises to ensure a high standard at all times:

- a.** The farm entrance and tanker turn-around areas must be kept in a clean and tidy manner, with fences maintained, free of rubbish, well gravelled driveways free of potholes and no excessive weed build-up.
- b.** The milkroom and dairy must be clean and tidy and in good repair, with measures in place to manage vermin, birds and insects.
- c.** Calf and cattle handling facilities close to the dairy must be clean
- d.** Effluent must be washed from all dairy surfaces daily and the effluent system must be in working order with no dairy effluent leaving the property.

### 3.6 Environment

We are committed to understanding and minimising any adverse environmental impacts of our activities and recognising our key areas of environmental improvement. Suppliers should always be compliant with applicable legislation and be able to demonstrate responsible practices and continuous improvement around environmental management.

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### 3.7 Animal Health

Animals must be managed in a manner which prevents the introduction of hazards to the milk. An unhealthy animal could be defined as one which exhibits any unusual symptoms of disease or suspect behaviour. Single occurrences of animals exhibiting unusual symptoms of disease, suspect behaviour or unexplained deaths may simply be part of normal farm operations. However, if in doubt, it is your responsibility to assess the situation and, where relevant, report to the appropriate authorities.

Should you notice symptoms, you should contact your Supplier Relationship Manager immediately. Any cows showing signs of illness must be immediately removed from the milking herd to ensure that their milk is not mixed in with milk from healthy animals. You should keep suspect animals isolated and contained on their property.

We may suspend collection of milk where there is a non-compliance.

We may conduct an audit of the farms' compliance with the Agreement to determine the cause of any issue and will liaise with the relevant authorities (as appropriate) in such instances.

Some diseases and hazards to check for include:

- a. Foot and Mouth Disease;
- b. Botulism;
- c. Pesticide poisoning;
- d. Poisonous plants.

### 3.8 Animal Welfare

#### Corporate Social Responsibility – Lactalis Group Animal Welfare Policy

At Lactalis, contributing to animal welfare is not only our responsibility, but also a cornerstone for the sustainability of the company's activities.

Our vision: we strive to advance our approach on animal welfare to ensure that animals have a good life, help to improve the performance of our partnering farms, meet the expectations of our stakeholders and preserve the sustainability of our supply chain.

As a first step, Lactalis Group is initially focusing our efforts on our direct volumes in 8 pilot countries (of which Australia is one) and on 10 animal welfare topics. The full policy, including our approach and ambitions, is at Annexure B. If there is any inconsistency between Lactalis' policy and any industry policies on animal welfare, the Lactalis policy prevails to the extent of any inconsistency.

## Our commitments and positions:

<b>TRANSVERSE</b>	
<b>Lactalis on-farm assessments</b>	<p>All of our direct Suppliers will have on-farm assessments relating to animal welfare by 2025</p> <ul style="list-style-type: none"> <li>- The farm assessments will occur every 3 years</li> <li>- The Lactalis Animal Welfare Assessment Program will be established by the end of 2022 in collaboration with recognised and experienced third parties such as universities and non-governmental organisations</li> </ul>
<b>Lactalis staff trainings</b>	<p>100% of our Milk Supply Team will be trained in animal welfare by 2023</p> <ul style="list-style-type: none"> <li>- Training will occur every 3 years</li> <li>- With an external, industry recognised training provider</li> </ul>
<b>PER PRACTICE</b>	
<i>Close confinement and intensive systems for livestock</i>	
<b>Tethering</b>	Lactalis encourages loose housing systems and is committed to raising farmers' awareness not to build new tethering barns
<b>Bedding space</b>	Suppliers should provide cows with satisfactory bedding space
<b>Calves in groups</b>	Lactalis promotes group housing for calves from 4 weeks of age
	In European Union countries, the UK, Australia and Brazil, all dairy calves within Lactalis supply chain must be reared in groups from at least 8 weeks of age
<i>Effective species-specific environmental enrichment</i>	
<b>Access to pasture</b>	Lactalis encourages pasture grazing whenever feasible, under local conditions
<b>Effective species-specific environmental enrichment</b>	Lactalis encourages partnering farms to implement enrichment tools to give animals the opportunity to express their natural behaviours
<i>Growth promoting substances</i>	
<b>Growth Hormones</b>	In European Union countries, the UK, Australia and the USA, growth hormones are not permitted within Lactalis supply chain
<i>Antibiotics for prophylactic use</i>	
<b>Antibiotics</b>	Lactalis aims to fight against antimicrobial resistance and supports partnering farms to reduce prophylactic use of antibiotics (including blanket dry cow)
<i>Routine mutilations</i>	
<b>Disbudding/Dehorning</b>	Lactalis promotes recognised best practices for disbudding and will eliminate routine dehorning (>8 weeks of age) by 2025
<b>Tail Docking</b>	Practicing routine tail docking is not permitted within Lactalis Supply Chain.
<i>Other</i>	
<b>Animal derived proteins in feed</b>	All Lactalis partnering farms must comply with national regulations regarding the use of animal derived proteins in dairy animal feed. In European Union countries and Australia, according to local regulations, this practice is strictly forbidden for ruminants.

Lactalis' Suppliers will be measured against the above commitments every 3 years. Non-compliance with any of the commitments will be addressed with the Supplier and an action plan towards compliance will be required.

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## Industry Welfare Priorities and Policies

Lactalis strongly supports the Australian dairy industry position on animal welfare and works closely with Dairy Australia and other relevant industry bodies.

### **Australian Animal Welfare Standards and Guidelines – Cattle**

Australian Animal Welfare Standards and Guidelines for Cattle have been developed by the Australian and State governments in consultation with ADF, Dairy Australia, other livestock organisations and animal welfare groups.

The standards are legal requirements that must be met by all dairy farmers. Following endorsement, they will need to be implemented through State and Territory regulation, and they will replace the Codes of Practice for Cattle that previously operated at State and Territory level. If farmers do not comply, they will face the risk of legal action and financial penalties.

The standards cover the full range of on-farm management practices for cattle, and their welfare. These include:

- a. Feed and water;
- b. Risk management;
- c. Handling;
- d. Castration and dehorning;
- e. Breeding;
- f. Calf rearing systems;
- g. Dairy management;
- h. Humane killing / euthanasia.

The Supplier must ensure they are meeting the standards. For more on this, Dairy Australia have created a guide for dairy farmers: Australian Animal Welfare Standards – a guide for dairy farmers <https://www.dairyaustralia.com.au/farm/animal-management/animal-welfare>

Policy directives from the Australian Dairy Farmers' Animal Health and Welfare Policy Advisory Group include:

- a. Phase-out calving induction by 2022
- b. Provision of pain relief for all calves during disbudding, which must occur under the age of 2 months
- c. No euthanasia of calves by blunt force trauma
- d. No tail docking

Lactalis supports the industry's approach and, as such, we require compliance from all Suppliers. Audits may monitor the adoption of these policies on individual farms.

### **Australian Animal Welfare Standards and Guidelines – Land Transport of Livestock**

The dairy industry has worked with other industry bodies, animal welfare scientists, governments and welfare groups to develop new national standards for the transport of animals. The Australian Animal Welfare Standards and Guidelines – Land Transport of Livestock form part of State legislation. These standards protect the welfare of animals being transported and provide consistent regulation around Australia. The standards cover responsibility for the assembling and preparation of livestock for transport, assessment of fitness for the intended journey, feed and water provisions, and holding periods prior to loading.

For more on this, Animal Health Australia maintain the website below:

<http://www.animalwelfarestandards.net.au/land-transport/>



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strains



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sugar  
added



Serving  
Suggestion

\*As part of a varied and healthy diet, LGG® and BB-12® probiotics in Vaalia yoghurt at a daily intake of at least 1 billion CFU each can strengthen the immune system and improve bowel function in the general adult population; also with dietary fibre for regularity.

# Transport



# 4. Transport

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## 4.1 Farm to Factory Transport and Collection Requirements

We are responsible for arranging routine milk collection.

### Collection of Part Vats or Silos

At the time of milk collection it is a requirement that collection includes the entire volume of milk in each vat or silo. It is not acceptable for part vats/silos to be collected, leaving a remaining volume in a vat or silo. Exceptions to this rule can only be made with the prior written approval of the Supplier Relationship Manager or nominee.

### Procedure at Farm

You must have clear concise written procedures for the tanker drivers displayed in the dairy. This includes vat wash instructions. All switches need to be clearly labelled.

### Milk Collection Queries and Concerns

We consider direct contact between you and the transport carrier to be important in day-to-day management of milk collection. If you have any problems that are transport related (e.g. extra pickups due to flood or other reasons), then please phone your Supplier Relationship Manager or the carrier as soon as you become aware of the problem.

If you have any questions or concerns relating to individual pickup please put them in writing to your Supplier Relationship Manager as early as possible but within five working days (maximum) following the end of the month of concern.

Any transport related quality issues must be referred to your Supplier Relationship Manager for resolution. These include such issues as hot milk and suspected antibiotics.

### Collection Frequency Requirement

Consistent with industry, we prefer you to have sufficient vat capacity for milk harvested over a two day period.

### Additional Freight Charges

We remain responsible for the cost of normal milk collection except for in the following circumstances:

If you require extra collections because of situations such as, but not limited to, vat breakdowns, power failures or insufficient vat capacity, please let us know as soon as possible. Upon our agreement, additional collections may be arranged, for which a \$40 collection charge will apply. Second collection charges will not be applied if the farm is supplying above 25,000 litres per day.

In cases where a carrier collects milk on a daily basis to address a tanker capacity issue rather than due to insufficient vat capacity on farm, an additional charge will not be applied.

### Loss for Milk Not Collected

We will not be responsible for any loss that you may incur due to:

- a. adverse weather conditions (e.g. flooding, fire etc); or
- b. road access issues, specifically a lack of adequate road access to a farm; or
- c. government authorities restricting farm access for public health or safety reasons; or
- d. the tanker being unable to access the farm for any reason; or
- e. the milk being contaminated or unsuitable for collection.

You are advised and encouraged to insure against such events.

We are happy to assist with any information required for you to make a claim on your insurance.

For milk which has been dumped on farm due to the presence of antibiotics, a letter for insurance purposes will only be provided if we have approved of the dumping of that milk.

### Tanker Access

To reduce the instances of possible damage or loss, we rely on you to advise the carrier if there are any foreseeable problems that may prevent or reduce tanker access. An access road from the property front entrance to the dairy turnaround area must be free of obstacles (obstacles include all farm equipment, pets, cars, push bikes, or anything which may inhibit the free operation of the milk collection process).

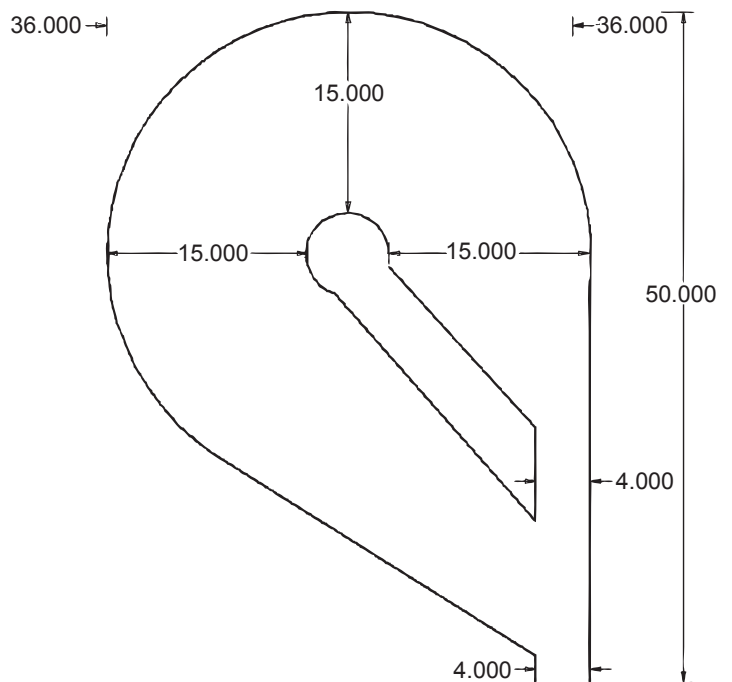
Cattle or any other livestock must also be excluded from the driveway and turnaround. This is not only a safety issue, but also a potential food safety issue, as there are aspects which could see the transfer of disease from one farm to another via trucks if there are animals or their waste on the tanker road.

You are reminded of the necessity for 24-hour all-weather access to the property. This includes ensuring that any bridges on the farm are structurally sound and can bear the load of a milk tanker.

#### Tanker Entrance and Turnaround Design

(B Double Access): If you are planning to upgrade tanker access the following diagram provides the recommended specifications for a 25-metre B Double tanker turnaround design. Recommended turnaround design specifications for all tanker configurations are

provided in the table below (minimum specifications are provided in brackets). Note that reducing the tanker turning circle below the recommended measurements increases the risk of damage to tankers and tracks.



	FARM ENTRANCE	TANKER TURNAROUND AREA				
	SPLAY (M)	DISTANCE FROM ROAD (M)	LENGTH (M)	WIDTH (M)	TRACK WIDTH ON TURN (M)	TRACK WIDTH ON STRAIGHT (M)
25 m B Double	50 (50)	21 (21)	50 (45)	35 (30)	15 (12)	4 (3.5)
19 m B Double	50 (22)	21 (18)	50 (45)	30 (25)	10 (8)	4 (3.5)
15 m Tri-Axle	50 (18)	21 (16)	50 (45)	25 (22)	10 (8)	4 (3.5)

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## Dairy Access

We require suitable access to your farm to perform tasks around safe milk collection such as:

- a. to inspect and discuss any workplace safety issues for our carriers and Lactalis staff
- b. to help rectify milk quality issues.

In order to guarantee safety of individuals and property, tankers should not be required to reverse up to or away from vat rooms or dairies.

You are encouraged to contact your local transport carrier for assistance in designing tanker access.

## Removal of On-Farm Obstacles

For carriers to deliver a cost-efficient, timely service to you, carriers will be asked to identify on-farm obstacles. Some examples of obstacles include insufficient turning room for tankers, overhanging trees, farm equipment etc.

You will be given a reasonable amount of time to rectify an issue. We may suspend collection where there is a non-compliance.





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# Contacts

See website for Lactalis Milk Supply Team and local logistics contacts.

[www.lactalis.com.au](http://www.lactalis.com.au)





# Annexure A Whistleblower Policy



## **LACTALIS AUSTRALIA PTY LTD WHISTLEBLOWER POLICY**

### **1. Purpose of this whistleblower policy**

Lactalis Australia Pty Ltd (Lactalis) as a member of the Lactalis group, is committed to ensuring Lactalis and all its officers and employees, act at all times in compliance with all laws and to the highest standards of personal and corporate ethics, as set out in the corporate Code of Conduct.

Lactalis operates a number of policies, practices and controls to maintain the high level of compliance and ethics expected. It recognises though that any genuine commitment to detecting and preventing illegal and other undesirable conduct must include, as a fundamental cornerstone, a mechanism whereby employees and others can report their concerns freely and without fear of repercussion.

This policy provides such a mechanism, and the policy and contact details for the Protected Disclosure Officers will be made available to, and be easily accessible to officers, employees, contractors, suppliers, customers and the general public via the Lactalis intranet and website ([www.lactalis.com.au](http://www.lactalis.com.au)) and in such other ways to ensure the policy is available to all officers and employees.

Through application of this policy Lactalis aims to achieve the following benefits:

- a. more effective compliance with laws;
- b. more efficient fiscal management;
- c. more effective management;
- d. improved morale; and
- e. a living record of the fact that Lactalis takes its governance obligations seriously.

### **2. Implementation**

The Lactalis Australia Whistleblower Policy and contact details for the Protected Disclosure Officers will be made available to, and be easily accessible to officers, employees, contractors, suppliers, customers and the general public on:

- a. The company website; and
- b. The internal company intranet.

### **3. Who may invoke this policy?**

This policy applies to:

- a. all officers and employees (Staff) of Lactalis, its subsidiaries and related parties;

- b. contractors or suppliers to Lactalis; and
- c. a spouse, dependant, relative, or dependant of a spouse of any person set out in sections 3.a. and 3.b..

#### **4. What types of matters should be reported under this policy?**

A person referred to in Section 3 may make a report in respect of any Reportable Conduct. Reportable Conduct is any conduct by any person employed by, who holds an office in, or is otherwise connected with, Lactalis, which in the view of the whistleblower, acting in good faith, is:

- a. corrupt or dishonest;
- b. fraudulent;
- c. illegal, unlawful or contrary to any state or federal legislation;
- d. unethical or in breach of Lactalis policies;
- e. constitutes an abuse of authority;
- f. serious improper conduct; or
- g. any other conduct which may cause loss to Lactalis, or otherwise may be detrimental to its interests.

This policy does not apply to personal work-related grievances. Personal work-related grievances are matters which relate to a person's employment or former employment with Lactalis and which have implications only for that person individually and therefore do not qualify for protection under the Corporations Act and are not Reportable Conduct. Personal work-related grievances are matters that should be addressed with the Company's Human Resources Team.

#### **5. How can a matter be reported?**

Reports are able to be made in writing, by telephone or by email. Reports may be made to Lactalis' Protected Disclosure Officers, who are:

General Manager Legal  
Jacqui Bayles

Phone: 07 3840 0187  
Email: [jacqui.bayles@au.lactalis.com](mailto:jacqui.bayles@au.lactalis.com)

General Manager Human Resources  
Larissa O'Donovan

Phone: 07 3840 0259  
Email: [Larissa.odonovan@au.lactalis.com](mailto:Larissa.odonovan@au.lactalis.com)

Reports may also be posted to PO Box 3012 South Brisbane Qld 4101 marked "Private and Confidential, to be opened by addressee only", and to the attention of one of the Protected Disclosure Officers.

While it is preferred that reports are made to a Protected Disclosure Officer, reports may also be made to:

- a. A member of the Lactalis Australia Executive team; or
- b. An internal or external auditor of Lactalis Australia.

You may also make a report to:

- a. ASIC;
- b. APRA; or
- c. A lawyer.

## **6. What happens once a call is made?**

All reports of Reportable Conduct will be the subject of a thorough investigation and be undertaken as soon as practicable after receipt of the report. All investigations will be undertaken in a fair and impartial manner.

The investigative process will be determined by the nature and substance of the report. These processes may involve interviewing witness and individuals under investigation. Throughout the investigative process, appropriate steps will be taken to maintain the confidentiality of the investigation. Any person against whom report is made will be given the opportunity to respond.

If necessary, external experts may be asked to assist or conduct the investigation in accordance with this policy.

Where possible, you will be updated on the report's progress. Where a report is made anonymously, Lactalis will conduct the investigation based on the information received in the report.

## **7. Whistleblower protection**

- a. Detrimental conduct

If you make a report, you are entitled to protection from detrimental conduct.

Detrimental conduct includes (but is not limited to) dismissal, discrimination, harassment, damage to a person's property disciplinary action, demotion, threats and other negative treatment or behaviour in connection with making a report.

If you believe you have been subjected to detrimental conduct in connection with a report, you should immediately report the alleged detrimental conduct to a Lactalis Protected Disclosure Officer, an officer or senior manager or in accordance with paragraph 4 of this policy.

b. Identity

When making a report under this policy, you are not required to disclose your name or other identifying information. If you choose not to disclose this information you are still covered by the protections and obligations under the *Corporations Act*. As well, you are able to refuse to answer questions you feel could reveal your identity at any time, including during follow-up conversations or communications

When making a report, you are entitled to have your identity (and information that may lead to your identification) kept confidential. If you make a report, it is illegal for a person to identify you or disclose information that is likely to lead to your identification. The exceptions to this are:

- i. Where you consent;
- ii. Where information is disclosed to a lawyer, for the purposes of obtaining legal advice; or
- iii. To ASIC, APRA or a member of the Australian Federal Police.

Information may be disclosed with or without your consent where the information does not disclose your identity, all reasonable steps have been taken to ensure you will not be identified from the information and the disclosure of the information is necessary for investigating the issues raised in your report.

c. Civil, Criminal and Administrative liability protection

You are protected from:

- i. Civil liability (actions against you for breach of your contract of employment);
- ii. Criminal liability (prosecution in relation to the disclosure you have made); and
- iii. Administrative liability (disciplinary action in relation to the disclosure you have made).

These protections do not apply where you have engaged in misconduct which is revealed as part of your report.

However the protections do apply to both reports made internally and reports made to external parties including ASIC, APRA and a lawyer.

Except for proven misconduct, no contractual or other remedy may be taken or enforced against you, and no contractual or other right may be exercised against you due to your report.

## **8. Malicious Reporting or Breach of confidentiality**

Any malicious reporting is a serious matter which will render the person concerned subject to Lactalis' relevant disciplinary proceedings.

## **9. Breach of Policy**

A breach of this policy may render a person subject to civil or criminal action.

A breach of this policy will also be considered misconduct and may expose a person to disciplinary action including possible termination of employment.



# Annexure B Animal Welfare Policy

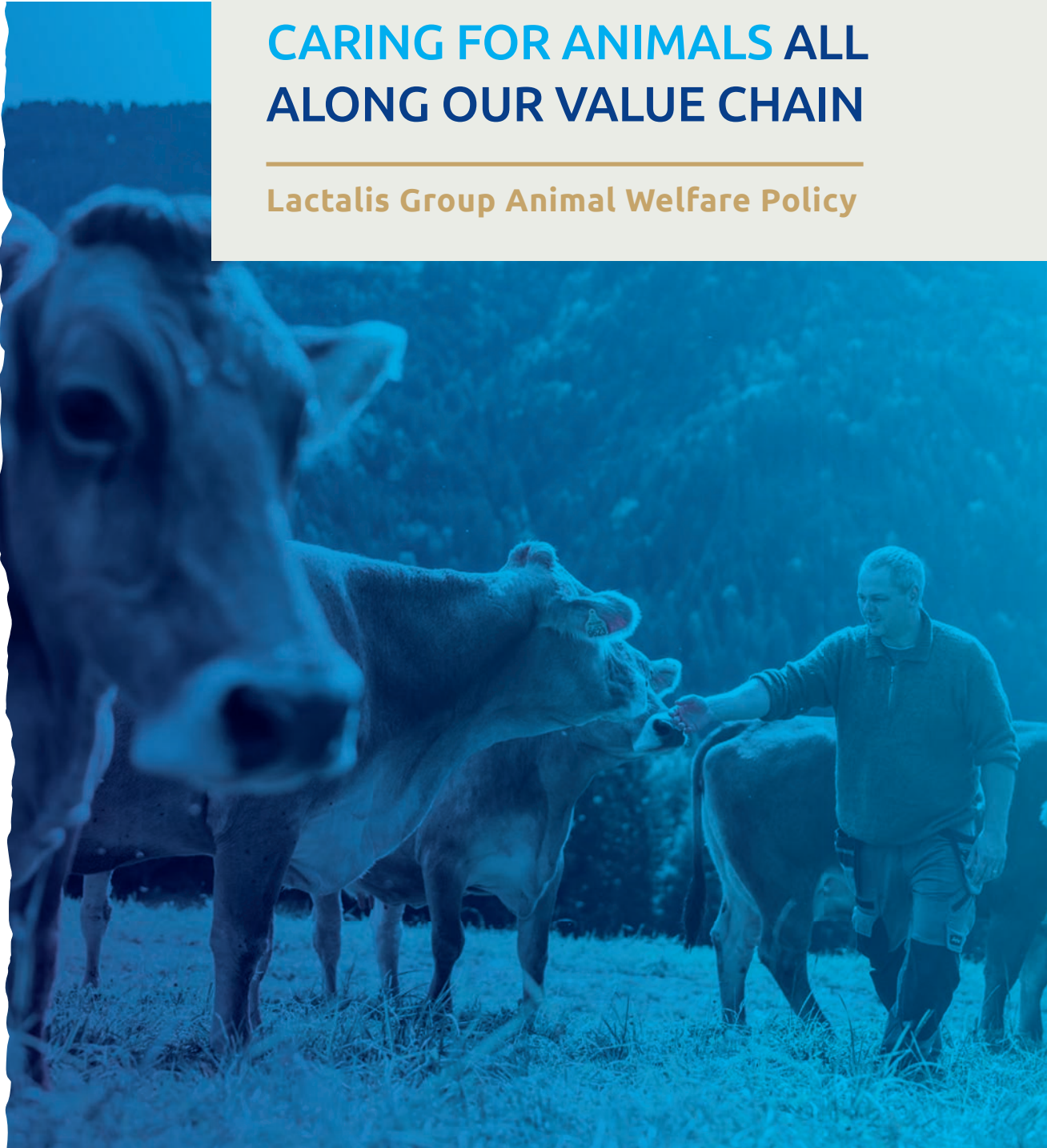




## CARING FOR ANIMALS ALL ALONG OUR VALUE CHAIN

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Lactalis Group Animal Welfare Policy



The Lactalis Group Animal Welfare Policy is comprised of four sections: our vision, our guiding principles, our approach & ambitions (3 sub-sections) and our governance. We aim to apply this policy to all the animals in our supply chain worldwide, regardless of the related finished product (cf. Annex 1: Our global scope).

At this stage, the section “03. Our approach & ambitions” is applicable to raw milk (dairy cows and calves), dairy ingredients (dairy cows and calves) and shell eggs and egg products (laying hens) that we use in some of our recipes like dairy desserts.

## 01

### OUR VISION

# 01. OUR VISION

**At Lactalis, contributing to animal welfare is not only our responsibility, but also a cornerstone for the sustainability of the company's activities.**

As the world's leading dairy group and the third largest global milk collector, we pay special attention to all the animals in our supply chain, in particular to the approximately 5 million dairy animals (cows, buffalos, sheep and goats). We fully recognise and respect them as sentient beings, capable of feeling emotions, that deserve both physical and mental health: contributing to their wellbeing is our responsibility.

Moreover, animal welfare is a cornerstone for the sustainability of our activities. Indeed, as all our partnering farms know, there is a close link between animal welfare and production. For example, a cow needs sufficient access to food and water, sufficient bedding space, good hygiene and much more in order to produce high quality milk. Therefore, ensuring animal welfare is already part of our daily work as well as our partnering farms.

However, as scientific knowledge improves and our stakeholders' expectations grow, we recognise that we must go further and support transparent communication.

**Our vision: we strive to advance our approach on animal welfare to ensure that animals have a good life, help to improve the performance of our partnering farms, meet the expectations of our stakeholders and preserve the sustainability of our supply chain.**

# 02. OUR GUIDING PRINCIPLES

## 02

### OUR GUIDING PRINCIPLES

Being established in more than 50 countries around the world (including 49 where we collect raw milk), our priority is to ensure that our approach (*cf. 03. Our approach & ambitions*) is both internationally credible and locally relevant.

**For this purpose, we have defined four guiding principles:**

#### 1. ALIGNING OUR APPROACH WITH THE INTERNATIONALLY RECOGNISED “FIVE FREEDOMS”

According to the World Organisation for Animal Health (OIE), “developed in 1965, and widely recognised, the Five Freedoms describe society’s expectations for the conditions animals should experience when under human control, namely:

- Freedom from hunger, malnutrition and thirst
- Freedom from fear and distress
- Freedom from heat stress or physical discomfort
- Freedom from pain, injury and disease
- Freedom to express normal patterns of behaviour”

At Lactalis, we support this definition and aim for our approach to ensure the compliance with and the preservation of the “Five Freedoms” for all animals in our supply chain (*cf. Annex 1: Our global scope*).

#### 2. USING THE WELFARE QUALITY ASSESSMENT PROTOCOLS AS OUR MAIN FRAMEWORK

Favouring a science-based approach, we rely heavily on the existing Welfare Quality Assessment Protocols<sup>1</sup> as well as the widely respected expertise of the Welfare Quality Network.

The Welfare Quality Assessment Protocols describe procedures for the assessment of animal welfare of various species (cattle, pig, poultry and laying hens). These protocols were developed in the context of the European Welfare Quality Project, in collaboration with a large number of research groups and institutes<sup>2</sup>. A characteristic of the approach used in these protocols is that they focus on animal-based measures (e.g. directly related to animal body condition, health aspects, injuries, behaviour, etc.). At Lactalis, these protocols are the basis of our assessment methodology. In addition, we include criteria from other recognised protocols that focus on design and aspects of farm management (e.g. size of barns, flooring materials). This ensures optimal field implementation of our methodology in different production systems around the world.

The Welfare Quality Network is a collaborative effort of a large group of former partners of the Welfare Quality Project. Its activities involve, among others, upgrading the protocols, prioritising and facilitating research and working on specific farm animal welfare issues. Since 2021, Lactalis is an associate partner of the Welfare Quality Network.

(1) As our approach (*cf. 03. Our approach & ambitions*) focuses on dairy cows and calves at this stage, only the Welfare Quality Assessment Protocol for cattle has been used

(2) For more information on the Welfare Quality Project, refer to the website of the Welfare Quality Network



### 3. TAKING INTO ACCOUNT LOCAL SPECIFICITIES

In defining our approach at Group level, we pay particular attention to national and local specificities, both in terms of methods and ambitions.

For example, many of the countries in which Lactalis collects milk have already implemented national charters or projects to improve the animal welfare of dairy cows and calves (e.g. Red Tractor Assurance scheme in the United Kingdom, ClassyFarm system in Italy, Charte des Bonnes Pratiques d'Élevage in France, FARM program in the United States, Certificado "Welfare" in Spain, etc.). These charters and projects have been defined to meet national stakeholders' expectations; they are locally relevant and we intend to build on them as much as possible.

Moreover, the many countries where we are established have different levels of maturity and a huge diversity of farming systems. The Group's approach described below must be considered as a minimum. Country by country, our local teams are encouraged to go above and beyond when possible.

### 4. INVOLVING OUR INTERNATIONAL AND LOCAL STAKEHOLDERS

Although Welfare Quality Assessment Protocols are widely recognised in Europe, there is no international standard for animal welfare. Moreover, scientific knowledge and societal expectations are making progress every day. Therefore, in order to stay aligned with these evolutions, we are committed to working closer with our stakeholders, both at international and national level, to develop and regularly update our approach and ambitions on animal welfare (*cf. Annex 2: Our partners*).



# 03. OUR APPROACH & AMBITIONS

Our “animal welfare” approach and ambitions are defined for each type of animal-based product.

## RAW MILK (DAIRY COWS AND CALVES)

Five main commitments concern raw milk from dairy cows; they all, with the exception of commitment N°2, apply to all dairy cows and calves related to raw milk collected by Lactalis worldwide:

### 1. Ensuring that all our partnering farms are not responsible of any acts of animal cruelty and comply with local and international regulations

At Lactalis, we have zero tolerance regarding animal cruelty and illegal practices. In order to strengthen our internal management of animal mistreatment cases, we have identified two opportunities for improvement:

- First, we will ensure that all Lactalis staff in contact with our partnering farms are trained on animal cruelty avoidance and are aware of all illegal national and international practices.
- Then, we will establish an internal procedure to clearly address situations where a Lactalis partnering farm is identified (by an internal or an external party) as having engaged in animal cruelty and/or illegal practices. This procedure will outline the respective corrective actions to be deployed depending on the situation.



## 2. Enrolling our direct<sup>3</sup> partnering farms (and indirect ones where possible) in a process of continuous improvement, phasing out the most problematic practices and implementing the best ones

This process will be mainly based on:

- Raising awareness and training actions for both partnering farms and Lactalis dairy technicians. Indeed, we are deeply convinced that our dairy technicians, whose daily work includes providing technical support to partnering farms, have a key role to play when it comes to animal welfare. For example, many of the practices that lead to better animal welfare are also profitable for farmers; dairy technicians should be aware of them and contribute to their implementation.
- A *Lactalis Animal Welfare Assessment Program* to identify the areas of improvement of each farm and to recommend the most relevant improvements actions. This Program will be defined by the end of 2022 in collaboration with recognised third parties such as universities and non-governmental organisations. As a minimum, it will include on-farm assessments at a frequency of once every 3 years, based on measurable criteria assessing the respect of the "Five Freedoms". Once this Program is established, we intend to have it externally verified.

As needs evolve, both the training actions and the Assessment Program are subject to regular review to ensure alignment with stakeholders' expectations and scientific findings.



### OUR AMBITIONS:

As a first step, we will initially focus our efforts on our direct volumes<sup>4</sup> in 8 Pilot Countries (representing around 50% of our total raw milk collection worldwide, *cf. Annex 1: Our global scope*) and on 10 animal welfare topics.

Specifically, within these 8 Pilot countries, we will:

- Train 100% of our dairy technicians by 2023
- Assess 100% of our direct volumes by 2025
- Prioritise work on the following sensitive topics: tethering, bedding space, calves in groups, access to pasture, effective species-specific environmental enrichment, growth hormones, antibiotics, disbudding / dehorning, tail docking and animal derived proteins in feed

*The 8 Pilot Countries involved as well as our detailed commitments are described in Annex 3.*

(3) A farm supplying raw milk to Lactalis is considered as "direct" if a) There is an individual contract between Lactalis and the Farm Manager and/or b) Lactalis can propose to the Farm Manager, individually, a plan to improve his farming practices without having obtained a prior formal agreement of any third party (e.g. a cooperative). Otherwise, the farm is considered as "indirect".

(4) A volume of collected raw milk is considered as "direct" when coming from a "direct" farm (*cf. footnote 3.*)

### 3. Advocating for the implementation, deployment and reinforcement of ambitious national Animal Welfare standards

While defining and implementing our own *Lactalis Animal Welfare Assessment Program* (cf. *Commitment N°2 above*), we are engaged to contributing to the development of ambitious national Animal Welfare standards and regulations.

Our objectives are as follows:

- Concerning our direct partnering farms, we aim to collaborate with governments, international organisations, industry and other stakeholders to work collectively on some animal welfare issues that we may not be able to address alone. For example, replacing a tethering system with a loose housing system requires major investments and significant changes for farmers. We are committed to work on this at our level (cf. *Annex 3: Raw milk (dairy cows and calves) - Our specific commitments for our direct volumes in 8 Pilot Countries*) but we are convinced that a collective dynamic is also necessary.
- Concerning our indirect partnering farms where we do not have the possibility to implement the *Lactalis Animal Welfare Assessment Program*, our aim is that all of them are covered by ambitious national standards and/or regulations.

### 4. Collaborating with our stakeholders to improve scientific knowledge and develop innovations on animal welfare

As farm practices change and stakeholders' expectations grow, there is a need to improve scientific knowledge of animal welfare and develop new solutions that are adapted to different production systems.

**That is why we are committed to supporting and participating in research and development projects to improve animal welfare.** We are convinced that working hand in hand with external partners who bring technical and technological expertise is key to ensure the successful transfer of knowledge and scientific findings to the field.

### 5. Reporting publicly and annually on our actions and progress

**We are committed to having transparent communication on the fulfilment of the 4 commitments described above.**

Each year, we will publish a *Lactalis Animal Welfare Progress Report* that will be accessible to the general public. In it, we will remind our commitments, describe our actions, reflect our progress and if needed, describe corrective actions to be implemented.

## DAIRY INGREDIENTS (DAIRY COWS AND CALVES)

Our “animal welfare” approach on dairy ingredients other than raw milk (e.g. milk powder) is part of our Responsible Sourcing policy.

In the context of this policy, all Lactalis’ suppliers, including those supplying dairy ingredients, must commit to compliance with the rules defined in the *Lactalis Ingredients and Dairy Materials Charter*. Particularly with regard to animal welfare, this Charter involves:

- Providing to Lactalis Group products fully compliant with the legislation in force in the country.
  - If appropriate, implementing plans to enhance and promote animal welfare.
- In addition, all Lactalis suppliers must agree to the presence of our auditors for the carrying out of approval, evaluation or monitoring audits.

## SHELL EGGS<sup>5</sup> AND EGG PRODUCTS<sup>6</sup> (LAYING HENS)

Like for dairy ingredients, our “animal welfare” approach on shell eggs and egg products is part of our Responsible Sourcing policy.

In this context, we are committed to laying hens’ welfare and to the promotion of transparency across our supply chain. More precisely, we have engaged in dialogue with specialised non-governmental organisations and our suppliers to play our part in the cage-free transition of the global egg market. And from the very beginning we have decided to tackle not only our procurement of shell eggs but also our purchase of egg products used as ingredients.

Moreover, we are committed to reporting publicly and annually on our actions and progress in this transition to cage-free shell eggs and egg products supply; it will be part of the *Lactalis Animal Welfare Progress Report* mentioned above.



### OUR AMBITIONS:

- In the European Union, we have committed to, and achieved at End 2021, phasing out the purchase of shell eggs and egg products originating from caged systems (also known as “Code 3”).
- At global level, we will stop purchasing and using shell eggs and egg products from caged systems (also known as “Code 3”) by the end of 2025.

(5) Whole raw eggs with the shell unbroken

(6) Processed and convenience forms of eggs, including liquid, frozen, dried and pre-cooked products

# 04. OUR GOVERNANCE

## Our governance is organised in 3 main levels:

04

### OUR GOVERNANCE

- The Board of Directors of Lactalis Group is responsible for the successful implementation of the *Lactalis Animal Welfare Policy*.
- An Animal Welfare Committee is in charge of proposing the policy (and its revision when relevant) to the Board of Directors, monitoring the actions and the results and steering common actions. It is composed of Lactalis internal Corporate experts from the most relevant departments (Milk Supply, CSR and Purchasing). Its work implies regular interactions with a network of Lactalis internal experts based in our active countries (especially from the Country Milk Supply Departments described below).
- The Country Milk Supply Departments are in charge of implementing actions and reporting (actions and results) to the Animal Welfare Committee. Each Country Milk Supply Department is composed of a Milk Supply Director and may include Milk Supply CSR Managers and dairy technicians.



# ANNEXES

## ANNEX 1: OUR GLOBAL SCOPE (PER ANIMAL-BASED PRODUCT)

### Raw milk

	Volumes of raw milk collected by Lactalis, 2021 (billion litres)	Estimated number of partnering farms* (thousand)	Estimated number of dairy animals* (million)
<b>Worldwide: 49 countries</b>			
Cows and buffalos	21.6	453.0	3.9
Sheep	0.2	3.2	1.1
Goats	0.1	1.4	0.3
<b>TOTAL</b>	<b>22.0</b>	<b>457.6</b>	<b>5.2</b>
<b>Whom: our direct volumes in 8 Pilot countries</b>			
Cows	9.8	20.6	1.4
<b>% of TOTAL</b>	<b>45%</b>	<b>4%</b>	<b>26%</b>

\*Number of partnering farms and number of dairy animals have been estimated, country by country, on the basis of "Volumes of raw milk collected by Lactalis, 2021" and:

- For the 8 Pilot Countries (Australia, Belgium, Brazil, France, Italy, Spain, United Kingdom and United States of America): data collected in 2021 on representative samples of Lactalis' partnering farms (one representative sample per country).
- For the other countries: average 2020 data from IFCN<sup>7</sup>.

### Dairy ingredients

At Lactalis, we use dairy ingredients (e.g. milk powder) in several of our recipes.

### Shell eggs and egg products

At Lactalis, we use shell eggs and egg products in several of our recipes, especially in dairy desserts.

(7) Hemme (ed.) 2021: IFCN Dairy Report 2021, IFCN, Kiel, Germany.

# ANNEX 2: OUR PARTNERS

## Wageningen University & Research

Wageningen University & Research, renowned for its food and food production research, is an independent research and advisory partner.

During year 2021, we collaborated with experts from Wageningen University & Research to define the *Lactalis Farm Sampling Methodology*. This methodology allows us to determine representative samples of Lactalis' partnering farms in various countries. We used it to select around 700 farms where we conducted the first *Lactalis On-farm assessments* addressing sustainability topics (such as animal welfare). At this stage, our objective was to better know our performance without carrying out assessments in all our partnering farms (more than 450,000); which was not feasible in one year. The results from these representative on-farm assessments will be reported by the end of 2022, in our first *Lactalis Animal Welfare Progress Report* (cf. 03. *Our approach & ambitions, Raw milk (dairy cows and calves), commitment N°5*).

During year 2022, Lactalis will continue its collaboration with Wageningen University & Research in the context of the definition of the *Lactalis Animal Welfare Assessment Program* (cf. 03. *Our approach & ambitions, Raw milk (dairy cows and calves), commitment N°2*).

## Welfare Quality Network

Since 2021, Lactalis is an associate partner of the Welfare Quality Network.

The Welfare Quality Network is a collaborative effort of a large group of former partners of the Welfare Quality Project. Its activities involve, among others, upgrading the protocols, prioritising and facilitating research and working on specific farm animal welfare issues.

# ANNEX 3: RAW MILK (DAIRY COWS AND CALVES) OUR SPECIFIC COMMITMENTS FOR OUR DIRECT VOLUMES IN 8 PILOT COUNTRIES

The following specific commitments are part of our overall commitment N°2 for raw milk (dairy cows and calves), namely “Enrolling our direct partnering farms (and indirect ones where possible) in a process of continuous improvement, phasing out the most problematic practices and implementing the best ones”.

They apply to all dairy cows and/or calves related to the direct volumes of raw milk collected by Lactalis in 8 Pilot countries: Australia, Belgium, Brazil (Lactalis Do Brazil branch), France, Italy, Spain, United Kingdom and United States of America (Lactalis American Group and Stonyfield branches). These direct volumes represent 45% of total annual volume of raw milk collected by Lactalis (around 9.8 billion litres, 1.35 million of cows, 0.88 million of calves)<sup>8</sup>.


Our commitments and positions		Scope (among the 8 Pilot countries)
Transverse		
<b>Lactalis on-farm assessments</b>	<p><b>100% of our direct volumes will have on-farm assessments on animal welfare by 2025*</b></p> <ul style="list-style-type: none"> <li>- With a once every 3 years frequency</li> <li>- In the context of a Lactalis Animal Welfare Assessment Program that will be defined by the end of 2022 in collaboration with recognised third parties such as universities and non-governmental organisations</li> </ul> <p>*2026 in Brazil</p>	All
<b>Technician trainings</b>	<p><b>100% of our dairy technicians will be trained on animal welfare by 2023</b></p> <ul style="list-style-type: none"> <li>- With a once every 3 years frequency</li> <li>- Including with external recognised trainings</li> </ul>	All
Per practice		
<i>Close confinement and intensive systems for livestock</i>		
<b>Tethering</b>	<p><b>Lactalis encourages loose housing systems and is committed to raising farmers' awareness not to build new tethering barns.</b></p>	All
<b>Bedding space</b>	<p><b>Farms supplying milk to Lactalis should provide cows with satisfying bedding space</b></p> <ul style="list-style-type: none"> <li>- In loose housing system with loafing area integrated: at least 10 m<sup>2</sup> per large-sized* cow or at least 7.5 m<sup>2</sup> per small-sized* cow</li> <li>- In loose housing system with distinct loafing area: at least 7 m<sup>2</sup> per large-sized* cow or at least 5.5 m<sup>2</sup> per small-sized* cow</li> <li>- In free-stall system: at least 1 stall per cow</li> </ul> <p>*Large-sized cow: average live weight of lactating cows ≥ 600 kg Small-sized cow: average live weight of lactating cows &lt; 600 kg</p>	All

<i>Close confinement and intensive systems for livestock (to be continued)</i>		
<b>Calves in groups</b>	<b>Lactalis promotes group housing for calves from 4 weeks of age</b>	All
	<b>In European Union Countries*, the UK*, Australia and Brazil, all dairy calves within Lactalis supply chain must be reared in groups from at least 8 weeks of age</b> <i>*According to local regulations</i>	European Union Countries, UK, Australia, Brazil
<i>Effective species-specific environmental enrichment</i>		
<b>Access to pasture</b>	<b>Lactalis endorses pasture grazing for dairy cows wherever appropriate</b>	All
<b>Effective species-specific environmental enrichment</b>	<b>Lactalis encourages partnering farms to implement enrichment tools to give animals the opportunity to express their natural behaviours</b>	All
<i>Growth promoting substances</i>		
<b>Growth hormones</b>	<b>In European Union Countries*, the UK*, Australia and the USA, growth hormones are not permitted within Lactalis supply chain</b> <i>*According to local regulations</i>	European Union Countries, UK, Australia, USA
	<b>In Brazil, Lactalis is committed to eliminate growth hormones (rBST) by 2030</b>	Brazil
<i>Antibiotics for prophylactic use</i>		
<b>Antibiotics</b>	<b>Lactalis aims to fight against antimicrobial resistance and supports partnering farms to reduce prophylactic use of antibiotics</b>	All
	<b>In European Union Countries, according to local regulations, prophylactic use of antibiotics will be prohibited from 2022 (except in certain exceptional cases as described in the regulations)</b>	European Union Countries
<i>Routine mutilations</i>		
<b>Disbudding / dehorning</b>	<b>Lactalis promotes recognised best practices for disbudding and will eliminate routine dehorning by 2025*</b> <i>*2026 for the last farms who will be assessed in 2025 (cf. Lactalis on-farm assessments above)</i>	All
<b>Tail docking</b>	<b>Practicing routine tail docking is not permitted within Lactalis supply chain</b>	All
<i>Other</i>		
<b>Animal derived proteins in feed</b>	<b>All Lactalis partnering farms must be in compliance with national regulations regarding the use of animal derived proteins in dairy animal feed. In European Union Countries and Australia, according to local regulations, this practice is strictly forbidden for ruminants</b>	All



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*The targets, associated timelines and scopes mentioned in this document reflect current assumptions. Acquisitions, regulatory changes or other factors may have a major impact on these assumptions. In such cases, Lactalis Group reserves the possibility to review and adjust them accordingly.*

*The version of this document available on the Lactalis Group website shall prevail.*



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