



MILK SUPPLIER HANDBOOK

National Edition 7

1 July 2026 - 30 June 2027

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About Lactalis

Company History in Australia

We are a national dairy company with a long and proud history in Australia, a history that commenced with the opening of the Pauls milk factory on the banks of the Brisbane River back in the 1930s. More than 90 years on, we are now part of a global dairy organisation that brings nutrition to people all over the world. We have great brands and great people. We continue to invest and expand in Australia, setting the benchmark for the dairy industry locally and playing an ever-increasing role in the export of dairy products into Asia.

Lactalis Australia and Lactalis Group

Lactalis Australia is owned and operated by the Lactalis Group. A third generation, French family owned business, Lactalis Group is the world's largest fresh dairy company with over 250 production sites and 85,000 employees across 150 countries. Lactalis Australia benefits from the multi-national scale and ambition of its parent company, without sacrificing any of the proud local heritage and traditions that began with the original Pauls milk business in 1933.

At the heart of business locally, we have more than 2000 passionate employees, working closely and constructively with some 340 Australian farmers to produce the finest dairy goods in the country.



Lactalis Australia's Vision

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



Our Brands

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



PAULS

Pauls is Extraordinary Dairy. Catering for your whole family's needs with a nutritious range of milk, custard, yoghurt and creams. Pauls, a family tradition for more than 90 years.



VAALIA

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



TAMAR VALLEY

There is nowhere on earth like the rolling hills of Tasmania. This is where Tamar Valley Dairy started. Today, our thick and creamy yoghurt is made with pure and simple goodness – nothing else. All natural ingredients, real fruit and fresh specially sourced milk from farms that meet the highest quality standards. But don't just take our word for it. Taste the difference of delicious Tamar Valley Dairy for yourself.



LEMNOS

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

Our Brands



GALBANI

130 years of inspiration from Galbani, the No. 1 cheese brand in Italy!
With Galbani fresh mozzarella and bocconcini, your family can enjoy the deliciously fresh, authentic taste of Italian style cheese made right here in Australia.



PRÉSIDENT

Président® is one of the world's premier cheesemakers and the number one brand of cheese in France.
Through over 75 years of French tradition and expertise, Président has become the hallmark of taste and quality.



KRAFT

Kraft Singles are a lunchbox favourite for everyone in the family and have the same great taste generations of families have come to love. Bring back a childhood memory with Kraft Singles.



JALNA

Jalna yoghurt has been made in Australia by using the traditional pot-set method for over 60 years. Jalna use only pure and natural ingredients like locally sourced fresh milk and cream to create deliciously thick and creamy yoghurt.



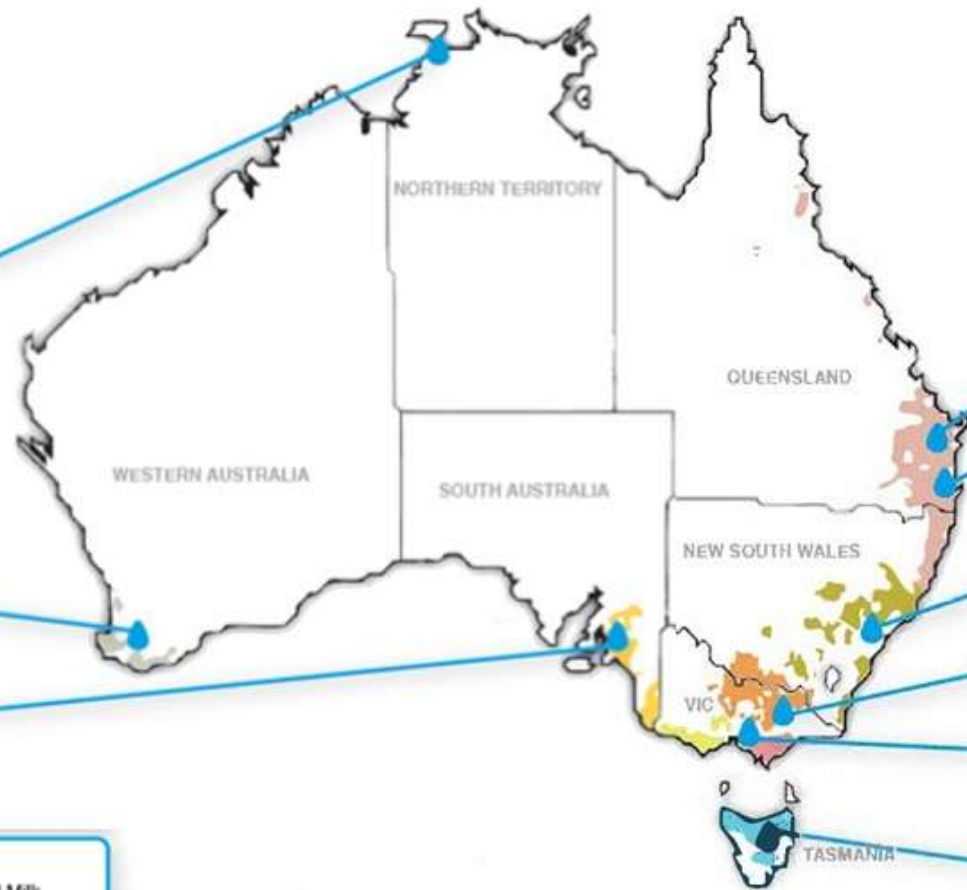
ICE BREAK

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



OAK

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



DARWIN
• White & Flavoured Milk

HARVEY
• White & Flavoured Milk
• UHT Milk
• Yoghurt and Desserts
• Creams
• Juice

CLARENCE GARDENS
• White & Flavoured Milk
• ESL Milk
• Yoghurt and Desserts

BENDIGO
• White & Flavoured Milk
• ESL Milk
• Yoghurt and Desserts
• Creams

JALNA
• Pot Set Yoghurts

LEMNOS FOODS
• Mediterranean Style Specialty Cheeses

JINDI CHEESE
• Specialty Soft Cheeses

NAMBOUR
• White & Flavoured Milk

BRISBANE*
• White & Flavoured Milk
• Yoghurt and Desserts
• Creams

LIDCOMBE
• White & Flavoured Milk

LONGWARRY
• Milk Powders and Ingredients
• Cream Cheese and Butter

ROWVILLE
• White Milk
• UHT Milk

TAMAR VALLEY
• Yoghurt

LACTALIS AUSTRALIA
LEGEND OF DAIRY FARMING AREAS BY REGIONAL DEVELOPMENT PROGRAM

Dairy Industry Development Company	Murray Dairy
DairySA	Subtropical Dairy
DairyVic	WestVic Dairy
GippsDairy	Western Dairy
Lactalis Site	

**Closing in September 2026*

1. General Information

1.1 Abbreviations

Together with the definitions in Schedule D, the following Abbreviations are used in this Handbook.

ABBREVIATION	FULL NAME
ADF	Australian Dairy Farmers
ADPF	Australian Dairy Products Federation
AMRA	Australian Milk Residue Analysis
Bacto	Bactoscan
BMCC	Bulk Milk Cell Count
bST/BGH/rbST	bovine Somatotropin/Bovine Growth Hormone/recombinant bovine Somatotropin
CAR	Corrective Action Request
GE / GM	Genetically Engineered / Genetically Modified
GMO	Genetically Modified Organism
IBC	Individual Bacteria Count
ICCC	Individual Cow Cell Count
MRL	Maximum Residue Limit
MSA	Milk Supply Agreement
Q&Q Statements	Quality and Quantity Statements
SCC	Somatic Cell Count
Thermo	Thermoduric Plate Count

1.2 Purpose

This Handbook provides requirements for and information relating to:

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

1.3 Minimum Collection Requirement

At the time of each collection, you must supply at least 800 litres of milk for collection. The collection must also include the entire volume of milk in each vat or silo, unless otherwise agreed in writing between us.

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

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

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

1.4 Payment for Supply

General

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

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

Any changes of bank account must be provided in writing to your SRM no later than 30 days prior to the payment, to allow sufficient time to cover the necessary security checks.

Share Farm or Lessee Payments

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

1.5 Supplier Reimbursements

Reimbursements for servicing your Milking Machine and Vat

You may request reimbursement of costs of servicing your milking machine and vat up to a maximum value of \$5000 per farm each Supply Period. We will only reimburse you the costs associated with labour and travel for each service (excluding GST). Parts and labour for repairs and upgrades are not eligible for reimbursement.

You are to pay for the service and then provide us with a copy of the itemised invoice within the same season in order to be eligible for reimbursement.

Reimbursement for replacing your vat

We will provide a monthly reimbursement of 0.833% of the cost of purchasing and installing a new or second-hand milk vat (including associated cooling equipment), for each month that you contract with us up to a maximum of three years (totalling 30% over three years), subject to meeting the following requirements:

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

Payment will start from the month the claim is submitted and will not be backdated.

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

Reimbursement for herd testing and recording

We will reimburse you \$6.00 per cow each year of the Supply Period that you complete herd testing and recording.

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

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

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

2. Milk Quality Requirements

2.1 Milk Quality

We set out in further detail in this section our sampling and testing procedures and other matters relevant to assessing whether your milk meets our quality requirements, as set out in Annexure 1 – Quality Requirements and the table below.

2.2 Sampling Procedure

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

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

Drip Sample Collection - During Loading

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

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

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

Directly From the Vat DIP Method

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

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

Australian Milk Residue Survey

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

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

2.3 Volume Measurement

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

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

collection vehicle must be calibrated on a 6 monthly basis.

2.4 Testing Procedure

Point of Collection

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

Point of Delivery

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

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

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

Payment for Additional Testing

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

2.5 General Quality Requirements

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

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

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

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

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

2.6 Milk Quality Requirements

We will pay you the Minimum Price for your Milk where the Milk meets the Quality Requirements set in the Quality Requirements Table.

If the milk meets the specifications in column 3 then we may still accept your milk, but we will make a percentage adjustment to the minimum price that we pay you for your milk. The amount of the adjustment will be calculated in accordance with column 4 of the table below.

Any adjustment will not exceed 50% of the Minimum Price per collection, except for when your Milk is the source of:

- (a) antibiotic detection in a milk tanker with no prior notification; and/or
- (a) acidity, pH, chemical or aflatoxin contamination levels in a milk tanker.

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

Quality Requirements Table

	TEST FREQUENCY	SPECIFICATIONS/ TEST RESULTS	PERCENTAGE ADJUSTMENT(+/-)
SENSORY ASSESSMENT	Every collection of milk, prior to loading by the tanker driver	Fresh clean smell. No unpleasant characteristics, including clean white appearance, no odours, no chemical residue or foreign matters	0%
TEMPERATURE	Every collection of milk	≤5°C	0%
		>5°C – no prior notification of cooling failure	0%
		>5°C – prior notification of cooling failure	0% If Milk is deemed unsuitable for collection, it may still be paid for at the Minimum Price in accordance with clause 11.1(b) of the Agreement
ANTIBIOTICS	When antibiotics are detected on a tanker of milk ex-farm, each Supplier on that tanker will have their vat sample tested	Antibiotics present in milk tanker with NO PRIOR NOTIFICATION of possible or probable residues in milk	-100% + costs if the tanker of Milk is unable to be used at the receiving factory -50% if we decide that the Milk is suitable for use by the receiving factory We will deduct the value of that collection of Milk. You may be held responsible for the cost of the total volume of milk lost and we may also recover from you the cost of disposal of the milk and other costs arising out of the contamination
		Antibiotics present in farm vat with PRIOR NOTIFICATION of possible or probable residues in milk (i.e. milk not collected)	0% for first incident in a Supply Period year (milk is paid for at the Minimum Price) -100% for subsequent instances in a Supply Period year.
FAT & PROTEIN	Every collection of milk	Milk Fat ≥ 3.30% m/v MINIMUM Protein ≥ 3.10% m/v MINIMUM	We may suspend collection of your Milk. If we do decide to suspend collection then we will provide you with written notice of the reasons of the suspension, the consequences of the suspension and any action plan that we require you to implement to ensure continuous improvement of milk composition.

	TEST FREQUENCY		TEST RESULT	PERCENTAGE (+/-)
BULK MILK CELL COUNT BMCC / SOMATIC CELL COUNT (SCC)	VIC/ SA/ TAS/ NSW/ QLD	Every collection of milk	≤250,000 cells/mL	+3%
			251,000 – 300,000 cells/mL	0%
			301,000 – 400,000 cells/mL	-10%
			401,000 – 600,000 cells/mL	-20%
			>600,000 cells/mL	-30%
			We may exercise our rights in accordance with clause 11.3 of the Agreement and suspend collection if 5 results over a 30 day period are greater than 600,000 cells/mL If you have a 3 month BMCC rolling geometric mean of 400,000 cells/mL or above, we will contact you in writing and advise that the 3 month BMCC rolling geometric mean must be reduced below 400,000 cells/mL, otherwise collection may be suspended.	
	WA	Every collection of milk	≤150,000 cells/mL	+5%
			151,000 – 250,000 cells/mL	+3%
			251,000 – 300,000 cells/mL	0%
			301,000 – 400,000 cells/mL	-10%
			401,000 – 600,000 cells/mL	-20%
			>600,000 cells/mL	-30%
We may exercise our rights in accordance with clause 11.3 of the Agreement and suspend collection if 5 results over a 30 day period are greater than 600,000 cells/mL If you have a 3 month BMCC rolling geometric mean of 400,000 cells/mL or above, we will contact you in writing and advise that the 3 month BMCC rolling geometric mean must be reduced below 400,000 cells/mL, otherwise collection may be suspended.				
BACTO SCAN ('Bacto')	3 times per month, at a minimum. Additional testing may be conducted to determine the source of a tanker with a high Bacto count	≤80,000 IBC/mL	0%	
		81,000 – 150,000 IBC/mL	-5%	
		151,000 – 300,000 IBC/mL	-20%	
		301,000 – 400,000 IBC/mL	-30%	
		>400,000 IBC/mL	-40%	
		We may exercise our rights in accordance with clause 11.3 of Schedule D and suspend collection if 5 results over a 30 day period are greater than 400,000 IBC/mL over a 30 day period		

	TEST FREQUENCY	TEST RESULT	PERCENTAGE (+/-)
THERMODURIC (Thermo)	Once per month, at a minimum	≤2,000 cfu/mL	0%
		2,001 – 5,000 cfu/mL	-5%
		5,001 – 10,000 cfu/mL	-20%
		>10,000 cfu/mL	-30%
		We may exercise our rights and suspend collection if 5 results >10,000 cfu/mL over a 30 day period	

EXTRANEIOUS WATER / FREEZING POINT	Discretionary	≤-0.512°C	0%
		>-0.512°C	
	We may exercise our rights and suspend collection if 5 results > -0.512C over a 30 day period		
ACIDITY	Discretionary	≤0.14%	0%
		>0.14%	-100%
PH	Discretionary	≥6.6	0%
		<6.6	-100%
SEDIMENT / EXTRANEIOUS MATTER	Discretionary	Grade A or B	0%
		Grade C	-20%
		Grade D	-30%
PESTICIDES OR OTHER CHEMICAL CONTAMINANTS	Discretionary The dairy industry also conducts contaminant testing as part of the AMRA Survey	Below Australian MRL	0%
		Above Australian MRL	-100%
AFLATOXIN	Discretionary The dairy industry also conducts aflatoxin testing as part of the AMRA Survey	≤0.50 ppb aflatoxin M1	0%
		>0.50 ppb aflatoxin M1	-100%

2.7 Application of Quality Requirement Adjustments Explained

BMCC

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

In WA, the first 3 BMCC results per month will be treated as “advisory tests” and the base rate component of the minimum price will be adjusted by +5% for the individual collections to which those first three BMCC results relate.

Subsequent adjustments will be applied as set out below.

VIC/SA/TAS/NSW/QLD:

- (a) Where the weighted average of the BMCC test results for the month is less than or equal to 250,000 cells/mL, then the minimum price will be adjusted by +3% in respect of all milk supplied in that the month.
- (b) Where the weighted average for the month is greater than 250,000 cells/mL, then the minimum price for each collection of milk in that month will be adjusted by the percentage applicable to the test result range that the actual BMCC result falls within for that collection, as set out in the table above.

WA

- (a) Where the weighted average of the BMCC test results for the month is less than or equal to 150,000 cells/mL, then the minimum price will be adjusted by +5% in respect of all milk supplied in that month.
- (b) Where the weighted average of the BMCC test results for the month is greater than 150,000 cells/mL but less than or equal to 250,000 cells/mL, then the base rate component of the minimum price will be adjusted by:
 - (i) +3% for each collection during that month which has a BMCC test result of greater than 150,000 cells/mL but less than or equal to 250,000 cells/mL; and
 - (ii) +5% for each collection which has a BMCC test result less than or equal to 150,000 cells/mL during that month.
- (c) Where the weighted average for the month is greater than 250,000 cells/mL, then the minimum price for each collection of milk in that month will be adjusted by the percentage applicable to the test result range that the actual BMCC result falls within for that collection, as set out in the table above.

Bacto

The first 3 Bacto test results per month will be treated as “advisory tests” and there will be no adjustment made to the minimum price in respect of those advisory tests. However, if you are on follow-up testing for Bacto that continues from one month into the next, you will not have any Bacto tests treated as “advisory tests” in that subsequent month until three consecutive results are $\leq 80,000$ IBC/mL.

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

Thermo

The first 6 Thermo test results per month will be treated as “advisory tests” and there will be no adjustment made to the minimum price in respect of those advisory tests. However, if you are on follow-up testing for Thermo that continues from one month into the next, you will not have any Thermo tests treated as “advisory tests” in that subsequent month until three consecutive results are $\leq 2,000$ cfu/mL.

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

2.8 Milk Temperature

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

Milk is required to be cooled to ≤ 5°C within 2 hours and 20 minutes from completion of milking (“cups off time”) and maintained at that temperature until collected.

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

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

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

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

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

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

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

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

2.9 Age of Milk

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

2.10 Antibiotics (Inhibitory Substances)

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

Milk Vat Antibiotic Contamination

It is your responsibility to inform us of possible or probable antibiotic residues in any milk BEFORE the tanker arrives on farm. You must also place a sign on all suspect vats to eliminate the possibility

of accidental collection. If you suspect that contamination has occurred you can contact your Supplier Relationship Manager who will provide you with instruction regarding testing and collection. It is your responsibility to ensure that milk samples are transported to an appropriate testing facility for DELVO T testing.

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

Milk Tanker Antibiotic Contamination

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

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

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

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

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

2.11 Extraneous Water/Freezing Point

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

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

2.12 Acidity and pH

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

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

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

2.13 Sediment

Milk is to be free of sediment and foreign matter.

2.14 Chemical Standards and General Milk Quality Standards

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

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

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

Prohibited Chemicals

You are not to use cleaning chemicals which contain Quaternary Ammonium Compounds and teat sprays/dips which contain Nonylphenol Ethoxylates NPEs as surfactants are prohibited to use.

Iodine

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

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

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

Pesticide (Chemical) Detection

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

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

Aflatoxin

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

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

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

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

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

GMOs

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

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

Oestradiol Restrictions

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

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

Recombinant Bovine Somatotropin (rbST)

Suppliers must not use rbST on the farm.

2.15 Testing Results

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

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

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

2.16 Payment for Milk Not Collected when Notified of Potential Issues

Where you suspect that your milk does not meet the Quality Requirements and you notify us of such an event prior to collection and we subsequently elect not to collect that milk, then we will pay the Minimum Price for that volume of milk we have elected not to collect, for the first occurrence per year of the Supply Period.

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

All test results for rejected milk remain our property.

2.17 External Auditing

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

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

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

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

Please refer to Schedule D for costs associated with audits.

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

If the audit uncovers non-conformance that presents an imminent and serious risk to the safety of the milk then we and/or the approved auditor may be required to immediately contact the state authorities to advise them of the circumstances warranting the issue of a critical CAR. The state regulator will

work with you to close out the critical CAR additional to any action that we may take in accordance with the terms of the Agreement and advise the approved auditor and/or us of the action taken to rectify the non-conformance.

We may stop collection as a result of a critical non-conformance relating to food safety or quality.

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

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

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

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

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

Category 1: Two Year Compliance Audits

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

QUALITY RESULTS	
Antibiotic	No recorded antibiotic incidents on tanker (and traced back to Supplier) detected by DELVO T
Total Plate Count	All monthly averages less than or equal to 50,000 cfu/mL
BMCC	Annual average less than or equal to 400,000 cells/mL
Temperature	Less than or equal to 5.0°C - No more than 6 pickups greater than 5.0°C for the year provided they are recorded within approved pickup times
Audit Rating	Critical – Nil Major non-conformances - 1 only

Category 2: Compliance Audits at 12 Month Intervals

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

Auditing and Reporting Requirements

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

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

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

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

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

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

We may exchange information with the NSW Food Authority.

3. Conduct

It is important as one of our suppliers that you understand what we stand for and how we like to conduct our business.

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

3.1 Work Health and Safety

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

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

3.2 Whistle-blower Policy

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

All reports will be taken seriously and treated confidentially to the maximum extent possible. Our whistle-blower policy can be found [on the Lactalis Corporate website](#).

3.3 Farm Presentation

The appearance of your farm is very important to us, the public and our customers and we ask that the presentation of your farm reflects the milk quality and food safety standards we all strive for.

Please ensure that:

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

3.4 Environment

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

3.5 Animal Health

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

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

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

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

Some diseases and hazards to check for include:

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

3.6 Corporate Social Responsibility (CSR)

Assessments

Once every 3 years, you are required to participate in an on farm assessment of Animal Welfare and an estimation of your carbon footprint.

Animal Welfare

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

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

The full policy, including our approach and ambitions can be found [on the Lactalis Corporate website](#). If there is any inconsistency between Lactalis' policy and any industry policies on animal welfare, the Lactalis policy prevails to the extent of any inconsistency.

If it is found that you are not complying with the Lactalis Group Animal Welfare Policy we will notify you in writing of this non-compliance. We will agree with you a written action plan within a required timeframe for you to rectify areas of non-compliance. Any non-compliance may result in increased frequency of assessment or verification of rectification of the non-compliance. If the non-compliance is not rectified in the required timeframe, then we reserve our rights in accordance with the MSA.

Our commitments and positions:

TRANSVERSE	
Lactalis on-farm assessments	All of our direct Suppliers have had on-farm assessments relating to animal welfare · Farm assessments occur every 3 years.
Lactalis staff trainings	100% of our Milk Supply Team have been trained in animal welfare - Training will occur every 3 years - With an external, industry recognised training provider

PER PRACTICE	
<i>Close confinement and intensive systems for livestock</i>	
Tethering	Lactalis encourages loose housing systems and is committed to raising farmers' awareness not to build new tethering barns
Bedding space	Suppliers should provide cows with satisfactory bedding space
Calves in groups	Lactalis promotes group housing for calves from 4 weeks of age
	In European Union countries, the UK, Australia and Brazil, all dairy calves within Lactalis' supply chain must be reared in groups from at least 8 weeks of age
<i>Effective species-specific environmental enrichment</i>	
Access to pasture	Lactalis encourages pasture grazing whenever feasible, under local conditions
Effective species-specific environmental enrichment	Lactalis encourages partnering farms to implement enrichment tools to give animals the opportunity to express their natural behaviours
<i>Growth promoting substances</i>	
Growth Hormones	In European Union countries, the UK, Australia and the USA, growth hormones are not permitted within Lactalis' supply chain
<i>Antibiotics for prophylactic use</i>	
Antibiotics	Lactalis aims to fight against antimicrobial resistance and supports partnering farms to reduce prophylactic use of antibiotics (including blanket dry cow)
<i>Routine mutilations</i>	
Disbudding/Dehorning	Lactalis promotes recognised best practices for disbudding and will suspend collecting milk from farms practising routine dehorning (>8 weeks of age) until this practice is ceased.
Tail Docking	Practising routine tail docking is not permitted within Lactalis Supply Chain.
<i>Other</i>	
Animal derived proteins in feed	All Lactalis' partnering farms must comply with national regulations regarding the use of animal derived proteins in dairy animal feed. In European Union countries and Australia, according to local regulations, this practice is strictly forbidden for ruminants.

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

Industry Welfare Priorities and Policies

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

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

- (a) No routine calving induction;
- (b) Provision of pain relief for all calves during disbudding, which must occur under the age of 2 months;
- (c) No euthanasia of calves by blunt force trauma;
- (d) No tail docking, except under intervention and supervised veterinary procedures.

Additionally, all dairy calves must be raised in groups by at least 8 weeks of age, following Lactalis' Animal Welfare policy.

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

Australian Animal Care Assurance Program – Cattle

Australian Animal Care Assurance Program for Cattle is being developed by industry representatives

and animal welfare experts in consultation with ADF, ADPF, Dairy Australia, other livestock organisations and animal welfare groups.

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

Australian Animal Welfare Standards and Guidelines – Land Transport of Livestock

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

4. Transport

4.1 Farm to Factory Transport and Collection Requirements

We are responsible for arranging routine milk collection.

Collection of Part Vats or Silos

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

Procedure at Farm

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

Milk Collection Queries and Concerns

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

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

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

Collection Frequency Requirement

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

Additional Freight Charges

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

If you require extra collections because of situations such as, but not limited to, vat breakdowns, power failures or insufficient vat capacity, please let us know as soon as possible. Upon our agreement, additional collections may be arranged, for which a \$100 collection charge will apply. Second collection charges will not be applied if the farm is supplying above 25,000 litres per day.

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

Loss for Milk Not Collected

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

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

You are advised and encouraged to insure against such events.

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

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

Tanker Access

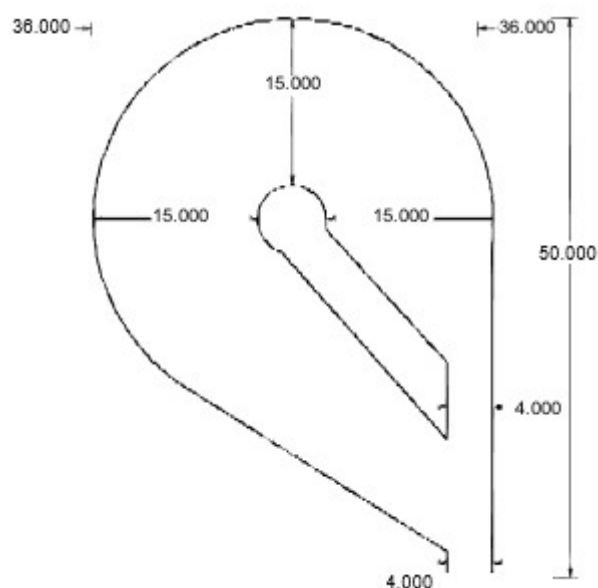
To reduce the instances of possible damage or loss, we rely on you to advise the carrier if there are any foreseeable problems that may prevent or reduce tanker access. An access road from the property front entrance to the dairy turnaround area must be free of obstacles (obstacles include all farm equipment,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

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

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

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

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



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

Dairy Access

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

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

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

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

Removal of On-Farm Obstacles

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

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

Contacts

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

<https://lactalis.com.au/>



National Milk Supply

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