

# The a2 Milk Company

## Modern Slavery Statement 2021

### 1. Introduction

This Modern Slavery Statement has been published in accordance with the *Modern Slavery Act 2018 (Cth)*. It outlines the actions taken by The a2 Milk Company Limited (ARBN 158 331 965) (a2MC) and other relevant a2MC Group companies to identify and mitigate slavery in our business and supply chains, over the financial year ending 30 June 2021 (FY21).

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

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

This Statement is a2MC's second Modern Slavery Statement under the Modern Slavery Act. a2MC's Modern Slavery Statement is available on a2MC's website at <https://thea2milkcompany.com/corporate-governance>.

#### Reporting entities

This Statement has been made on behalf of the following reporting entities as well as all other entities of the a2MC Group during FY21.<sup>1</sup>

- a2MC;
- The a2 Milk Company Australia Pty Ltd (ACN 125 331 213) (a2MC Australia);
- a2 Australian Investments Pty. Limited. (ACN 126 014 275) (a2 Investments);
- a2 Infant Nutrition Australia Pty Ltd (ACN 161 773 913) (a2IN Australia); and
- a2 Infant Nutrition Limited (ARBN 618 864 958) (a2IN).

### 2. Our Commitment

Modern slavery<sup>2</sup> is unacceptable in our operations and supply chain and addressing risks of modern slavery is an important part of our organisation's approach to business and human rights. Our approach to human rights and the management of modern slavery risk is guided by the United Nations Guiding Principles on Business and Human Rights. We are committed to

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<sup>1</sup> A full list of a2MC Group entities is published on page 95 of The a2 Milk Company Limited's 2021 Annual Report.

<sup>2</sup> As defined in section 4 of the *Modern Slavery Act 2018 (Cth)*.

continuing to develop our approach and focus on addressing modern slavery risks within our operations and supply chain.

### 3. About a2MC

#### What we do

a2MC is a New Zealand incorporated dairy nutritional company that is listed on the NZX and the ASX, with a commitment to enrich lives by harnessing the nutritional wonders of nature. a2MC's principal activity is the sale of branded products in targeted markets made with milk from cows that produce milk naturally containing only the A2 beta casein protein type and no A1.

#### Where we operate

Incorporated in New Zealand, our global workforce consists of over 400 employees across Australia, New Zealand, China and the United States, reflecting our established sales markets and production and distribution channels.

Our product portfolio comprises fresh milk, UHT (Ultra High Temperature) milk, ESL (Extended Shelf Life) milk, milk powder, infant nutrition and other nutritional products. Long-standing strategic partners and supplier relationships are an important part of our business.

Other than our supply chain, our operations consist almost solely of permanent (on a full-time or part-time basis) employment of our employees in Australia, New Zealand, China and the United States. A small proportion of our employees are engaged on a fixed term contract (2%) or on a contractual basis through an agency (5%). These agency contractors are based in Australia or the United States. We comply with the relevant industrial relations and work place laws of the jurisdictions in which we operate. All of our work force, other than the supply chain team, are employed in office environments, including all of our China and United States employees, except for a small number of our employees in Australia who are laboratory-based in a fresh milk processing facility. Those employees based in the laboratory are covered by an enterprise bargaining agreement that we comply with.

#### Supply chain

##### *Infant nutrition*

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

All of our infant nutrition products are currently manufactured by Synlait Milk Limited (**Synlait**), a New Zealand dairy processor and manufacturer. Synlait is also listed on the NZX and the ASX and is a "Certified B Corporation" which confirms that it meets high standards of verified social and environmental performance in New Zealand. All raw materials and other components that go into manufacturing our infant nutrition products are procured by Synlait. All raw A1 protein free milk that is used for the manufacture of our infant nutrition products is sourced locally from New Zealand farms.

### *Liquid milk*

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

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

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

Our UHT liquid milk is sold under the *a2 Milk™* brand in China, Vietnam and South Korea and will soon be sold in Australia. It is manufactured by Nature's Dairy Australia (trading as Purearth Foods Pty Ltd) on a contract basis in Victoria.

Where *a2 Milk™* liquid milk is manufactured on a contract manufacture basis or under a licensing agreement, all raw materials and other components used in the manufacture of the product are sourced by the manufacturer or licensee such that we do not own or have direct supply relationships with the milk suppliers. For *a2 Milk™* liquid milk manufactured at Smeaton Grange, a2MC Australia manages the relationships with all relevant suppliers, including with the suppliers of the raw A1 protein free milk. While a2MC Australia now owns the site at which *a2 Milk™* liquid milk is manufactured in Kyvalley Victoria, it leases the site to the contract manufacturer and is not involved in the day-to-day operations of the facility.

### *Other nutritional products*

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

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

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

### *Operational footprint*

Across our operational footprint the milk that is used in our products is sourced from over 200 farms. Despite not having a direct supply relationship with the majority of our raw A1 protein free milk suppliers, we nevertheless take an active interest in the on-farm practices of those farmers who are supplying the core ingredient of our products. A brief overview of our work with the farmers is set out in further detail in section 5 of this Statement.

In July 2021, we completed the acquisition of a controlling interest in Mataura Valley Milk (**MVM**), a dairy processor in Southland, New Zealand. MVM has direct sourcing arrangements

for all raw materials and other components used in the manufacture of its powdered products. MVM is not within the scope of this Statement, as the acquisition was completed in the subsequent reporting period. MVM will be covered in our next Statement, reporting on activities from 1 July 2021 to 30 June 2022.

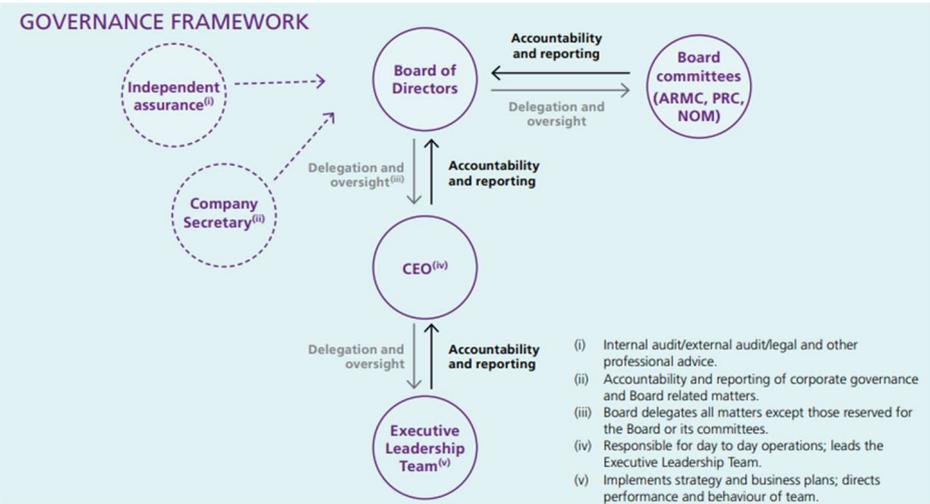
**How we are governed**

The Board of Directors is responsible for the overall governance and operations of the a2MC Group, setting the Company’s strategic direction, monitoring risk (including modern slavery risk), and overseeing the activities of management.

The key roles and responsibilities of the Board are set out in the Board Charter, available on the Company’s website at <https://thea2milkcompany.com/corporate-governance>. These include matters relating to the Company’s strategic and financial performance; executive management; audit and risk management; strategic planning; corporate governance and disclosure; performance evaluation; workplace health and safety; ethical conduct (including in relation to modern slavery); and assessing and monitoring the effectiveness of the Company’s approach to sustainability and the social, ethical and environmental impact of the Company’s activities and operations.

The Board delegates certain functions to its three committees (the Audit and Risk Management Committee, which implements, reviews and supervises the Company's risk management framework, including risks relating to modern slavery, the People and Remuneration Committee, and the Nomination Committee). The Board delegates all matters except those reserved for the Board or its committees to the Chief Executive Officer, who is responsible for the a2MC Group’s day to day operations and leads the Executive Leadership Team. The Chief Executive Officer and the Chief Legal and Sustainability Officer oversee the Company’s modern slavery assessment, with support provided by other relevant members of the Executive Leadership Team and relevant senior managers and employees across the a2MC Group - this includes members of the Sustainability Team<sup>3</sup> who have responsibility for driving the Company’s initiatives to manage the a2MC Group’s modern slavery risks.

The diagram below illustrates a2MC’s corporate governance framework.



<sup>3</sup> The Sustainability Team comprises members of senior management including representatives of the Executive Leadership Team and those who have been identified as subject matter experts from a regional and/or operational perspective to embed sustainability across our business functions and regions and empower our people to drive initiatives to achieve our sustainability objectives.

#### 4. Understanding our risks

We have a risk management programme which assists us in identifying, assessing, monitoring and managing business risk including modern slavery risk, and recognising material changes to our risk profile. Our Risk Management Policy outlines the programme the Company has implemented to deliver appropriate risk management within its processes, systems and culture. A copy of the Risk Management Policy is available at <https://thea2milkcompany.com/corporate-governance>.

Sustainability and ethical sourcing are fundamental for the future success of our business. As a business that is heavily dependent on agricultural inputs, a2MC is exposed to short, medium and long-term environmental and social responsibility risks. The growth of conscious consumerism and increasing expectations around sustainability and ethical sourcing means that exposure to these risks could negatively affect the Company's reputation.

Sustainability is embedded in our growth strategy and one of our top goals. One of our strategic areas of focus includes "Responsible sourcing & distribution", which includes our work in assessing and managing modern slavery risks.

In FY21, we completed activities commenced in FY20, which comprised:

- comprehensively mapping our supply chain and creating a heat map for risks across our extended value chain in Australia, New Zealand, China and the United States. This involved building the matrix of all of our supply chain partners and key inputs at key stages through sourcing to consumers. We also engaged with relevant internal stakeholders to identify and verify assessment of risks across the supply chain. This assessment was based on inherent risks in industries, regardless of spend, and limited largely to key tier one and tier two suppliers across the group including Synlait and Fonterra, being defined as suppliers with which a2MC has a direct contractual arrangement;
- reviewing our existing supply chain standards and policies, as well as those of our key strategic partners, and identifying any gaps in coverage for human rights under those standards and policies;
- reviewing our commercial engagements with our key strategic partners to identify where human rights risk management can be strengthened;
- reviewing existing training programmes for employees and our on-farm suppliers; and
- updating company and supplier standards to ensure coverage of modern slavery and human rights standards.

These activities are discussed in further detail below.

Since our first Modern Slavery Statement completed in March 2021, we have also commenced an assessment of modern slavery and human rights risks further down our supply chain and operations. The assessment focuses on known higher-risk regions and channels.

##### **Agricultural sector**

Agriculture is recognised globally as an industry with high modern slavery risks. As the a2MC Group companies source key inputs from the agricultural sector in New Zealand, Australia and the United States, the key areas of exposure in our supply chain are generally on-farm. There are known modern slavery risks within this sector where workers (particularly migrant

workers) may be susceptible to labour exploitation, including through long hours, lack of access to breaks and/or low-quality accommodation.

### **Sales sector – China based brand ambassadors**

The underpayment of wages has been identified as a modern slavery risk associated with the China based brand ambassadors (sometimes referred to as promotional people) who provide instore sales support (building awareness and providing education to shoppers) in relation to our infant nutrition products in the mother and baby store channel in China. Brand ambassadors working in the mother and baby stores are typically female, on the basis that they are generally considered to naturally have a better connection with customers, who are typically mothers. We recognise that women can be disproportionately impacted by modern slavery and therefore the risks may be higher in this female dominated sector. a2MC does not have a direct contractual relationship with the promotional people, who are directly engaged by distributors or third-party service providers. However, there are a number of controls which operate together to lower the risk of labour exploitation in this channel. These controls are discussed in section 5 of this Statement.

### **Distribution and logistics**

Across our supply chain, the majority of our distribution and logistics arrangements are managed by our strategic partners or third-party suppliers. We recognise that there may be risks of forced labour and/or deceptive recruitment practices associated with these types of arrangements, including within the shipping industry which we have flagged for future review.

Our key distribution partners in the China market are large, established corporate entities, with which we have contracts that include express obligations to comply with the local labour laws and applicable anti-modern slavery laws in the jurisdictions in which we operate. We recognise that there is more work to be done to understand our distribution partners in China and look forward to working with them to better understand risks in the future.

The exclusive import agent and distribution partner for our China label infant nutrition products in China, China State Farm, is a state-owned enterprise. As a state-owned enterprise, it is subject to statutory audits by the National Audits Office, with a strong compliance record and reputation. China State Farm in turn contracts with a number of master distributors for the same China label products. We are in the process of deepening our understanding and assessment of the risks of modern slavery, including forced labour, in this channel.

### **Direct operations**

Within a2MC Group's direct operations, the risk of slavery and human rights risks is limited to the employment of employees. Our operations consist almost solely of permanent (on a full-time or part-time basis) employment of our employees in Australia, New Zealand, China and the United States and we comply with the relevant industrial relations laws and work place laws of each of these jurisdictions. A small proportion of our employees are engaged on a fixed term contract (1.9%) or on a contractual basis through an agency (4.7%). These agency contractors are based in Australia or the United States. As noted earlier, all of our non-supply chain employees are based in an office environment other than a small number who are laboratory-based in a fresh milk processing facility in Australia and covered by an enterprise bargaining agreement that we comply with. For these reasons, we consider the risk of modern slavery in our operations to be low. However, we recognise there may be potential risks in our broader

indirect operations, under which workers not employed by the a2MC Group play a part, including in sales and marketing.

### **Indirect operations**

We recognise that there are potential modern slavery risks, particularly forced labour, in other areas of our extended (external) supply chain and operations, including raw material sourcing, uniforms, cleaning and waste management services. We look forward to working further with our strategic partners and suppliers to implement due diligence processes, training, policies and contractual provisions as ways to identify and/or mitigate against such risks. We address our planned next steps for FY22 and beyond, including the further work we plan to do to understand our modern slavery risks, in section 8 of this Statement.

## **5. How we are managing these risks**

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

### **On-farm**

In Australia, we have implemented processes to mitigate the risk of labour exploitation on-farm, including:

- updating our due diligence questionnaire to include a section to specifically identify and address modern slavery risks. All new on-farm suppliers undergo a strict due diligence process to ensure compliance with social, animal welfare and sustainability standards; and
- updating our “farm handbook” which is provided to farmers during the on-boarding process, and which assists farmers (amongst other things) in understanding and identifying modern slavery risks.

All farmers supplying raw A1 protein free milk for our products are paid a premium for that milk, providing farmers with support to meet their various costs including the appropriate remuneration of their farm workers.

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

For example, in the United States, the farms from which we source must certify that they do not use illegal labour, as required by labour laws in that jurisdiction. We have identified work to understand and manage risks in the United States as an area of further assessment during FY22.

In Canada, we do not directly source milk from farms, nor indirectly through third party processors. Instead, our revenue is derived via an exclusive licensing arrangement for sales of *a2 Milk™* with Agrifoods International Cooperative Ltd, which was entered into during the last quarter of FY20. Our action plan for FY22 contemplates work to deepen our understanding and assess these risks.

### **Sales sector – China based brand ambassadors**

We recognise that our contribution towards the cost of engaging promotional staff may have a direct impact on the amount earned by the brand ambassadors, and that our other

requirements may have a direct impact on the age of the promotional staff hired, and the nature of their direct contractual arrangements with distributors and third-party service providers.

The brand ambassadors working at mother and baby stores providing instore sales support in relation to a2MC products are typically aged between 30 to 40 years, with significant experience in the industry, and are more likely to be engaged on a permanent basis. As such they are less likely to be subject to labour exploitation.

Through our contracts with the third-party service providers and distributors who engage the brand ambassadors, we indirectly pay for the services of the brand ambassadors or have arrangements to share costs. The amount we pay for services is higher than the average market rate, enabling the distributors and third-party service providers to take their cost margin while still leaving an appropriate amount to be passed on to brand ambassadors. The higher than market fee that a2MC pays reflects our business requirements for brand ambassadors to be suitably experienced and able to provide the highest level of service to customers at our mother and baby stores, including our preference to engage promotional staff on a permanent basis (full-time or part-time) to build customer relationships and maintain continuity of service.

The third-party service providers and distributors are subject to Chinese law, including minimum wage and social insurance requirements, which must be complied with.

The standard operating hours of mother and baby stores limit the amount of physical overtime hours that can be worked by promotional staff, reducing the potential for exploitation resulting from overtime work.

We are continuing to deepen our understanding of the particular arrangements in place between different distributors and third-party service providers and the promotional staff they engage, to further inform our assessment of residual risk of modern slavery in this channel, in addition to actions taken to manage risks as set out in this Statement.

We have commenced a process of reviewing all agreements a2MC has with distributors and third-party service providers that in turn engage brand ambassadors working at mother and baby stores in China. Appropriate clauses requiring compliance with law, including applicable modern slavery laws in all jurisdictions in which we operate, will be included, to the extent not already present.

### **Distributor and supplier contracts**

In addition to reviewing our contracts with distributors and third-party service providers who in turn engage promotional staff working at mother and baby stores in China (as noted above), we have commenced a process to over time update our supplier contracts to include an anti-slavery compliance clause, so that suppliers understand our expectations in relation to identification and management of modern slavery risk.

### **Policies and standards**

We recognise the importance of setting clear expectations, including through implementation of explicit standards, for our employees and suppliers. We maintain several policies to assist us to manage the risks of modern slavery in our operations and supply chain.

#### *Code of Ethics*

Our Code of Ethics sets out the expectations that the a2MC Group has of our employees and suppliers regarding lawful and ethical conduct. A copy of our Code of Ethics is available on the Company website at: <https://thea2milkcompany.com/corporate-governance>.

We updated our Code of Ethics in FY21, to support internationally recognised human rights and principles, including as set out in the United Nations Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights and the United Nations Global Compact.

#### *Responsible Sourcing Policy*

We published our Responsible Sourcing Policy in FY21, setting out our expectations of our suppliers with respect to ethical business practices, including compliance with applicable legislation in the regions where they operate and taking steps to meet international standards to address modern slavery. A copy of our Responsible Sourcing Policy is available on the Company website at: <https://thea2milkcompany.com/corporate-governance>.

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

#### *Equal Employment Opportunity, Unlawful Discrimination, Harassment, Bullying and Victimisation Policy and Grievance Handling Policy*

Our Equal Employment Opportunity, Unlawful Discrimination, Harassment, Bullying and Victimisation Policy and Grievance Handling Policy makes clear our expectation that our workplace is free from unlawful discrimination, harassment, bullying and victimisation.

#### *Whistleblower Policy*

Our Whistleblower Policy sets out protections and support available to those who raise concerns about any suspected misconduct including within our supply chain, which includes our strategic partners, suppliers, distributors, and promotional staff in China. A copy of our Whistleblower Policy is available on the Company website at: <https://thea2milkcompany.com/corporate-governance>.

A whistleblower may be a current or former director, officer, employee, contractor or supplier, any other person who has or has had business dealings with us and relatives or dependents of any of those persons or dependents of that person's spouse.

We have internal and independent, external channels through which a whistleblower can report information, and they can do so anonymously.

We will investigate suspected breaches of our policies or misconduct and where breaches or misconduct are identified, our general approach will be to work with our suppliers towards ensuring full compliance with our relevant standards. We may seek to terminate our contractual arrangements or seek alternative supply sources if our suppliers are unable or unwilling to work towards full compliance with the standards, or where the non-compliance is of such a nature that we decide ceasing our association with the supplier is the most appropriate course of action.

#### **Training**

All employees are required to complete training relating to the policies described above when they commence employment with us.

We have established a company-wide modern slavery training programme for our employees. This training is mandatory for all employees and aims to assist employees to understand and identify modern slavery risks.

We have also established a more tailored and comprehensive training programme for employees who are involved in those areas of our business where we have identified a higher risk of modern slavery (for example, on-farm), to empower our staff to proactively manage modern slavery risks and implement appropriate remediation actions.

## **6. How we assess the effectiveness of our actions**

We are committed to continuously improving our assessment and management of human rights and modern slavery risk.

We have established a register to assess our actions which includes findings such as the number of modern slavery training and awareness-raising programmes delivered, the number of complaints resolved by a grievance mechanism, and the number of contracts that include modern slavery clauses.

## **7. Consultation**

The preparation of this Statement involved actively engaging with all of the companies that we owned or controlled during the reporting period. We regularly engaged with relevant members of our Sustainability Team, Executive Leadership Team and other relevant employees.

The consultation process was cross-regional and cross-functional. For example, we had relevant members of our People and Culture, Farm Services, Investor Relations, Growth and Brand, and Legal teams across the regions provide input and information as part of the risk assessment process. These members are collectively responsible for business across all of the a2MC Group entities.

Relevant MVM employees will be involved in the consultation process for our Statement relating to FY22.

Our Board of Directors retains oversight over our human rights and modern slavery risks.

## **8. Looking forward**

Our priorities and actions relating to modern slavery risk management for FY22 and beyond include:

- mapping and analysing the modern slavery risks in MVM's supply chain and operations;
- further assessment of modern slavery risk within the rest of the Group's supply chain and operations, including through further engagement with our strategic partners to deepen our understanding of risks in our extended supply chain and indirect operations, including in particular in:
  - the distribution channels and mother and baby store channel in China,
  - the supply chain in Canada and the United States;
- continuing to update and refine our training programme having regard to the findings from our further assessment of modern slavery risk, with particular focus on tailored training to be provided to additional relevant employees and third-parties;
- reviewing and updating internal policies to ensure coverage of human rights and modern slavery risk as they evolve;

- continuing to update agreements with farms providing raw A1 protein free milk to include a commitment to operate slavery-free;
- continuing to work with our strategic partners to strengthen their standard of employment conditions as part of best practice requirements; and
- working with priority suppliers to enhance due diligence within their supply chains.

### Approval

This Statement has been prepared by a2MC in consultation with the wider a2MC Group entities as at 30 June 2021, including a2MC Australia, a2 Investments, a2IN Australia and a2IN. Other than MVM, the a2MC Group does not own or control any other entities as at the date of this Statement. This Statement was approved by a2MC's Board of Directors on 18 December 2021, including on behalf of a2MC Australia, a2 Investments, a2IN Australia and a2IN.

This Statement for the financial year ended 30 June 2021 is made in accordance with s 14 of the *Modern Slavery Act 2018* (Cth).



**David Bortolussi**  
**Managing Director and CEO of The a2 Milk Company Limited**

**20 December 2021**