

Milk Supply Agreement

GENERAL TERMS & CONDITIONS FOR THE EXCLUSIVE SUPPLY OF A2 MILK

1. DEFINITIONS & INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:

ACM means Australian Consolidated Milk Pty Ltd ABN 19 130 716 899;

a2 Accreditation means the accreditation of Supplier by a2 Milk Company to supply a2 Milk to it;

a2 Milk means Milk which meets the specifications set by the a2 Milk Company;

a2 Milk Company means The a2 Milk Company (Australia) Pty Ltd ABN 52 125 331 213;

a2 Standards means a2 Milk quality control standards set by a2 Company;

Agreement means this Agreement including the front page of this document, these General Terms and Conditions and Schedules including Schedule A (regarding Price Justification) and Schedule B (Specification Guide);

Applicable Laws means all laws, regulations and mandatory codes of practices (as amended from time to time) applicable to Milk production, broking, carriage and distribution including the Code;

Business Day means a day other than a weekend or public holiday in Melbourne, Victoria;

Change in Control of an entity means that a person or entity who did not have Control of the entity (either alone or with associates) subsequently gains Control (either alone or with associates);

Code means the *Competition and Consumer (Industry Codes- Dairy) Regulations 2019* as regulated under the *Competition and Consumer Act 2010* (Cth);

Commencement Date has the meaning given to it in clause 2;

Confidential Information means all confidential, non-public or proprietary information exchanged between the parties before, on or after the date of this Agreement relating to the business, technology or other affairs of each party or which comes into a party's possession pursuant to, or as a result of, any negotiations or discussions in connection with this Agreement including the existence, nature and terms of this Agreement, and whether disclosed verbally, in writing, in electronic form or by any other means;

Control of a corporation includes the direct or indirect power to directly or indirectly direct the management or policies of the corporation or control the membership of the board of directors; whether or not the power has statutory, legal or equitable force or is based on statutory, legal or equitable rights, and whether or not it arises by means of trusts, agreements, arrangements, understandings, practices, the ownership of any interest in shares or stock of that corporation or otherwise;

Controller has the same meaning as in section 9 of the Corporations Act 2001 (Cth);

Cooling Off Period means a period of fourteen days after the Commencement Date;

Dispute means a dispute between the parties in relation to the subject matter of this Agreement

Dollars and \$ means the lawful currency of the Commonwealth of Australia;

End Date means the date upon which this Agreement will end set out on the front page of this document (subject to the provisions for early termination set out in this Agreement);

Event of Default has the meaning given to that term under clause 11.1;

Farm means the Supplier's dairy farm located at the address specified on the front page of this Agreement;

Force Majeure means an act of God, war, revolution or any other unlawful act against public order or authority, an industrial dispute including strike or other labour disturbances, a governmental restraint, a shortage or unavailability of raw materials or transportation, and any other event which is not within the reasonable control of a party, including without limitation climate conditions and acts of nature (including drought, fires, earthquakes and floods), epidemics, pandemics, embargos, accidents, quarantine restrictions, diseases and pests and availability or breakdown of machinery;

General Terms and Conditions means these general terms and conditions and includes the front page of this document;

GST Law has the meaning given by the A New Tax System (Goods and Services Tax) Act 1999 (Cth);

Insolvency Event means, in relation to a party, any one or more of the events or circumstances occurring in respect of a party:

- (a) except for the purpose of a solvent reconstruction or amalgamation which has the prior written consent of the other parties:
 - (i) an order is made that it be wound up or that a Controller be appointed to it or any of its assets; or
 - (ii) a resolution that it be wound up is passed;
- (b) a liquidator, provisional liquidator, Controller or any similar official is appointed to, or takes possession or control of, all or any of its assets or undertaking;
- (c) an administrator is appointed to it;

- (d) it enters into, or resolves to enter into, an arrangement, compromise or composition with any of, or any class of, its creditors or shareholders, or an assignment for the benefit of any of, or any class of, its creditors, or process is filed in a court seeking approval of any such arrangement, compromise or composition;
- (e) a reorganisation, moratorium, deed of company arrangement or other administration involving one or more of its creditors is proposed or effected;
- (f) it is unable to pay its debts or it is presumed to be insolvent under any applicable law;
- (g) as a result of the operation of clause 459F(1) of the Corporations Act 2001 (Cth), it is taken to have failed to comply with a statutory demand;
- (h) it stops or suspends or threatens to stop or suspend:
 - (i) the payment of all or a class of its debts; or
 - (ii) the conduct of all or a substantial part of its business;
- (i) where an individual, that individual is bankrupt or deemed at law to be bankrupt; or
- (j) anything having a substantially similar effect to any of the events specified in paragraphs (a) to (i) happens to it under the law of any jurisdiction;

Insured Amount means \$10,000,000.00;

Levy means any charge or fee imposed by a state or federal government that is required to be paid by Supplier but collected by ACM in relation to the production of Milk;

Loss means any costs, expenses (including legal costs on a party/party basis), losses, damages, compensation, amounts paid on advice of legal advisers to compromise or settle a claim, taxes, outgoings or other payments;

Milk means the lacteal fluid product of a dairy cow and for the purposes of this Agreement includes a2 Milk;

Minimum Price means the lowest Price for a2 Milk to be paid by ACM to Supplier. The amount of the Minimum Price shall be calculated by reference to the table set out on the front page of this document;

Premium Quality Milk means a2 Milk that meets the standards specified in the Specification Guide as applying to Premium Quality Milk;

Price Justification means the statement justifying calculation of the Price attached at Schedule A of this Agreement;

Quality Standards means the quality standards set by ACM in relation to the supply of Milk to it which include the a2 Standards. Details of the Quality Standards are set out in Schedule B to this Agreement in the document entitled "Specification Guide";

Recipient Created Tax Invoice has the meaning given to that term in the GST Law;

Related Body Corporate has the meaning given to that term in the Corporations Act 2001 (Cth);

Specification Guide means the document at Schedule B to this Agreement;

Start Date of Milk Supply means the date set on the front page of this document which, subject to these General Terms and Conditions is the date upon which the Supplier will commence the supply of Milk to ACM;

Supplier means the Supplier whose details are specified on the front page of this document;

Tanker means the means of transporting Milk from the Farm to the place of processing;

Term means the period starting on the later of the Commencement Date and 1 July 2021 and finishing on 30 June 2022;

Transport Provider means the provider of Milk transport from the farm to the place of processing.

2. Commencement Date & Duration of Agreement

2.1 Commencement Date

- 2.1.1 This Agreement will commence on the Commencement Date.
- 2.1.2 If this Agreement is signed by Supplier, the Commencement Date is the date upon which this document was signed by Supplier. If the Supplier is more than one person, the Commencement Date is the date upon which this document has been signed by all persons who enter into this Agreement as Supplier.
- 2.1.3 If this Agreement has not been signed by Supplier, the Commencement Date is the date upon which Supplier, having been provided with a copy of this Agreement by ACM, verbally advises ACM that he/she/they agree to enter into a Milk Supply Agreement with ACM on the terms and conditions set out in this document.

2.2 Cooling Off

This Agreement is subject to the Cooling Off Period during which time the Supplier may end this Agreement by notification in writing to ACM. Any such notification must be made by email to supplier@acmilk.com.au

2.3 Duration

Subject to clause 2.2 and the provisions for early termination set out in this document, this Agreement commences on the Commencement Date and will continue until the End Date.

3. Milk Supply

3.1 Supply of Milk

During the Term of this Agreement, Supplier agrees to continually supply all of Supplier's a2 Milk to ACM and ACM agrees to buy all of Supplier's a2 Milk which meets or exceeds the quality standards specified in clause 5 of this Agreement.

3.2 Exclusivity

Unless otherwise agreed by ACM in writing, Supplier must not supply Milk to any other person during the Term.

3.3 a2 Accreditation

- 3.3.1 This Agreement is conditional upon Supplier obtaining a2 Accreditation, in a form acceptable to a2 Milk Company, to supply a2 Milk.
- 3.3.2 At all times during this the Term, Supplier must maintain its a2 Accreditation and must comply with all conditions set by a2 Milk Company regarding the production and supply of a2 Milk.
- 3.3.3 If Supplier becomes aware, at any time during this Agreement, that its a2 Accreditation has been cancelled, revoked, suspended or in any way downgraded, it must immediately inform ACM of this.

4. Prices and Payment

4.1 Price

- 4.1.1 ACM will pay Supplier for the supply of Milk calculated in accordance with the Minimum Price.
- 4.1.2 ACM may increase the amount it pays for Milk from time to time although it is not required to do so.
- 4.1.3 Under no circumstances, will ACM retrospectively decrease the amount it pays for Milk.

4.2 Minimum Price

- 4.2.1 Calculation of the Minimum Price will be in accordance with the table set out on the front page of this document.
- 4.2.2 ACM warrants that calculation of the Minimum Price is in accordance with the Price Justification contained in Schedule A of this Agreement as required under section 14 of the Code.
- 4.2.3 The Minimum Price is the amount payable by ACM for Premium Quality Milk. If the Milk supplied under this Agreement does not meet the conditions of Premium Quality Milk as set out in the Specification Guide, the amount payable by ACM for Milk under this Agreement may be reduced. Any such reduction will be in accordance with the Specification Guide.

4.3 Payment

Unless otherwise agreed in writing by the parties, ACM will pay Supplier for the Milk supplied pursuant to this Agreement on or about the 15th day of each month for the Milk supplied during the prior calendar month. The amount payable for the Milk shall be the Minimum Price minus

- 4.3.1 any deductions arising from a downgrading of the Milk in accordance with this Agreement;
- 4.3.2 any applicable Levy;
- 4.3.3 any costs incurred by ACM as a result of any additional testing of the Milk which has been requested by Supplier and which is not included in the testing ordinarily conducted by ACM at its own expense (details of which are described in Schedule B); and
- 4.3.4 any other deduction authorised by Law or the Supplier.

4.4 Recipient Created Tax Invoice

For the purpose of satisfying the requirements of the GST Law and any additional requirements as determined by the Commissioner of Taxation from time to time, ACM and Supplier agree that:

- 4.4.1 ACM may issue a Recipient Created Tax Invoice in respect of any supply by the Supplier to ACM under this Agreement
- 4.4.2 the Supplier must not issue a Tax Invoice in respect of any supply by the Supplier to ACM under this Agreement unless ACM notifies the Supplier that ACM will not be issuing a Recipient Created Tax Invoice for that supply;
- 4.4.3 ACM will issue the original or a copy of the Recipient Created Tax Invoice to the Supplier within 28 days after the later of the date the relevant supply is made or its value determined and will retain a copy/original;
- 4.4.4 ACM will issue the original or a copy of an adjustment note to the Supplier within 28 days after the adjustment is identified and will retain a copy/original; and
- 4.4.5 they must each remain registered for GST at all times during the Term.

5 Quality of Milk

5.1 Quality Standards

Supplier must ensure that all Milk supplied by it to ACM complies with ACM's Quality Standards, details of which are contained in the Specification Guide which is Schedule B to this Agreement.

5.2 Testing

ACM may inspect and test Milk before collection, at the time of collection or after collection for the purposes of assessing whether Milk is compliant with ACM's Quality Standards. Such testing will be at ACM's expense. ACM will provide a copy of relevant test results to Supplier upon request.

5.3 Right of rejection and otherwise

5.3.1 The parties agree that ACM's right to accept or reject Milk (and upon what terms which may include the imposition of any price penalty or price reduction) will be based on Supplier's compliance with ACM'S Quality Standards and the outcome of ACM's inspection and testing in accordance with this Agreement.

5.3.2 If ACM rejects Milk because of a failure to meet ACM's Quality Standards, ACM must as soon as practicable, inform Supplier of the grounds of any reduction or rejection.

5.3.3 If ACM intends to take any adverse action regarding a defect in the Milk, it will issue a notice to the Supplier outlining any such action as soon as reasonably practicable.

5.4 Defects

If either party become aware of

5.4.1 any possible, actual or potential defect, containment, fault or other condition in Milk supplied under this Agreement;

5.4.2 any matter that may impact upon compliance with any health standard, public policy or code;

5.4.3 any matter which may affect compliance with any law or regulatory health standard;

that party must, as soon as possible, advise the other party of the particulars of any such issue. The parties must cooperate, to the fullest extent possible, to diminish any risk to the public arising from a defect in Milk.

5.5 Variation of ACM's Quality Standards

ACM may, if required by law, unilaterally vary its Quality Standards. ACM will provide Supplier with notice of any such changes when it is reasonably able to do so.

6 Collection

6.1 ACM to collect Milk

ACM or its agent or representative will, at the cost of ACM, collect the Milk supplied by Supplier under this Agreement from the Farm. The quantity of the Milk collected will be measured in litres by a flowmeter fitted to the Tanker.

6.2 Access to Farm

Supplier must ensure that ACM and its representatives has safe and unrestricted access to the Farm as reasonably required to collect the Milk at any time on each collection day. Supplier must immediately notify ACM of any circumstances that may affect ACM's ability to collect Milk in accordance with this Agreement.

7 Risk and title

7.1 Supplier Warranty

Supplier warrants that it owns the Milk supplied to ACM and that it has the right and authority to supply and sell the Milk to ACM free from any encumbrance, mortgage, charge or other security interests.

7.2 Transfer of Risk and title

Risk and title to the Milk passes to ACM at the time the Milk is loaded into the Tanker at the Farm, provided however, risk and title in any Milk that is collected by ACM but then subsequently rejected in accordance with ACM's Quality Standards shall automatically revert back to Supplier.

8 Supplier to maintain Insurance

Supplier must, at its own cost, effect and maintain, during the Term, a public liability insurance policy with a minimum level of cover of the Insured Amount and all other insurance required to be held and maintained by law, including without limitation, workers' compensation insurance. Upon request, Supplier must provide ACM with satisfactory evidence that Supplier has complied, and continues to comply, with its obligations under this clause.

9 Compliance

9.1 Compliance with Applicable Laws and Standards

9.1.1 Each party must comply with all Applicable Laws in performing their obligations under this Agreement.

9.1.2 Supplier must, at its own cost hold and maintain all necessary licences, approvals and permits and the like required by any government authority or agency and must ensure that the Milk produced by Supplier also complies with all Applicable Laws and standards.

9.2 Notification of non-compliance

Supplier must promptly notify ACM of any actual or suspected breach by Supplier of any Applicable Laws, licences, approvals, permits or ACM's Quality Standards in the performance of its obligations under this Agreement.

10 Inspection

10.1 ACM may inspect

The Supplier must permit ACM, at any reasonable time during this Agreement to:

10.1.1 undertake any investigation at the Farm that ACM reasonably considers necessary; and

10.1.2 enter Supplier's property and Farm for the purposes of assessing the Supplier's compliance with this Agreement.

11 Default and Termination

11.1 Event of Default

Any one or more of the following will constitute an "Event of Default" in respect of a party ("defaulting party"), at the non-defaulting party's option:

11.1.1 the defaulting party defaults in the performance of a material obligation under this Agreement, and:

(i) the default is not capable of being remedied; or

(ii) if capable of being remedied, the defaulting party does not remedy the default within 14 days after notice requiring it to be remedied is given to the defaulting party by the non-defaulting party; or

11.1.2 an Insolvency Event occurs in relation to the party.

11.2 Default

If an Event of Default occurs in respect of a party, the non-defaulting party may terminate this Agreement by giving written notice to the defaulting party.

11.3 Force Majeure

If a party is unable either wholly or partially, as a result of a Force Majeure, to carry out its obligations under this Agreement, and:

11.3.1 notifies the other party promptly of the Force Majeure giving details of the Force Majeure, and of the extent to which it is unable to perform its obligations; and

11.3.2 attempts to circumvent the Force Majeure as quickly as possible,

then that party's obligations will be suspended for the period of time they are affected by the Force Majeure.

11.4 Accrued rights

Termination of this Agreement does not affect any accrued rights or remedies of a party.

12 Indemnities

Supplier indemnifies ACM against any liability incurred by ACM as a consequence of:

12.1 any claim arising out of a death, injury or damage to property arising from or connected with Supplier's breach of this Agreement; and/or

12.2 any unlawful or improper conduct of Supplier and/or its employees, agents and representatives.

13 Mutual Warranties

Each party represents and warrants to the other party that:

- 13.1 It will abide by the procedures of Milk production and processing which reflect minimum standards and practices in the dairy supply chain;
- 13.2 it is fully compliant with all relevant laws, regulations and codes of practice relevant to the productions and processing of Milk in Australia;
- 13.3 it has full legal capacity and corporate authority or statutory power (as the case may be) to execute and properly perform its obligations under this Agreement;
- 13.4 it has obtained all necessary authorisations and approvals and taken all corporate and other action necessary to authorise the execution and proper lawful performance of its obligations under this Agreement;
- 13.5 this Agreement constitutes valid and binding legal obligations upon it, which are enforceable in accordance with the terms and conditions of this Agreement;
- 13.6 the execution and proper performance of this Agreement by that party does not contravene its constitution or other constituent documents, any applicable law or authorisation; or any agreement or obligation binding upon it or applicable to its assets, revenues or business.

14 Supplier may be more than one person

- 14.1 If Supplier is more than one person, all parties who sign this agreement as Supplier are jointly and severally liable for the obligations of Supplier under this Agreement.
- 14.2 If Supplier requests that payments due by ACM under this Agreement are to be made into more than one bank account, it is the responsibility of Supplier to advise ACM in writing of the details of each relevant bank account and the proportion of payments to be made into each such account. ACM is entitled to rely upon such written advice from Supplier in making payments under this Agreement.

15 Confidentiality

15.1 Obligation of Confidentiality

Each party must keep the Confidential Information confidential and not disclose it or allow it to be disclosed to any third party except:

- 15.1.1 with the prior written approval of the other parties; or
- 15.1.2 to officers, employees and consultants or advisers of the party (or its Related Bodies Corporate) who have a need to know (and only to the extent that each has a need to know) for the purposes of this Agreement and are aware that the Confidential Information must be kept confidential; and
- 15.1.3 take or cause to be taken reasonable precautions necessary to maintain the confidentiality of the Confidential Information.

15.2 Exceptions

The obligations of confidentiality under this Agreement do not extend to information (whether before or after the Commencement Date):

- 15.2.1 disclosed to a party, but at the time of disclosure is rightfully known to or in the possession or control of that party and not subject to an obligation of confidentiality on the party;
- 15.2.2 that is public knowledge (except because of a breach of this Agreement or any other obligation of confidence); or
- 15.2.3 required to be disclosed by law or any order of any court, tribunal, authority or regulatory body or in connection with the enforcement of this Agreement or by the rules of a recognised stock exchange.

15.3 Survival

This clause survives termination of this Agreement.

16 Complaints and Dispute Resolution

- 16.1 Where a dispute arises in connection with any aspect of this Agreement, the parties acting with good faith, will use all reasonable endeavours to bring any such issue to the attention of the other party in a timely fashion and in any event within 60 days of any such dispute coming to their attention.
- 16.2 Notification by one party to the other must be in writing and include the nature of the dispute and the desired resolution.
- 16.3 If a Supplier wishes to notify ACM of a dispute in connection with this Agreement, any such notification should be made by email to complaints@acmilk.com.au.
- 16.4 Within seven days of receipt of a notification in accordance with clause 16.2, a party will provide a response in writing including setting out steps it intends to take to resolve the dispute.
- 16.5 If, after attempting to resolve the dispute for a period of at least 60 days, the parties are not reconciled, they agree to then participate in a mediation to be conducted in accordance with the Code.
- 16.6 If, after undertaking mediation in accordance with the Code, the parties are still not reconciled, they may then submit to an arbitration to be conducted in accordance with the Code.
- 16.7 Unless otherwise agreed in writing, the parties shall each bear their own legal costs associated with any mediation and/or arbitration pursuant to this Agreement.
- 16.8 Nothing in this clause will prevent a party from seeking an injunction.

17 GST

- 17.1 If GST is payable by a supplier (or by the representative member for a GST group of which the supplier is a member) on any supply made under or in relation to this Agreement, the recipient must pay to the supplier an amount (GST Amount) equal to the GST payable on the supply. The GST Amount is payable by the recipient in addition to and at the same time as the net consideration for the supply.
- 17.2 If a party is required to make any payment or reimbursement, that payment or reimbursement must be reduced by the amount of any input tax credits or reduced input tax credits to which the other party (or the representative member for a GST group of which it is a member) is entitled for any acquisition relating to that payment or reimbursement.
- 17.3 This clause is subject to any other specific Agreement regarding the payment of GST on supplies.
- 17.4 Any reference in this Agreement to a fee, cost, expense or other similar amount is a reference to that amount exclusive of GST.

18 General

18.1 Legal Relationship

Nothing in this Agreement is to be construed as creating a partnership, trust arrangement, joint venture, agency, employment relationship or any form of legal relationship between the parties beyond contractual obligations.

18.2 Assignment

- 18.2.1 Supplier must not transfer or subcontract any right or liability under this Agreement without the prior written consent of ACM (which shall not be unreasonably refused).
- 18.2.2 If Supplier purports to subcontract, assign or novate any right, interest or liability under this agreement or is subject to a Change in Control without ACM's prior written consent, ACM may immediately terminate this Agreement on written notice to the Supplier.
- 18.2.3 ACM may assign its rights and novate its obligations under this Agreement to:
- (i) any Related Body Corporate or to a new holding company or controlling entity; or
 - (ii) to any entity under the common control of those shareholders controlling ACM;
- and may notify Supplier of any name changes, by notice in writing effective immediately, and without approval from Supplier.

18.3 Notices

- 18.3.1 Any notice to or by a party under this Agreement must be in writing and signed by the sender or, if a corporate party, an authorised officer of the sender.
- 18.3.2 Any notice may be served by delivery in person or by post or email or transmission by facsimile to the address or number of the recipient specified in Schedule 1 or most recently notified by the recipient to the sender.
- 18.3.3 Any notice is deemed received under this Agreement:
- (iii) if delivered by hand, on delivery;
 - (iv) if delivered by post, on the third Business Day following posting if sent and received within Australia;

- (v) if delivered by facsimile, on production of a transmission report by the machine from which the facsimile was sent in its entirety to the facsimile number of the recipient, specifying the correct number of pages sent, the date and time of transmission and that transmission was successful, provided that the onus of proving receipt shall be on the sender;
- (vi) if delivered by email, in accordance with the *Electronic Transactions Act 2000* (Vic)

but if a notice is received on a day that is not a Business Day, or after 5.00 pm (recipient's time) on a Business Day, the notice will be deemed to have been received at 9.00 am (recipient's time) on the next Business Day.

18.4 **Governing law and jurisdiction**

- 18.4.1 This Agreement is governed by and construed in accordance with the laws governing the State of Victoria in Australia and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of that State and Country.
- 18.4.2 Subject to compliance with the dispute resolution process contained in this Agreement and the Code, remedies in this Agreement do not exclude remedies available to a party in law or in equity.

18.5 **Amendments**

Any amendment to this Agreement has no force or effect, unless effected by a document executed by the parties.

18.6 **Precontractual negotiation**

This Agreement expresses and incorporates the entire Agreement between the parties in relation to the provision of the Services and supersedes any prior representations, negotiations, arrangements, understandings or agreements and all other communications.

18.7 **Waivers and consents**

- 18.7.1 Any failure by any party to exercise any right under this Agreement does not operate as a waiver and the single or partial exercise of any right by that party does not preclude any other or further exercise of that or any other right by that party.
- 18.7.2 Unless otherwise expressly provided in this Agreement, a party may give its consent conditionally or unconditionally, or withhold its consent or approval, in its absolute discretion.

18.8 **Remedies**

- 18.8.1 The rights of a party under this Agreement are cumulative and not exclusive of any rights provided by law.
- 18.8.2 The expiration or termination of this Agreement does not affect any rights that have accrued to a party before the expiration or termination date.
- 18.8.3 Any right or obligation of a party that is expressed to operate or continue after the termination or expiration of this Agreement for any reason, will remain in full force and effect.

18.9 **Severability**

Any provision of this Agreement which is invalid in any jurisdiction is invalid in that jurisdiction to that extent, without invalidating or affecting the remaining provisions of this Agreement or the validity of that provision in any other jurisdiction.

18.10 **Counterparts**

This Agreement may be executed in any number of counterparts, all of which taken together are deemed to constitute one and the same document.

SCHEDULE A– PRICE JUSTIFICATION

In setting Milk prices for the 2021/22 Milk year ACM does its own assessment of the best dairy market intelligence it has available, including current global supply and demand global physical dairy ingredient price trends and global dairy derivative markets.

Consideration is given to the current Milk and ingredient values in the US and EU that may affect Oceania prices. Subsidies that impact production in the US and EU, trade wars, market interference through product storage or Milk output reduction schemes all have an impact on Milk price.

In determining its Milk price for the 2021/22 year, ACM has also taken into account the impacts and uncertainties caused by the Covid-19 pandemic. These include a lack of confidence around cash flow issues especially in food service, travel and accommodation industries, cancellations, planning costs, lockdowns and job losses.

In setting a2 Milk prices, an important factor for ACM is the price it negotiates with a2 Milk Company for supply to it.

ACM will pay one price for nine months of the year for shoulder Milk (July, Aug & Dec-Jun) and a “Spring” price for the other three months (Sept/Oct/Nov). The “Spring” price is reflective of the returns achievable over the Spring production period where ACM has greater exposure to dairy commodity prices and a higher level of volatility.

Entry by Suppliers into exclusive (as opposed to non-exclusive) Milk supply agreements provides ACM with greater certainty in terms of the total volume of its Milk supply. This increases ACM’s ability to negotiate with and make commitments to its customers and therefore facilitates its ability to offer a higher price to Suppliers who are prepared to enter into exclusive Milk supply agreements. ACM therefore offers a lower price for Milk to suppliers who enter into a non-exclusive Milk supply agreement.

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1. INTRODUCTION

ACM's business model is to operate in the value-added stable dairy markets as close to the end consumer as possible. ACM is not a pure commodity player. We believe that our high value, direct to market approach will bring added stability to pricing and improves farmer confidence and certainty.

ACM looks forward to working with its Suppliers on an ongoing basis to ensure that the highest quality Milk is delivered to customers.

This document, being ACM's Specification Guide, together with the General Terms and Conditions forms ACM's Agreement for the supply of a2 milk ("**Milk Supply Agreement**") and Suppliers are encouraged to thoroughly familiarise themselves with its contents.

ACM supplies Milk to the a2 Milk Company. This means that ACM's Suppliers must also comply with the a2 Milk Company's requirements in relation Milk quality, traceability of DNA testing of dairy cows, animal welfare and auditing.

ACM welcomes Supplier's questions and feedback so please do not hesitate to contact us at any time.

2. PARTIES TO OPERATE WITH INTEGRITY AND FAIRNESS

ACM prides itself on operating with honesty, integrity and fairness in its business including its dealings with Suppliers. ACM's relationships with its Suppliers is based on mutual respect and understanding of both parties' commercial interests.

ACM takes very seriously the obligation to deal in good faith with Suppliers in all aspects of the Milk Supply Agreement. Suppliers are encouraged to approach ACM at any stage with any questions or concerns they may have regarding their ongoing working relationship with ACM.

3. MILK QUALITY

3.1 MILK QUALITY STANDARDS GENERALLY

To ensure that the Milk ACM processes and sells is of the highest quality, ACM requires Suppliers to comply with a series of raw Milk supply standards based on domestic and international industry regulations.

The Minimum Price paid by ACM to Suppliers is quoted on the basis that the Milk supplied is Premium Quality Milk. In order to be 'Premium', Milk supplied to ACM must meet each of the 6 specifications referred to below ("**Premium Quality Specifications**").

If the Milk supplied does not meet the Premium Quality Specifications, the amount paid by ACM for any affected Milk will be reduced in accordance with the formula set out in Table 3.1. In addition, and depending on the particular circumstances, if the Milk supplied to ACM does not meet the Premium Quality Specifications, other penalties may apply.

Milk is graded as follows:

GRADE	CONSEQUENCE
Premium	Meets ACM's Premium Quality Specifications so Minimum Price is payable
Choice	Deduction of 3% from the Minimum Price otherwise payable
First	Deduction of 7% from the Minimum Price otherwise payable
Second	Deduction of 15% from the Minimum Price otherwise payable

Monetary penalties imposed by ACM if Milk does not meet Premium Quality Specifications.

Table 3.1

Test		Premium	Choice	First	Second
Price Reduction Penalty		0%	3%	7%	15%
BMCC (Cell/ml) – refer to paragraph 3.2 for details		≤250,000	250,001 – 400,000	400,001 – 500,000	>500,000
BACTOSCAN (IBC) – refer to paragraph 3.3 for details		≤70,000	70,001 – 100,000	100,001 – 250,000	>250,000
THERMODURIC – refer to paragraph 3.4 for details		≤1,500	1,501 – 2,000	2,001 -2,500	>2,500
TEMPERATURE – refer to paragraph 3.5 for details		≤5°C	5.01°C - 8°C	8.01°C - 10°C	>10°C
		Milk with temperature of 5°C or higher will not be collected at any time without prior ACM approval			
COMPOSITION Refer to paragraph 3.6	Butter Fat	≥3.6%	3.59% – 3.31%	3.30% – 3.01%	<3.0%
	Protein	≥ 3.2%	3.19% - 3.10%	3.09% - 3.01%	<3.0%
ANTIBIOTICS – refer to parts 3.7 & 4.2 for details		All Milk supplied MUST be completely free of Antibiotics. Any Milk supplied which returns a positive result for antibiotics will not be paid for.			
<p>CUMULATIVE PENALTY</p> <p>BMCC, Bactoscan and Thermoduric 1st & 2nd Grade penalties will be CUMULATIVE TO A MAXIMUM OF 60%</p> <p>For Example: Milk supplied with first grade BMCC and First Grade Bactoscan and Second grade Thermoduric the payment penalty will be BMCC 7% + Bactoscan 7% + Thermoduric 15% = 29%</p>					

3.2 BULK MILK CELL COUNT (BMCC)

Test	Premium	Choice	First	Second
Price Reduction Penalty	0%	3%	7%	15%
BMCC (Cell/ml)	≤250,000	250,001 – 400,000	400,001 – 500,000	>500,000

BMCC test measures the number of white blood cells in Milk and can be used as a measure of herd health. As an approximate guide, each 100,000 cells/ml indicates about 10% of cows are infected. High BMCC levels in raw Milk can alter the manufacturing process by reducing shelf life, taste and overall quality of the product.

Testing: raw Milk samples are collected for each Milk pick up.

Grading: based on the 10 Day Period average result.

Penalty: initial result that falls outside of choice within a production year will be paid as Choice, consecutive results greater than choice will receive a period penalty of 7% or 15%.

Corrective Action Plan: Suppliers falling short of Premium Quality Specification for BMCC will be required to implement and document an appropriate action plan to ensure that future Milk supply meets Premium Quality Standards. If there is no clear improvement within a reasonable period of time as determined by ACM, Milk collection may be suspended as set out in Part 4.7.

3.3 BACTOSCAN (IBC)

Test	Premium	Choice	First	Second
Price Reduction Penalty	0%	3%	7%	15%
BACTOSCAN (IBC)	≤70,000	70,001 – 100,000	100,001 – 250,000	>250,000

The Bactoscan counts the number of individual bacteria cells in a raw Milk samples. It is used as an indicator of the cleanliness of the Milking plant including the vat, as well as the effectiveness of Milk cooling.

When Milk is at a temperature of about 5°C, bacterial numbers can double within half an hour. This means that within two hours, 1,000 bacteria in a millilitre of Milk can become approximately 10,000 bacteria and, within 5 hours, 1,000,000. Temperature is key, below 5°C, the bacteria which affect Milk quality does not multiply. However, the bacteria are not killed they are just dormant waiting for an increase in temperature to start reproducing again.

Elevated levels of bacteria in Milk affect both its manufacturing properties and its shelf life. Measuring the number of bacteria in Milk is thus an extremely valuable measure of quality.

Testing: a raw Milk sample is collected randomly once each 10 Day Period. Bactoscan results falling outside Premium will be automatically retested. Retesting will continue until a Premium result is achieved.

Grading: based on the 10 Day Period average result, with any one result greater than 100,000 cells/ml to be excluded from the 10 Day Period average.

Penalty: initial result that falls outside of choice within a production year will be paid choice, consecutive results greater than choice will receive a period penalty of 7% or 15%.

Corrective Action Plan: Suppliers falling short of Premium Quality Specification relating to Bactoscan will be required to implement and document an appropriate action plan to ensure that future Milk supply meets Premium Quality Standards. If there is no clear improvement within a reasonable period of time as determined by ACM, Milk collection may be suspended as set out in Part 4.7.

3.4 THERMODURIC

Test	Premium	Choice	First	Second
Price Reduction Penalty	0%	3%	7%	15%
THERMODURIC	≤1,500	1,501 –2,000	2,001 -2,500	>2,500

Thermoduric bacteria are those which tolerate elevated temperatures, such as hot water plant/vat cleaning and the pasteurisation process.

There is often hard Milk residue on the upper surface of the Milk lines and visible residue in the tanks. Common causes include cracked inflations, leaking pipelines and other perished rubberwear. Build-up of Milk residue or water stone deposits due to poor cleaning practices can also spike Thermoduric results.

Bacteria spores can also be found in soil, grain and silage dust which can transfer to teats.

Testing: a raw Milk sample is collected randomly once each 10 Day Period. Thermoduric results falling outside Premium will be automatically retested.

NB: Testing requires 3 days of incubation.

Grading: based on the 10 Day Period average result.

Penalty: initial result that falls outside of choice within a production year will be paid choice, consecutive results greater than choice will receive a period penalty of 7% or 15%.

Corrective Action Plan: Suppliers falling short of Thermoduric Premium Quality Specifications will be required to implement and document an appropriate action plan to ensure that future Milk supply meets Premium Quality Standards. If there is no clear improvement within a reasonable period as determined by ACM, Milk collection may be suspended as set out in Part 4.7

3.5 TEMPERATURE

Test	Premium	Choice	First	Second
Price Reduction Penalty	0%	3%	7%	15%
TEMPERATURE	≤5°C	5.01°C - 8°C	8.01°C - 10°C	>10°C
	Milk with temperature of 5°C or higher will not be collected at any time without prior ACM approval			

Rapid and effective cooling of Milk is essential for preserving its quality. Suppliers must cool their Milk to 5°C within 3.5 hours from the start of Milking. Suppliers must have systems in place that demonstrate to ACM's satisfaction (acting reasonably) that Milk cooling and storage temperatures are maintained until Milk is collected.

Suppliers must provide and maintain a vat and refrigeration unit that, in ACM's reasonable opinion, is suitable for the safe, secure storage and cooling of daily Milk volumes. Vat temperature checks need to be recorded before and after each Milking. Supplier must keep comprehensive records as to the temperature management of their vat and refrigeration unit. Vat and dairy plant maintenance reports must be maintained in accordance with the ACM Food Safety Program. (For details of the Food Safety Program, go to paragraph 7.1).

Poor temperature controls on farms are a major cause of Milk spoiling and products not meeting use by dates.

Milk with a temperature of greater than 5°C will not be collected at any time without a prior risk assessment being completed by the designated Transport Provider. In the event of a vat breakdown or power failure, Supplier must contact Transport, Farm Services, or the ACM emergency number 1300 669 212 immediately.

Refer to paragraph 7.3 for ACM's contact list, including 24-hour numbers.

Testing: prior to each collection via a sensory test and Tanker thermometer.

Grading: based on the 10 Day period average result.

Penalty: for initial result that falls outside of choice within a production year will be paid Choice, consecutive results greater than choice will receive a period penalty of 7% or 15%.

Corrective Action Plan: Suppliers falling short of Premium Quality Specification in relation to temperature will be required to implement and document an appropriate action plan to ensure that future Milk supply meets Premium Quality Standards. If there is no clear improvement within a reasonable period of time as determined by ACM, Milk collection may be suspended as set out in Part 4.7.

3.6 MINIMUM MILK COMPOSITION

Test		Premium	Choice	First	Second
COMPOSITION Refer to paragraph 3.6	Butter Fat	≥3.6%	3.59% – 3.31%	3.30% – 3.01%	<3.0%
	Protein	≥ 3.2%	3.19% - 3.10%	3.09% - 3.01%	<3.0%

ACM must comply with its customers' raw Milk requirements regarding the composition of Milk. In particular, if butterfat and protein levels do not meet required standards, affected Milk is rejected and redirected at ACM's cost. As a result, a minimum composition standard ("**Minimum Composition Standard**") applies to all Milk supplied to ACM.

The Minimum Composition for Milk supplied to ACM is 3.0 percent butterfat and 2.4 percent protein. If this Minimum Composition Standard is not met, penalties will apply.

Testing: raw Milk samples are tested for each Milk pick up.

Grading: based on the 10 Day Period average result.

Penalty: Initial 3 consecutive 10 Day period results that falls outside of premium within a production year no penalty. Greater than 3 consecutive 10 Day period result that falls outside of premium will receive a period penalty of 3% Choice.

Corrective Action Plan: Suppliers falling short of Premium Quality Specification for Milk Minimum Composition Standard will be required to implement and document an appropriate action plan to ensure that future Milk supply meets Premium Quality Standards. If there is no clear improvement within a reasonable period as determined by ACM, Milk collection may be suspended as set out in Part 4.7.

Suspend Collection: 15 consecutive 10 Day period results that falls outside of Premium.

3.7 ANTIBIOTICS

Test	All Milk supplied to ACM MUST be completely free of Antibiotics. Any Milk supplied returning a positive result for Antibiotics after collection will be penalised as set out in 4.2
ANTIBIOTICS	

It is essential that all Milk supplied to ACM is antibiotic free.

All Suppliers to ACM must hold a current Dairy Licence which requires them, among other things, to implement and maintain an Approved Food Safety Program.

The ACM Food Safety Program has been approved by the state Authorities and ACM recommends that it be adopted by Suppliers. For details of the ACM Food Safety Program, see 7.1. Alternatively, Suppliers may choose to comply with an appropriate Food Safety Program which has been approved by relevant government regulators of the state in which Supplier's Farm is located.

Ongoing compliance with an approved Food Safety Program is essential to the production of Milk which is free of antibiotics. Suppliers must keep good records and follow vet and drug label use, ensuring that all withhold periods are calculated correctly and fully adhered to. Documentation is an essential part of good traceability.

Milk containing inhibitory substances including antibiotic residues poses a risk to human health. Antibiotic residues also affect the growth and acid production of starter cultures in the manufacturing process of cheese and cultured products.

Testing: Can be performed by a rapid or a broad-spectrum test. Milk can be tested prior to Milk collection, randomly at testing Laboratory, by transport or ACM customer.

Supplier: Raw Milk is randomly tested for antibiotics once per month.

Tanker: All Tankers entering ACM or Third-party sites are tested for antibiotics prior to unloading.

Penalty: Any un-notified antibiotic contaminations of antibiotics will result in automatic no payment for affected Milk and in addition, may also incur associated costs.

Milk collection will be put on hold until a traceback can be completed to identify the failure on Farm. Milk will need to be cleared of Antibiotics before collection can resume.

For further information in regard to penalties, refer to part 4.2.

4 FAILURE TO MEET MILK QUALITY STANDARDS

4.1 PRIOR NOTIFICATION – MILK THAT DOESN'T MEET ACM'S QUALITY STANDARDS

ACM seeks to work constructively with Suppliers to address any issues regarding Milk quality. It encourages early notification in order to minimize any losses which may otherwise be incurred when inferior quality Milk leaves the Farm and is mixed with other Milk. For this reason, it offers Suppliers up to 2 paid “**Prior Notification**” instances over the course of any one financial year. Suppliers are encouraged to notify ACM if they know or suspect that Milk is/may be unsuitable for pick up BEFORE the Tanker arrives at the Farm.

If a Supplier suspects that they may have Milk unsuitable for collection for any reason whatsoever, they should notify ACM (Farm Services) immediately. ACM will then conduct a risk assessment and advise the next steps. This may include having Milk tested prior to collection.

In order to make a Prior Notification, Supplier should contact Farm Field Services or ACM Kyabram Office 1300 669 212 and advise that they have Milk unsuitable for pickup prior to the arrival of the Milk Tanker.

In circumstances where Supplier has arranged to have a vat sample tested, Milk collection will be suspended until a result is available. Suppliers should place a “STOP Do NOT Collect” sign over the vat outlet. When a negative sample is achieved, Milk will then be scheduled for collection.

When Supplier takes up a Prior Notification, they are expected to dump the affected Milk according to relevant Environmental Protection Agency (EPA) guidelines. Likewise, if a vat sample returns a positive result.

Prior Notifications made in accordance with this clause will be paid at the Minimum Price otherwise in accordance with this Milk Supply Agreement.

If Milk being collected fails a Tanker driver sensory check undertaken before pumping on, and Milk is then deemed to be unsuitable, the driver will not collect the Milk. This does not fall into the category of “Prior Notification” and ACM will not pay for the Milk in this circumstance.

4.2 PENALTIES RELATING SPECIFICALLY TO ANTIBIOTICS

All Tankers contracted by ACM to collect Milk from Suppliers are tested for antibiotics prior to acceptance of Milk by ACM's customers. See part 3.7.

4.2.1 POSITIVE TEST RESULTS FOR ANTIBIOTICS AFTER MILK IS COLLECTED AND HAS CAUSED THE TANKER TO RETURN A POSITIVE RESULT. UPON CUSTOMER RISK ASSESSMENT, MILK IS ACCEPTED.

Supplier will not be paid for this Milk as it has tested positive for antibiotics and is deemed to be in breach of ACM Food Safety Program (see part 7.1 for details) and Milk Quality Standards (see Table 3.1).

For all positive samples (vat or Tanker) Milk collection will be suspended until a negative sample is achieved. Any subsequent positive vat samples taken during this process will not be paid for. Only after a negative sample is achieved, will ACM schedule Milk for collection.

Supplier will be required to complete a CAR (Corrective Action Report) which is a requirement of ACM's Food Safety Program. Refer to section 4.3 Management of Non-Conformance - Incident Report in the ACM Food Safety Program manual.

4.2.2 POSITIVE TEST RESULTS FOR ANTIBIOTICS AFTER MILK IS COLLECTED AND HAS CAUSED THE TANKER TO RETURN A POSITIVE RESULT. UPON CUSTOMER RISK ASSESSMENT, MILK IS REJECTED AND DEEMED UNFIT FOR HUMAN CONSUMPTION

Supplier will not be paid for this Milk as it has tested positive for antibiotics and is deemed to be in breach of ACM Food Safety Program (see 7.1 for details) and Milk Quality Standards (see Table 3.1).

Milk collection will be suspended until a negative vat sample is obtained. Any subsequent positive vat samples taken during this process will not be paid for. Only after a negative sample is achieved, will ACM schedule Milk for collection.

In addition, Supplier will be held responsible for costs and expenses incurred by ACM as a result of the positive screening, including but not limited to:

- The total cost of all the Milk in the Tanker at the current value of the Milk, including Milk collected from other suppliers;
- Any additional Freight costs (eg, Farm to disposal site); and
- Any applicable disposal costs – (eg, handling of this Milk by EPA approved facilities).

A Recipient Created Tax Invoice (RCTI) Credit Note will be raised for the disposal cost and amount owing will be deducted from Supplier's Milk payment over a 3-month period (such period to be determined by ACM acting reasonably).

In any case where a Tanker load of Milk has been rejected, ACM is required to notify Dairy Food Safety Victoria of the residue detection within five business days of the initial detection with trace forward details (Part A Tanker). Trace back details (Part B Supplier) will be reported within ten business days of the incident.

Supplier will be required to complete a CAR (Corrective Action Report) which is a requirement of ACM's Food Safety Program. Refer to section 4.3 Management of Non-Conformance - Incident Report in the ACM Food Safety Program manual.

4.2.3 POSITIVE TEST RESULTS FOR ANTIBIOTICS AFTER MILK IS COLLECTED UPON RANDOM MONTHLY TESTING

Supplier will not be paid for this Milk collection as it has tested positive for antibiotics and is deemed to be in breach of ACM Food Safety Program 7.1 and Milk Quality Standards Table 3.1

Milk collection will be suspended until a negative vat sample is obtained. Any subsequent positive vat samples taken during this process will not be paid for. Only after a negative sample is achieved, will ACM then schedule Milk for collection.

4.3 TANKER REJECTION – OTHER THAN ANTIBIOTICS

Supplier will be required to complete a CAR (Corrective Action Report) which is a requirement of ACM's Food Safety Program. Refer to section 4.3 Management of Non-Conformance - Incident Report in the ACM Food Safety Program manual.

ACM's customers may perform their own testing and risk assessment in relation to the Milk delivered to them by ACM (**Customer Risk Assessment**). Any such Customer Risk Assessment will generally be done before a Tanker is unloaded and may include extra testing including in relation to the following:

- Ph - acidity in Milk, souring
- DMC - Direct Microscopic Count, live bacterial colonies in Milk
- Freezing Point - water in Milk and/or
- Sediment.

If a Tanker load of Milk fails a Customer Risk Assessment and the Milk contained in that Tanker is not able to be on-sold elsewhere or used by ACM, all affected Milk contained in the Tanker may be disposed of.

If a Tanker load of Milk fails a Customer Risk Assessment, any Supplier who contributed Milk to that Tanker may be required to undergo additional screening and testing in order to determine which Supplier supplied the Milk which caused the failure of a Customer Risk Assessment. In such circumstances, ACM will conduct an investigation to determine the sources and causes of the failure. Supplier must cooperate fully with any such investigation.

If ACM is unable to recover the costs associated with having to dispose of Milk which has failed a Customer Risk Assessment, any Supplier who contributed Milk which led to such failure may be held liable for the costs incurred by ACM in relation to such Tanker and the costs of the disposal of affected Milk (including Milk delivered to ACM by other Suppliers).

4.4 PROHIBITED RESIDUES

Suppliers must comply with the *Agricultural and Veterinary Chemicals (control of Use) Act 2007*. This includes (but is not limited to) ensuring that all drugs and/or teat dips/sprays used have an appropriate approval number (ie. APVMA Approval Number or NRA Approval Number) in the course of supplying Milk to ACM. All records of use of either veterinary or agricultural chemicals need to be recorded in the ACM Food Safety Manual.

Prohibited inhibitory substances/residues include but are not limited to colostrum, herbicide, pesticides, wash water. They also include other contaminants and chemical residues such as Quaternary Ammonium Compounds (QACs) and Nonylphenol Ethoxylates (NPEs). A comprehensive list of prohibited inhibitory substances can be found at <https://apvma.gov.au>

Tankers are randomly screened for residues in Milk (AMRA) Australian Milk Residue Analysis.

The Australian Milk Residue Analysis (AMRA) Survey provides a national, independent chemical residue monitoring program in Australian bovine Milk. The AMRA Survey has a key role in promoting the dairy industry's reputation and facilitating ongoing market access by monitoring on-farm chemical use.

ACM encourages Suppliers to do everything they can to minimize the potential for contaminated Milk entering the supply chain. Suppliers should contact ACM (Farm Field Services) with any concerns about the potential for contaminated Milk before it is collected by the Tanker.

If an incident associated with the use of prohibited inhibitory substances occurs on Farm, Milk collection will be suspended. A risk assessment will be completed and communicated to the Supplier of the appropriate next steps in mitigating any risk to the supply chain.

4.5 EU ROLLING GEOMETRIC MEAN

The European Union (“EU”) has specific requirements for Milk cooling, Bacto/TPC and BMCC to ensure that Milk is not collected from unhealthy cows. Bacto/TPC and BMCC levels must be monitored from each Farm using a rolling geometric average.

Each Farm must maintain

- Bacto/TPC average over two months of less than or equal to 100,000 bacteria/Cfu mL (Bactoscan equivalent is 464,000 IBC/mL) and
- BMCC average over three months of less than or equal to 400,000 cells/mL.

Geometric Mean results are reviewed by ACM on a monthly basis and reported on Supplier's 10 Day Milk Receival Record. If average TPC limits are greater than 100,000 bacteria/Cfu mL or BMCC limits are greater than 400,000 cells/mL:

- Suppliers will be notified of these results and ACM will follow up to ensure action is taken to correct the problem, preferably within the next monitoring period.
- Records of corrective action and follow-up must be kept as part of Supplier's compliance with a Food Safety Program. For details of ACM's Food Safety Program, see part 7.1.

Milk collected from Suppliers that does not meet EU TPC or BMCC limits within a reasonable period (as determined by ACM acting reasonably) must not be used in dairy products to be exported to the EU (two months for TPC, or three months for BMCC). ACM may suspend collection of Milk in such circumstances until Suppliers meet these standards.

4.6 MINIMUM PICK UP VOLUME

The minimum level of Milk supply for collection is 800 litres on skip a day basis. Volume suitable Milk must be able to be agitated to enable adequate cooling and sampling.

ACM may suspend collection when Milk volumes available to be collected drop below this level.

4.7 ACM MAY SUSPEND COLLECTION OF MILK

ACM may suspend Milk collection from a Supplier if, acting reasonably, ACM considers that Supplier is in material breach of the Milk Supply Agreement.

Circumstances in which ACM may suspend Milk collection include, but are not limited to, the following:

1. For a period of three months or longer during the Term of this Agreement, Supplier has delivered Milk assessed by ACM as being First Grade and/or Second Grade.
2. Milk tests positive for antibiotics at any time after a Tanker has arrived at the Farm to collect it.
3. Milk collected from Farms does not meet EU Bacto/TPC, or BMCC limits within a reasonable period as determined by ACM acting reasonably.
4. Prohibited and/or inhibitory substances are found in Milk supplied to ACM by Supplier.
5. ACM, acting reasonably, has safety concerns for any of its personnel, agents and/or contractors in relation to the collection of Milk from the Farm.
6. Supplier does not have, at any time during the course of this Milk Supply Agreement, a valid and current dairy licence issued by relevant state government which enables them to lawfully supply Milk to ACM.
7. Supplier fails to maintain all regulatory approvals that are needed to enable lawful supply of Milk to ACM.
8. Supplier fails to comply with a Food Safety Program (information about which is part 7.1).
9. Milk supplied by Supplier contains GM material, contrary to part 7.2.
10. Supplier fails to comply with Animal Welfare Standards as set out in part 7.3.
11. Suppliers use Oestradiol contrary part 7.4.
12. Supplier engages in Offending Behaviour contrary to part 8.2.

If ACM suspends Milk collection, it will not pay for any Milk which was otherwise to be collected.

A suspension of Milk collection by ACM may be temporary or permanent, depending on the particular circumstances.

5 A2 AUDIT REQUIREMENTS

Suppliers must, always during the Milk Supply Agreement, maintain their a2 Accreditation.

This means, among other things, that Suppliers must pass certain audits which are managed by a2 Company including:

Requirement	Audit Cycle
Dairy License – Food Safety Audit	Annually
Animal Welfare - Validus Animal Welfare Review Dairy Australian Audit Standards	Annually
Hygiene Audit	Annually
Animal Movement Sheet	Monthly
a2 Representative Farm Certification Visits	Annually

6 MILK QUALITY RESULTS

ACM makes the results of its Milk testing available to Suppliers in a number of formats.

6.1 TEXT MESSAGES

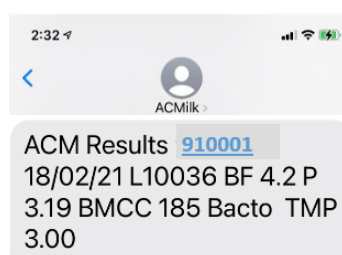
ACM allows up to 4 contacts per Supplier to receive daily Milk quality results.

Quality Results

Zero indicates no result available for a particular test ie: Bacto. Refer to Milk Quality Index 3 for details of testing schedule.

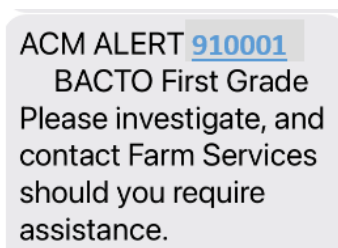
Legend

Date	Collection Date
L	Litres
BF	Butter Fat %
P	Protein %
BMCC	Bulk Milk Cell Count
Bacto	Bactoscan (x1,000 IBC)
TH	Thermoduric (x1,000 CFU)
TMP	Temperature °C



ACM Alert

Advise supplier that a quality result is either at 1st or 2nd grade and requires investigation.



6.2 ACM SUPPLIER APP

The ACM Supplier App is a valuable tool that provides Suppliers with key production and quality information daily. Suppliers can monitor their live 10-day quality status to avoid payment penalties and set notification to receive alerts if they fall outside of Premium Quality Specifications for any one collection.



There are several Production and Financial Reports including:

Production

- BMCC Ranking report
- Milk Received Record (10-day slip)
- General monitoring of quality, production output and measuring current performance against historical data via interactive graphs

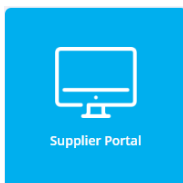
Financial

- Financial Year Activity includes YTD Income and Milk Invoices
- Financial Details by Cycle includes income & production by cycle, Monthly and YTD

Suppliers can choose to give their employees access to Production information whilst restricting visibility to Financial Reporting.

Download the ACM Supplier App from App Store or Google Play for free.

6.3 SUPPLIER PORTAL



ACM Web Site:

<http://www.australianconsolidatedmilk.com.au>

ACM’s Supplier Portal provides access to Milk testing quality results, Financial Information, ACM Food Safety Program, ACM Newsletters and other Dairy related information.

Request login details from supplier@acmilk.com.au or phone 1300 669 212

6.4 TANKER DOCKET

Details of current pick up and prior collection Quality Results (which are provided by Tanker driver at time of Milk collection).

```

----- P Stoitse Transport -----
----- Supplier Receipts -----

Supplier no      :-      9999
Litres   [L]    :-      23077
Temp    [C]    :-         2.4
Date      :-      03-05-2016
Time - end  :-      8:25:34
Truck no.   :-      7031
Supplier Name :-      XYZ Dairy

Date   Litres  Bfat  Prot  BMCC  BACT
06/05  P   24628  4.07  3.23  176   10
05/05  P   23419  4.06  3.26  198   11
04/05  A   20811  4.11  3.29  176    0
  
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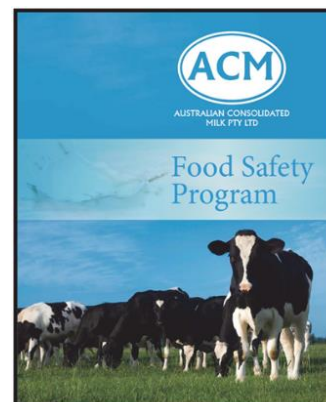
7 FARM QUALITY ASSURANCE

7.1 ACM FOOD SAFETY PROGRAM

All Suppliers must comply with an approved Food Safety Program.

Upon entry into Agreement with ACM, Suppliers will be provided with ACM's Food Safety Program which has been approved by relevant State Regulatory Authorities (DFSV, NSWFA, TDIA). It is an essential tool to enable Suppliers to demonstrate that food safety risks are being effectively managed by them and that they are ensuring, on an ongoing basis, that Milk produced by them is safe for human consumption.

Implementation and ongoing compliance with the Food Safety Program will enable Suppliers to meet their licensing conditions.



ACM's Food Safety Program includes a requirement that Suppliers submit to an audit every two years. This audit will be conducted by an independent auditor who will assess Supplier's ongoing compliance and implementation of the Food Safety Program.

ACM will work constructively with Suppliers to help them achieve compliance with the Food Safety Program. However, in situations where ACM, acting reasonably, concludes that Supplier has failed to adequately address any matter which has arisen in regard to compliant implementation of the Food Safety Program and take corrective action as needed, ACM may suspend collection of Milk.

7.2 GENETIC MODIFICATION

ACM is committed to sourcing raw Milk which is free of genetically modified ("**GM**") material.

Suppliers are required to conduct a risk assessment prior to the introduction of any practice that may introduce any GM material into the Milk supply.

If Supplier has any concern regarding the potential for the introduction of GM material, they should contact ACM immediately.

7.3 ANIMAL WELFARE

The proper care and welfare of all animals on Farms is extremely important to ACM and it takes any incident relating to animal welfare very seriously.

ACM expects Suppliers to comply with industry standards in relation to animal welfare. These were originally released in September 2014 following an extended period of consultation with relevant stakeholders (“**Animal Welfare Standards**”) and maybe updated from time to time. Animal Welfare Standards are available from Dairy Australia and can be downloaded from its website (<http://www.dairyaustralia.com.au>). They are also available from ACM upon request.

Animal Welfare Standards comprehensive cover various aspects of animal welfare including:

- feed and water
- risk management of extreme weather, natural disasters, disease, injury and predation
- facilities and equipment
- handling and management
- castration, dehorning and spaying
- tail docking
- breeding management
- calf-rearing systems
- dairy management
- beef feedlots
- euthanasia

Also included in Animal Welfare Standards which Suppliers are expected to comply with are the Australian Animal Welfare Standards and Guidelines – Land Transport of Livestock (www.animalwelfarestandards.net.au) which have been implemented into state legislation with the aim of protecting the welfare of animals being transported and providing consistent regulation around Australia.

Any failure by Supplier to comply with Animal Welfare Standards constitutes a breach of this Milk Supply Agreement.

Any reported instance of non-compliance with Animal Welfare Standards will be fully investigated by ACM. Depending on the outcome of that investigation, ACM may provide support to Supplier ensure compliance, report the incident to the regulator and/or terminate the Supplier’s Milk Supply Agreement.

If Supplier requires guidance or assistance about applicable Animal Welfare Standards, they can contact ACM for assistance. Additionally, Dairy Australia provides several resources for farmers seeking further information about this issue at www.dairyaustralia.com.au

Suppliers are reminded that in order to maintain a2 Accreditation, they are required to pass annual audits that are conducted in accordance with the Validus Animal Welfare Review Dairy, Australian Audit Standards. A copy of these standards is available from ACM upon request.

7.4 OESTRADIOL RESTRICTIONS

In 2008, the Australian dairy industry introduced a voluntary restriction on the use of oestradiol benzoate in lactating dairy cows. This occurred as a result of changes in export market regulations in which some countries banned the importation of dairy products that have been treated with oestrogen, including oestradiol. ACM requires that Suppliers adhere to this restriction.

Oestradiol is 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.

7.5 CRISIS MANAGEMENT POLICY

ACM encourages Suppliers to have a written emergency plan in place, that they can refer to in the event that the Farm is materially affected by fire, storm or flood. It also makes good business sense to periodically check the Farm for hazards, risks and areas of vulnerability especially if it can be linked to a review of your emergency planning.

Recognising hazards and taking steps to reduce or eliminate them will help to create a safer environment for Suppliers their employees and any Farm visitors. For more information, look to the Dairy Farm Emergency Preparedness Checklist- Dairy Australia (www.dairyaustralia.com.au).

In the event of a “crisis” (fire, storm or flood) within the ACM collection region, Milk pick up will continue where practicable and safe to do so. Milk quality related issues such as temperature and BMCC are paramount and Milk will only be collected from Suppliers if and when ACM can verify the quality of Milk as set out in this document.

7.6 NOTIFIABLE DISEASES POLICY

Under the ACM Food Safety Program, Suppliers must include on Farm controls and manage hazards in relation to animal health, thus ensuring Milk collected is from healthy animals only. Milk collected and used for human consumption must be sourced only from animals that:

- Do not show any evidence of infectious diseases transferable to humans through Milk;
- Are in a good general state of health; and
- Are clearly identifiable through stock identification procedures.

Animals diagnosed with or showing clinical signs of an infectious diseases transferrable to humans through Milk or via the animal (for example, TB, Yersiniosis, Listeriosis, Salmonellosis, Leptospirosis and Q Fever) must be identified and isolated from the Milking herd. Refer to the ACM Food Safety Program for more information about the documentation and identification method and procedures used for segregating these animals.

If Suppliers notice any unusual symptoms such as a dramatic shift in production, skin lesions, sudden deaths, downer cows etc., they should immediately remove and isolate these animals from the Milking herd. It is the Supplier's responsibility to contact their veterinarian and, if necessary, report any incident of concern to ACM immediately. Milk collection may be suspended while any investigation is ongoing and/or if recommended by either a veterinarian or any relevant regulatory body. Payment for any Milk dumped in such a situation will be at the discretion of ACM.

Suppliers must have a viable management plan/Farm procedure in place designed to address the following issues:

1. Maintain herd health program.
2. Replacement stock purchases from disease clear herds.
3. Use veterinary advice on drug use.
4. Use only veterinary drugs purchased from approved outlets.
5. Store veterinary drugs in a secure area away from the Milk room.
6. Use veterinary drugs as per label or vet instructions.
7. Record details of all infected stock or stock under treatment.

8 GENERAL

8.1 INSURANCE

ACM recommends Suppliers maintain adequate farm insurance to cover any incidences of Milk loss, contamination or damage to other suppliers' Milk, plus any disposal costs (for example, as may be incurred under part 4.2.2).

Supplier inquires in relation to insurance should be directed to (supplier@acmilk.com.au).

8.2 SAFE WORKING ENVIRONMENT

ACM does everything reasonably possible to provide a safe working environment for all of its stakeholders including Suppliers and its own employees and agents. ACM does not tolerate offensive, abusive, bullying, discriminatory or otherwise unlawful behaviour or any form of harassment ("**Offending Behaviour**").

If a Supplier engages in Offending Behaviour, ACM may suspend or terminate this Milk Supply Agreement.

8.3 CONTACT INFORMATION

AUSTRALIAN CONSOLIDATED MILK PTY LTD	
Office (24 Hour)	1300 669 212
Supplier Support	supplier@acmilk.com.au
Farm Services Department	1300 669 212

TRANSPORT	
Northern Victoria Region	
Peter Stoitse Transport (PST)	0400 974 327 (24 Hour)
Western Victoria Region	
SDA (Saputo Dairy Australia)	(03) 5565 3115 (24 Hour)
Eastern Victoria Region	
SDA (Saputo Dairy Australia)	1300 425 364 (24 Hour)

9 DEFINITION & INTERPRETATION OF TERMS

This document, together with the General Terms and Conditions forms part of ACM's Agreement for the supply of Milk. All words set out in this document, unless otherwise indicated, have the meanings described in clause 1 of the General Terms and Conditions.

In this document:

Corrective Action Plan means a plan designed by Supplier in consultation with ACM to address any circumstance in which Milk does not comply with ACM's Premium Quality Standards. Corrective Action Plans must be developed and implemented in compliance with a Food Safety Program.

Corrective Action Report (CAR) means a report made in relation to a Corrective Action Plan.

Customer Risk Assessment means any test or other risk assessment undertaken by customers of ACM who take delivery of Milk.

Food Safety Program means a food safety program for dairy farms which has been approved by relevant State Regulatory Authorities (DFSV, NSWFA, TDIA).

General Terms and Conditions means the general terms and conditions for the supply of Milk which forms part of the Milk Supply Agreement under which ACM accepts the supply of Milk from Suppliers.

Milk means conventional Milk.

Milk Supply Agreement means the General Terms and Conditions and the Schedules to the General Terms and Conditions including this document.

Minimum Composition Standard means the requirements pertaining to the composition of protein and fat in Milk supplied to ACM.

Premium Quality Specifications means the six specifications that Milk supplied to ACM must meet in order to be regarded as Premium Quality Details of the Premium Quality Specifications are set out in Part 3 of Specification Guide.

Prior Notification means a notification to ACM that Milk is or may be unsuitable for collection which is made by Supplier before a Tanker arrives at the Farm. See part 4.1.

Specification Guide means this document being schedule B to the General Terms and Conditions and forming part of ACM's Supply Agreement.