



**MILK SUPPLY AGREEMENT 2022-2023**

**Gympie and Darling Downs**

**Queensland Region**

## OVERVIEW OF THIS MILK SUPPLY AGREEMENT

### IMPORTANT NOTICE

This Overview is only a summary and does not exhaustively set out all the terms and conditions by which you will be bound if you enter into this Agreement. You should read the entire Agreement (including the Appendices and the Bega Cheese On-Farm Quality Assurance Program) carefully and seek independent legal advice if there are any parts that you do not understand. All capitalised terms in this Agreement have the meaning given in Section 8.

|   |  |
|---|--|
| <b>Basis of Supply: Exclusive or Non-Exclusive</b>            | <ul style="list-style-type: none"><li>• This Agreement may be used for exclusive or non-exclusive supply of Milk to us.</li><li>• If you wish to supply Milk to us during the Term, you must choose whether you will supply us on an exclusive or non-exclusive basis by checking the applicable box in Item 4 of the Details.</li><li>• It is important that you note that some provisions (including the right to receive incentive payments) are identified as only applying to Exclusive Suppliers.</li></ul>  |
| <b>Term</b>   | <ul style="list-style-type: none"><li>• This Agreement will commence on:<ul style="list-style-type: none"><li>(a) 1 July 2022 for new suppliers to Bega;</li><li>(b) 1 September 2022* for Existing Suppliers; or</li><li>(c) if you are a new supplier to Bega and start supplying us under this Agreement after 1 July 2022, the date on which we first pick-up your Milk under this Agreement.</li></ul></li><li>• Depending on the election you make in Item 3 of the Details, this Agreement will end on:<ul style="list-style-type: none"><li>(a) 31 August 2023; or</li><li>(b) 31 August 2024;</li></ul>unless it is terminated earlier in accordance with the provisions of this Agreement.</li></ul> <p>* If you are an Existing Supplier, the Milk that you supply to us during July and August 2022 will count towards the calculation of the Growth Incentive under this Agreement.</p> |
| <b>Cooling-off period</b>                                     | <ul style="list-style-type: none"><li>• You have a 14-day cooling-off period that commences the day after the date you sign this Agreement, during which you can terminate this Agreement with immediate effect without incurring any liability.</li></ul>   |
| <b>Monthly Minimum Pricing &amp; Additions and Deductions</b> | <ul style="list-style-type: none"><li>• <b>Item 6</b> of the Details sets out the Monthly Minimum Price that we will pay you for Milk supplied in accordance with this Agreement.</li><li>• If you are an Exclusive Supplier, your Monthly Minimum Price may be increased by:<ul style="list-style-type: none"><li>(a) the Productivity Incentive;</li><li>(b) the New Milk Incentive; and</li><li>(c) a top-up payment for the Growth Incentive (if the amount of the Growth Incentive exceeds the amount you have received under the New Milk Incentive).</li></ul></li><li>• You will receive deductions from your monthly payments for:<ul style="list-style-type: none"><li>(a) Fees for Services that we supply to you;</li><li>(b) applicable Industry Fees; and</li><li>(c) any Quality Deductions where the Milk you supply is not Grade 1 Milk.</li></ul></li></ul>                        |
| <b>Milk Price increases</b>                                   | <ul style="list-style-type: none"><li>• We may, during the Term, announce the payment of a:<ul style="list-style-type: none"><li>(a) Step Up – which is an additional payment that is paid to you for all Milk you have supplied to us during a period of the relevant Financial Year prior to our announcement; and/or</li><li>(b) Price Increase – which is an additional payment that is paid to you for all Milk you have supplied to us during that period of the relevant Financial Year after our announcement.</li></ul></li><li>• We will notify you in writing of any Step Up and/or Price Increase.</li></ul>   |
| <b>Milk Price decreases</b>                                   | <ul style="list-style-type: none"><li>• We will not retrospectively reduce the Monthly Minimum Prices during the Term.</li><li>• Only in exceptional circumstances will we consider prospective price decreases in Monthly Minimum Prices during the Term and this would be done in accordance with the Dairy Code.</li></ul>  |
| <b>Payment Details</b>  | <ul style="list-style-type: none"><li>• You will be paid for a month on or before the 15<sup>th</sup> day of the following month. If the 15<sup>th</sup> is not a Business Day, we will pay you on the Business Day beforehand.</li><li>• We will make all payments into the bank accounts nominated by you. When you sign the Agreement, please check that you have provided correct and complete bank account details to us or included those</li></ul>  |

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details in our nominated banking authorisation system.

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**Minimum Collection Volume**

- The minimum volume of milk available for collection at any one time from each Farm (before Minimum Collection Fees apply) is 1,800 litres per pickup on a “skip a day” basis.
- Should your pickup volume fall below 500 litres a collection on a “skip a day” basis for two consecutive collections or more, you may be subject to suspension and the period of suspension will continue until such time as you are able to increase production above the required 500 litres.

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**Quality Standards of Milk**

- Section 6 and Appendix A of this Agreement set out your obligations with respect to your Milk supply, including our requirements regarding the quality and consistency of your Milk and your dairy operations. Section 6 and Appendix A of this Agreement also describe the actions that we may take if your Milk does not meet those requirements (including where we may reject your Milk or suspend collection of your Milk).

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**Transferring your Farm, Assets or Herd**

- Before you:
  - (a) transfer or sell any of your Farm(s), dairy land or assets;
  - (b) change your ownership structure or any other arrangement affecting the Farms’ dairy land or assets;
  - (c) reduce your milking herd by more than 10%; or
  - (d) cease the production of Milk at the Farm(s),you are required to provide us with 30 days’ prior written notice of the proposed change and pay all amounts you owe us under this Agreement.

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**Good Faith**

- In accordance with the Dairy Code, both parties must always deal with each other in good faith in relation to the supply of Milk.

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**Disputes or Complaints**

- This Agreement provides a procedure for handling disputes or complaints. The parties must try to resolve any dispute or complaint first by negotiation and then, if required, by mediation.

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**Understanding and Acknowledging the Agreement**

- By signing this Agreement, you are confirming that you have read and understood the entire agreement, including the Appendices and attachments. If there is any aspect of this Agreement that you do not understand, please seek independent legal advice.

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# BDD AUSTRALIA PTY LTD – MILK SUPPLY AGREEMENT

## Gympie and Darling Downs Queensland Region

### PARTIES

**Bega:**

|  |
|--|
| BDD Australia Pty Ltd ABN 68 083 019 390 |
|--|

**Supplier:**

|                              |  |
|------------------------------|--|
| Supplier name:               |  |
| Supplier Identifying Number: |  |
| Contact person:              |  |
| ABN:                         |  |
| Email address:               |  |
| Mobile number:               |  |
| Postal Address:              |  |

**Sharefarmer  
Supplier:**

|   |   |
|---|---|
| Is there a Sharefarmer Supplier associated? | Yes/No - (if No – go to <b>DETAILS</b> on page 5) |
| Sharefarmer Supplier name:                  |   |
| Supplier Identifying Number:                |   |
| Contact person:                             |   |
| ABN:  |   |
| Email address:                              |   |
| Mobile Number:                              |   |
| Postal Address:                             |   |

**DETAILS**

| 1.          | Farm(s):   |  | <table border="1"> <thead> <tr> <th data-bbox="513 248 676 344">Farm Number</th> <th data-bbox="676 248 1406 344">Farm Address</th> </tr> </thead> <tbody> <tr> <td data-bbox="513 344 676 396"></td> <td data-bbox="676 344 1406 396"></td> </tr> <tr> <td data-bbox="513 396 676 448"></td> <td data-bbox="676 396 1406 448"></td> </tr> <tr> <td data-bbox="513 448 676 499"></td> <td data-bbox="676 448 1406 499"></td> </tr> </tbody> </table> | Farm Number | Farm Address |  |  |  |  |  |  |  |
|-------------|--|--|--|-------------|--------------|--|--|--|--|--|--|--|
| Farm Number | Farm Address   |  |  |             |              |  |  |  |  |  |  |  |
|             |  |  |  |             |              |  |  |  |  |  |  |  |
|             |  |  |  |             |              |  |  |  |  |  |  |  |
|             |  |  |  |             |              |  |  |  |  |  |  |  |
| 2.          | Commencement Date:<br>(Section 1.5)                          | <p>The Commencement Date will be:</p> <p>(a) 1 July 2022 for new suppliers to Bega;</p> <p>(b) 1 September 2022 for existing suppliers to Bega with a milk supply agreement that expires on 31 August 2022; or</p> <p>(c) if you are a new supplier that starts supplying us under this Agreement after 1 July 2022, the date on which we first pick-up your Milk under this Agreement.</p>  |  |             |              |  |  |  |  |  |  |  |
| 3.          | Expiry Date:<br>(Section 1.5)                                | <p>Please select the Expiry Date of this supply arrangement by checking the relevant box below*:</p> <p><input type="checkbox"/> 31 August 2023</p> <p><input type="checkbox"/> 31 August 2024</p>   |  |             |              |  |  |  |  |  |  |  |
| 4.          | Basis of Supply and Payment System<br>(Sections 1.2 and 1.3) | <p>Please select your preferred supply arrangement by checking the relevant box below:</p> <p><input type="checkbox"/> <b>EXCLUSIVE SUPPLY</b> - You agree to exclusively supply us all of the Milk produced at the Farm(s) during the Term, other than Personal Use Milk</p> <p>All Exclusive Suppliers will automatically be paid under the <b>Exclusive Milk Payment System</b>.</p> <p>The Exclusive Milk Payment System provides payment for both the composition of Milk Solids supplied and separately for the volume of Milk supplied, and additionally offers eligibility to receive the Productivity Incentive, the New Milk Incentive and the Growth Incentive.</p> <p><input type="checkbox"/> <b>NON-EXCLUSIVE SUPPLY</b> - You agree to supply us some, but not necessarily all, of the Milk from the Farm(s) during the Term</p> <p>All Non-Exclusive Suppliers will automatically be paid under the <b>Non-Exclusive Milk Payment System</b>.</p> <p>The Non-Exclusive Milk Payment System provides for protein to be paid at 1.5 times the rate of butterfat as well as a cpl payment for all Milk supplied. If you elect to be a Non-Exclusive Supplier, you will not be eligible to receive any incentives for the Milk you supply.</p> |  |             |              |  |  |  |  |  |  |  |
| 5.          | Relevant Percentage:<br>(Section 2.1)                        | <p>Is there a Sharefarmer Supplier? If yes, complete the Relevant Percentages of the Supplier and the Sharefarmer Supplier below:</p> <p>Supplier: %</p> <p>Sharefarmer Supplier: %</p>  |  |             |              |  |  |  |  |  |  |  |

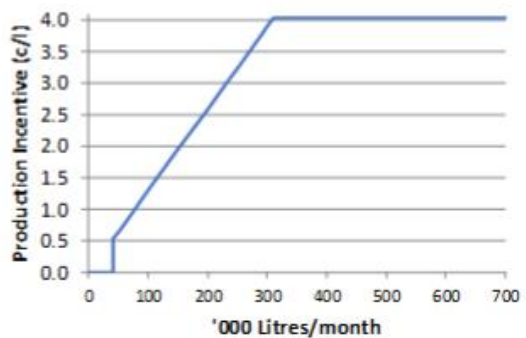
6. Monthly Minimum Prices:  
(Section 2.1)

**Monthly Minimum Prices (exclusive of GST)  
For Exclusive and Non-Exclusive Agreements**

| Month          | Exclusive Agreement |           |           | Non Exclusive Agreement |           |           |
|----------------|---------------------|-----------|-----------|-------------------------|-----------|-----------|
|                | \$ per Kg           | \$ per Kg | Cents     | \$ per Kg               | \$ per Kg | Cents     |
|                | Butterfat           | Protein   | per litre | Butterfat               | Protein   | per litre |
| July 2022      | 5.74                | 8.61      | 27        | 5.63                    | 8.44      | 26.0      |
| August 2022    | 5.74                | 8.61      | 27        | 5.63                    | 8.44      | 26.0      |
| September 2022 | 5.74                | 8.61      | 27        | 5.63                    | 8.44      | 26        |
| October 2022   | 5.74                | 8.61      | 27        | 5.63                    | 8.44      | 26        |
| November 2022  | 5.74                | 8.61      | 27        | 5.63                    | 8.44      | 26        |
| December 2022  | 5.74                | 8.61      | 27        | 5.63                    | 8.44      | 26        |
| January 2023   | 6.04                | 9.06      | 29        | 5.93                    | 8.89      | 28        |
| February 2023  | 6.04                | 9.06      | 29        | 5.93                    | 8.89      | 28        |
| March 2023     | 6.04                | 9.06      | 29        | 5.93                    | 8.89      | 28        |
| April 2023     | 6.04                | 9.06      | 29        | 5.93                    | 8.89      | 28        |
| May 2023       | 6.04                | 9.06      | 29        | 5.93                    | 8.89      | 28        |
| June 2023      | 6.04                | 9.06      | 29        | 5.93                    | 8.89      | 28        |
| July 2023      | 5.74                | 8.61      | 27        | 5.63                    | 8.44      | 26        |
| August 2023    | 5.74                | 8.61      | 27        | 5.63                    | 8.44      | 26        |

| Month          | Exclusive Agreement |           |           | Non Exclusive Agreement |           |           |
|----------------|---------------------|-----------|-----------|-------------------------|-----------|-----------|
|                | \$ per Kg           | \$ per Kg | Cents     | \$ per Kg               | \$ per Kg | Cents     |
|                | Butterfat           | Protein   | per litre | Butterfat               | Protein   | per litre |
| July 2023      | 5.74                | 8.61      | 27.0      | 5.63                    | 8.44      | 26.0      |
| August 2023    | 5.74                | 8.61      | 27.0      | 5.63                    | 8.44      | 26.0      |
| September 2023 | 5.32                | 7.98      | 24.4      | 5.21                    | 7.81      | 23.4      |
| October 2023   | 5.32                | 7.98      | 24.4      | 5.21                    | 7.81      | 23.4      |
| November 2023  | 5.32                | 7.98      | 24.4      | 5.21                    | 7.81      | 23.4      |
| December 2023  | 5.32                | 7.98      | 24.4      | 5.21                    | 7.81      | 23.4      |
| January 2024   | 5.62                | 8.44      | 26.4      | 5.51                    | 8.27      | 25.4      |
| February 2024  | 5.62                | 8.44      | 26.4      | 5.51                    | 8.27      | 25.4      |
| March 2024     | 5.62                | 8.44      | 26.4      | 5.51                    | 8.27      | 25.4      |
| April 2024     | 5.62                | 8.44      | 26.4      | 5.51                    | 8.27      | 25.4      |
| May 2024       | 5.62                | 8.44      | 26.4      | 5.51                    | 8.27      | 25.4      |
| June 2024      | 5.62                | 8.44      | 26.4      | 5.51                    | 8.27      | 25.4      |
| July 2024      | 5.32                | 7.98      | 24.4      | 5.21                    | 7.81      | 23.4      |
| August 2024    | 5.32                | 7.98      | 24.4      | 5.21                    | 7.81      | 23.4      |

If Milk supplied under this Agreement fails to meet the Quality Standards for Grade 1 Milk, we will make Quality Deductions from the Monthly Minimum Prices in accordance with section 2.9.

| 7.             | <b>Exclusive Suppliers only:</b><br>Productivity Incentive:<br>(Section 2.4)                                       | <p>Productivity Incentive rates (exclusive of GST)</p> <div style="border: 1px solid black; padding: 5px;"> <p><b>Productivity Incentive</b></p> <p>Based on monthly production</p> <p>kg milk solids (fat + protein)</p> <p>rate: 2.5c/kg MS per 1000 kg MS</p> <p>below 3000 kg MS = no payment</p> <p>max rate = 56.0c/kg MS</p> <p>example:</p> <p>144,500 litres @ 3.98%F, 3.24% P</p> <p>= 10,433 kg Fat+Protein</p> <p>rate is <math>10433/1000 \times 2.5 = 26.08c/kg</math></p> <p><math>26.08c/kg \times 10433 \text{ kg} = \\$2,721.19</math></p> </div> <p>Chart below shows approximate c/l production incentive -v- monthly production (assumes reference composition 4.0% butterfat &amp; 3.2% protein)</p>    |                |                 |               |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |
|----------------|--|---|----------------|-----------------|---------------|--------|--|--|--------|--|--|--------|--|--|--------|--|--|--------|--|--|--------|--|--|--------|--|--|--------|--|--|--------|--|--|--------|--|--|--------|--|--|--------|--|--|
| 8.             | <b>Exclusive Suppliers only:</b><br>New Milk Incentive rate:<br>(Section 2.5)                                      | <p>The New Milk Incentive rate is \$0.65 per kg butterfat and \$0.98 per kg protein on all Milk accepted by us during the relevant month over and above the New Milk Baseline.</p>  |                |                 |               |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |
| 9.             | <b>Exclusive Suppliers only:</b><br>New Milk Baseline for each month for new Exclusive Suppliers:<br>(Section 2.5) | <p>Are you a new supplier to us? If yes, please complete the baseline details below*:</p> <table border="1" data-bbox="766 1120 1149 1702"> <thead> <tr> <th>Baseline Month</th> <th>Butterfat (kgs)</th> <th>Protein (kgs)</th> </tr> </thead> <tbody> <tr><td>Jul-21</td><td></td><td></td></tr> <tr><td>Aug-21</td><td></td><td></td></tr> <tr><td>Sep-21</td><td></td><td></td></tr> <tr><td>Oct-21</td><td></td><td></td></tr> <tr><td>Nov-21</td><td></td><td></td></tr> <tr><td>Dec-21</td><td></td><td></td></tr> <tr><td>Jan-22</td><td></td><td></td></tr> <tr><td>Feb-22</td><td></td><td></td></tr> <tr><td>Mar-22</td><td></td><td></td></tr> <tr><td>Apr-22</td><td></td><td></td></tr> <tr><td>May-22</td><td></td><td></td></tr> <tr><td>Jun-22</td><td></td><td></td></tr> </tbody> </table> <p>*If a Baseline Month amount is not specified in the above table, you will not be eligible to receive any New Milk Incentive for the corresponding month during the Term.</p> | Baseline Month | Butterfat (kgs) | Protein (kgs) | Jul-21 |  |  | Aug-21 |  |  | Sep-21 |  |  | Oct-21 |  |  | Nov-21 |  |  | Dec-21 |  |  | Jan-22 |  |  | Feb-22 |  |  | Mar-22 |  |  | Apr-22 |  |  | May-22 |  |  | Jun-22 |  |  |
| Baseline Month | Butterfat (kgs)  | Protein (kgs)   |                |                 |               |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |
| Jul-21         |  |   |                |                 |               |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |
| Aug-21         |  |   |                |                 |               |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |
| Sep-21         |  |   |                |                 |               |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |
| Oct-21         |  |   |                |                 |               |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |
| Nov-21         |  |   |                |                 |               |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |
| Dec-21         |  |   |                |                 |               |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |
| Jan-22         |  |   |                |                 |               |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |
| Feb-22         |  |   |                |                 |               |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |
| Mar-22         |  |   |                |                 |               |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |
| Apr-22         |  |   |                |                 |               |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |
| May-22         |  |   |                |                 |               |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |
| Jun-22         |  |   |                |                 |               |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |
| 10.            | <b>Exclusive Suppliers only:</b>   | <p>If you qualify for a top-up payment with respect to the Growth Incentive at the end of each Growth Incentive Period because the amount of the Growth Incentive exceeds the New Milk Incentive paid to you during the Growth Incentive Period, it will be calculated in accordance with, and at the rates identified below.</p>   |                |                 |               |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |        |  |  |

|   |   |
|---|---|
| <p>Growth Incentive rate:<br/>(Section 2.6)</p> | <p>The method that applies for calculating the Growth Incentive will depend on the aggregate quantity of all Milk Solids accepted by us from you in the Growth Incentive Period.</p> <p>(a) <b>Milk supply under 720,000kg:</b> If, during the Growth Incentive Period, the aggregate quantity of all Milk Solids in Milk accepted by us from you is less than 720,000 kg, the possible Growth Incentive will be the aggregate of the amounts calculated in accordance with each of the following:</p> <ul style="list-style-type: none"> <li>• the Milk Solids comprising 9.99% of your Growth Incentive Baseline (<b>First Incentive Quantity</b>), multiplied by the First Rate; and</li> <li>• the amount of the increase in Milk Solids in Milk accepted by us from you in the Growth Incentive Period that exceeds the First Incentive Quantity (<b>Second Incentive Quantity</b>) multiplied by the Second Rate.</li> </ul> <p>(b) <b>Milk supply of 720,000kg or over:</b> If, during the Growth Incentive Period, the aggregate quantity of all Milk Solids in Milk accepted by us from you equals or exceeds 720,000 kg, the possible Growth Incentive will be calculated by multiplying the increase in Milk Solids in Milk accepted by us from you in the Growth Incentive Period by the First Rate.</p> <p>For the purposes of the above calculation:</p> <ul style="list-style-type: none"> <li>• <b>First Rate</b> means \$0.21 per kg of butterfat and \$0.32 per kg of protein;</li> <li>• <b>Second Rate</b> means \$0.85 per kg of butterfat and \$1.28 per kg of protein.</li> </ul> <p><b>Example of Application</b></p> <p>For example, if:</p> <ul style="list-style-type: none"> <li>• the Growth Incentive Baseline for a Supplier is 60,000 kg butterfat and 40,000 kg protein; and</li> <li>• at the end of the Growth Incentive Period, Bega has accepted 78,000 kg butterfat and 52,000 kg protein from that Supplier,</li> </ul> <p>then that Supplier will be entitled to a possible Growth Incentive of:</p> <p>(a) \$0.21 per kg butterfat on 5,994 kg of butterfat (being, 9.99% of the butterfat component of the Growth Incentive Baseline of 60,000 kg) i.e. \$1,258.74; and</p> <p>(b) \$0.32 per kg protein on 3,996 kg protein (being 9.99% of the protein component of the Growth Incentive Baseline of 40,000 kg) i.e. \$1,278.72; and</p> <p>(c) \$0.85 per kg butterfat on 12,006 kg butterfat (being the balance of total growth in butterfat compared to the Growth Incentive Baseline i.e. 18,000 kg less 5,994 kg) i.e. \$10,205.10; and</p> <p>(d) \$1.28 per kg protein on 8,004 kg protein (being the balance of total growth in protein compared to the Growth Incentive Baseline i.e. 40,000 kg less 3,996 kg) i.e. \$10,245.12,</p> <p>being a total possible Growth Incentive of \$22,987.68. The actual Growth Incentive payable to the Supplier will then be the excess of the possible Growth Incentive over any New Milk Incentive already paid to the Supplier over the Growth Incentive Period.</p> <p><b>Note:</b> If you commence supplying Bega part way through a Financial Year, then the possible Growth Incentive will be calculated based on:</p> <ul style="list-style-type: none"> <li>• your Prior Deemed Milk Supply as set out in <b>Item 12</b> of the Details; and</li> <li>• the Milk Solids in Milk accepted by Bega during the applicable Growth Incentive Period, (<b>Total Annual Milk</b>). The Growth Incentive will then be calculated as a pro rata proportion of the Total Annual Milk that was supplied to Bega during the applicable Growth Incentive Period.</li> </ul> <p>If, in the example above:</p> |
|---|---|



|   |   | <ul style="list-style-type: none"> <li>28,000 kg butterfat and 22,000 kg protein was the Prior Deemed Milk Supply by you to your previous processor during the period commencing on 1 July 2022 and ending on the day prior to the Commencement Date; and</li> <li>50,000 kg butterfat and 30,000 kg protein was contained in the Milk Solids in Milk accepted by Bega during the applicable Growth Incentive Period,</li> </ul> <p>then, you will be entitled to a possible Growth Incentive of:</p> <ul style="list-style-type: none"> <li>64.10% of the \$7,348.32 (being the total incentive calculated in the above example on the growth in butterfat); and</li> <li>57.69% of the \$6,648.10 (being the total incentive calculated in the above example on the growth in protein),</li> </ul> <p>being, a total possible Growth Incentive of \$13,996.42. The actual Growth Incentive payable to the Supplier will then be the excess of the possible Growth Incentive over any New Milk Incentive already paid to the Supplier over the Growth Incentive Period.</p> |                                 |   |                               |   |                              |                                 |   |  |  |   |  |  |
|---|---|--|---------------------------------|---|-------------------------------|---|------------------------------|---------------------------------|---|--|--|---|--|--|
| 11.   | <p><b>Exclusive Suppliers only:</b><br/>Growth Incentive Baseline for new suppliers:<br/>(Section 2.6)</p>  | <p>Are you a new supplier to Bega? If yes, please complete the baseline details agreed between the parties below*:</p> <table border="1" data-bbox="560 741 1361 1010"> <thead> <tr> <th>Financial Year</th> <th>Total Butterfat (kgs)</th> <th>Total Protein (kgs)</th> </tr> </thead> <tbody> <tr> <td>1 July 2020 to 30 June 2021</td> <td></td> <td></td> </tr> <tr> <td>1 July 2021 to 30 June 2022</td> <td></td> <td></td> </tr> <tr> <td><b>Growth Incentive Baseline</b><br/>(average of previous 2 years)</td> <td></td> <td></td> </tr> </tbody> </table> <p><i>*If a Growth Incentive Baseline amount is not specified in the above table, you will not be eligible to receive any Growth Incentive.</i></p>   | Financial Year                  | Total Butterfat (kgs)                   | Total Protein (kgs)           | 1 July 2020 to 30 June 2021   |                              |                                 | 1 July 2021 to 30 June 2022             |  |  | <b>Growth Incentive Baseline</b><br>(average of previous 2 years) |  |  |
| Financial Year  | Total Butterfat (kgs)   | Total Protein (kgs)  |                                 |   |                               |   |                              |                                 |   |  |  |   |  |  |
| 1 July 2020 to 30 June 2021                                       |   |  |                                 |   |                               |   |                              |                                 |   |  |  |   |  |  |
| 1 July 2021 to 30 June 2022                                       |   |  |                                 |   |                               |   |                              |                                 |   |  |  |   |  |  |
| <b>Growth Incentive Baseline</b><br>(average of previous 2 years) |   |  |                                 |   |                               |   |                              |                                 |   |  |  |   |  |  |
| 12.   | <p><b>Exclusive Suppliers only:</b><br/>Prior Deemed Milk Supply – Growth Incentive for Supplier commencing part way through a Financial Year<br/>(Section 2.6)</p>   | <p>For the purposes of calculating the Growth Incentive where you commence supplying us part way through a Financial Year, the total amount of your Milk Solids supplied to your previous processor during the period commencing on 1 July 2022 and ending on the day prior to the Commencement Date is agreed to be the amount set out in the table below (<b>Prior Deemed Milk Supply</b>)*:</p> <table border="1" data-bbox="560 1267 1361 1435"> <thead> <tr> <th>Financial Year</th> <th>Total Butterfat (kgs)</th> <th>Total Protein (kgs)</th> </tr> </thead> <tbody> <tr> <td>1 July 2022 to the day prior to the Commencement Date</td> <td></td> <td></td> </tr> </tbody> </table> <p><i>*You must supply reasonable evidence of the information in this table promptly after the Commencement Date to be eligible for the Growth Incentive.</i></p>   | Financial Year                  | Total Butterfat (kgs)                   | Total Protein (kgs)           | 1 July 2022 to the day prior to the Commencement Date   |                              |                                 |   |  |  |   |  |  |
| Financial Year  | Total Butterfat (kgs)   | Total Protein (kgs)  |                                 |   |                               |   |                              |                                 |   |  |  |   |  |  |
| 1 July 2022 to the day prior to the Commencement Date             |   |  |                                 |   |                               |   |                              |                                 |   |  |  |   |  |  |
| 13.   | <p>Fees for Services:<br/>(Section 2.7)</p>   | <p>The Fees for Services provided by us to you which are applicable during the Term comprise those set out in the table below:</p> <table border="1" data-bbox="405 1630 1465 1973"> <thead> <tr> <th>Fee</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td><b>Minimum Collection Fee</b></td> <td> <p>If you do not meet our minimum collection volume set out in section 4.3 and the minimum monthly litres of Milk for collection set out in the below table, the relevant fee set out below will be charged to such collections.</p> <table border="1" data-bbox="635 1861 1313 1973"> <thead> <tr> <th>Litres on a skip a day basis</th> <th>Minimum monthly supply (Litres)</th> <th>Minimum Collection Fee (per collection)</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table> </td> </tr> </tbody> </table>   | Fee                             | Rate                                    | <b>Minimum Collection Fee</b> | <p>If you do not meet our minimum collection volume set out in section 4.3 and the minimum monthly litres of Milk for collection set out in the below table, the relevant fee set out below will be charged to such collections.</p> <table border="1" data-bbox="635 1861 1313 1973"> <thead> <tr> <th>Litres on a skip a day basis</th> <th>Minimum monthly supply (Litres)</th> <th>Minimum Collection Fee (per collection)</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table> | Litres on a skip a day basis | Minimum monthly supply (Litres) | Minimum Collection Fee (per collection) |  |  |   |  |  |
| Fee   | Rate  |  |                                 |   |                               |   |                              |                                 |   |  |  |   |  |  |
| <b>Minimum Collection Fee</b>                                     | <p>If you do not meet our minimum collection volume set out in section 4.3 and the minimum monthly litres of Milk for collection set out in the below table, the relevant fee set out below will be charged to such collections.</p> <table border="1" data-bbox="635 1861 1313 1973"> <thead> <tr> <th>Litres on a skip a day basis</th> <th>Minimum monthly supply (Litres)</th> <th>Minimum Collection Fee (per collection)</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table> | Litres on a skip a day basis   | Minimum monthly supply (Litres) | Minimum Collection Fee (per collection) |                               |   |                              |                                 |   |  |  |   |  |  |
| Litres on a skip a day basis                                      | Minimum monthly supply (Litres)   | Minimum Collection Fee (per collection)  |                                 |   |                               |   |                              |                                 |   |  |  |   |  |  |
|   |   |  |                                 |   |                               |   |                              |                                 |   |  |  |   |  |  |

|  |  |                                |  |        |         |  |  |
|--|--|--------------------------------|--|--------|---------|--|--|
|  |  |                                | <1,500   | 22,500 | \$40.00 |  |  |
|  |  |                                | Between<br>1,500-<br>1,800   | 27,000 | \$30.00 |  |  |
|  |  | <b>Transport<br/>Surcharge</b> | If we agree to a request by you for multiple pick-ups per day, we may charge you a \$50 fee for each collection after the first pick-up. |        |         |  |  |

**Bega** accepts the offer of the **Supplier** and, if applicable, the **Sharefarmer Supplier**, to supply Milk to Bega on the terms of this Agreement.

|   |   |
|---|---|
| <p><b>Signed</b> by the <b>Supplier</b> as required by the execution rules relating to its Business Type or by an authorised representative</p> | <p>_____<br/>Signature of authorised representative</p> <p>_____<br/>Role or Office held</p> <p>_____<br/>Date signed</p> |
| <p><b>Signed</b> for and on behalf of the <b>Sharefarmer</b> by the <b>Sharefarmer</b> or an authorised representative:</p>                     | <p>_____<br/>Signature of authorised representative</p> <p>_____<br/>Role or Office held</p> <p>_____<br/>Date signed</p> |
| <p><b>Signed</b> for and on behalf of <b>BDD Australia Pty Ltd</b> by an authorised representative:</p>   | <p>_____<br/>Signature of authorised representative</p> <p>_____<br/>Role or Office held</p> <p>_____<br/>Date signed</p> |

## 1. Milk Supply

### 1.1 Agreement to supply milk

You agree to supply us with Milk from the Farm(s), and we agree to buy that Milk, on the terms of this Agreement. You must elect to supply us on an exclusive or non-exclusive basis by selecting the option you want in **Item 4** of the Details. If you elect to supply us Milk exclusively, you will be referred to as an Exclusive Supplier and if you elect to supply us Milk non-exclusively, you will be referred to as a Non-Exclusive Supplier.

When you review this Agreement, it is important that you note that some provisions (including the right to receive certain incentive payments) are identified as only applying to Exclusive Suppliers.

### 1.2 Exclusive Supply

If you are an Exclusive Supplier, you agree to:

- (a) exclusively supply us all of the Milk produced at the Farm(s), other than Personal Use Milk; and
- (b) not supply any Milk produced at the Farm(s) to any other person or entity.

### 1.3 Non-Exclusive Supply

If you are a Non-Exclusive Supplier, you agree to supply us with some, but not necessarily all, of the Milk produced at your Farm(s).

### 1.4 Our Right to Acquire Milk

This Agreement does not limit our right to purchase Milk from any other person or entity.

### 1.5 Term of milk supply agreement

This Agreement commences on the Commencement Date and will end on the Expiry Date, unless terminated earlier in accordance with the provisions of this Agreement (**Term**).

### 1.6 Cooling-off period

You may terminate this Agreement at any time within the period being 14 days after the date of execution of this Agreement without incurring any liability to us. If there is a Sharefarmer Supplier under this Agreement, both you and the Sharefarmer Supplier must exercise the rights under this section 1.6 acting jointly.

## 1.7 Special Conditions

This Agreement includes the Special Conditions, if any, set out in Appendix B. If there is any inconsistency between a Special Condition and the other provisions of this Agreement, the Special Condition will prevail.

## 2. Milk Pricing

### 2.1 Monthly Minimum Prices

During the Term, we will pay you the Monthly Minimum Prices set out in **Item 6** of the Details for Milk supplied to us, based on both the Milk Solids and total litres of that Milk. As identified in **Item 6**, there are different Monthly Minimum Prices that apply for Exclusive Suppliers and Non-Exclusive Suppliers. If there is a Sharefarmer Supplier, payments to you and the Sharefarmer Supplier will be made in accordance with the Relevant Percentage for each.

### 2.2 Monthly Minimum Price Justification

Bega's Monthly Minimum Prices are determined taking into account the following critical inputs:

- financial returns from Australian and international dairy markets and price trends;
- Australian dollar commodity exchange rates (especially against the US dollar, Yen and Euro);
- the milk production forecasts for the relevant supply region accounting for climatic and farm sustainability conditions in each region;
- competition for milk in the relevant supply region; and
- the internal product mix, customer contracts and operational efficiencies across the Bega Cheese Group.

Once determined, the Monthly Minimum Prices are then transposed into our payment system for the relevant supply region.

The Monthly Minimum Prices payable to Exclusive Suppliers under this Agreement include a premium for supply to us on an exclusive basis. Entry by Suppliers into exclusive (as opposed to non-exclusive) milk supply agreements provides us with greater certainty in terms of the total volume of milk to be supplied

in each Applicable Milk Supply Region. This increased certainty of supply assists our ability to meet our commitments to our customers and therefore facilitates our ability to offer a higher price to Suppliers who are prepared to enter into exclusive milk supply agreements.

### 2.3 **Permitted Deductions and Additions to Monthly Minimum Prices**

The Monthly Minimum Prices do not include Fees for Services and Industry Fees. The Fees for Services are set out in section 2.7 and the Industry Fees are set out in section 2.8. We will deduct both of these from the Monthly Minimum Prices, where applicable.

If Milk supplied under this Agreement fails to meet the Quality Standards for Grade 1 Milk, we will make further deductions from the Monthly Minimum Prices in accordance with section 2.9.

For Exclusive Suppliers only, any Productivity Incentive, Growth Incentive or New Milk Incentive (if applicable) will be added by us to the Monthly Minimum Prices in accordance with sections 2.4, 2.5 and 2.6.

If there is a Sharefarmer Supplier under this Agreement, we will pay you and the Sharefarmer Supplier the Relevant Percentage of the Supplier returns calculated in accordance with the applicable payment system.

If there is a Sharefarmer Supplier under this Agreement, both you and the Sharefarmer Supplier must be paid under the same payment system that has been selected by you under this Agreement. If there is more than one Farm listed in **Item 1** of the Details, all Farms must be paid under the same payment system as well.

### 2.4 **Productivity Incentive – For Exclusive Suppliers only**

Exclusive Suppliers are eligible to receive a Productivity Incentive. Non-Exclusive Suppliers are not eligible to receive a Productivity Incentive.

If you are eligible for a Productivity Incentive and there is a Sharefarmer, we will pay you and the Sharefarmer the Productivity Incentive in accordance with the Relevant Percentage.

The rates for the Productivity Incentive are set out in **Item 7** of the Details. The Productivity Incentive will be calculated in relation to each of the Farm(s) on an individual basis for each month during the Term. The Productivity Incentive will be paid at the relevant rate for the amount of Milk accepted by us during each month for the Term.

If there is more than one Farm listed in **Item 1** of the Details, we will group all those Farms together for the purposes of calculating the Productivity Incentive in the manner described above, unless there is a different Sharefarmer Supplier or Sharefarmer Suppliers associated with any of the Farms in which case the Productivity Incentive will be calculated and paid on a per Farm basis.

### 2.5 **New Milk Incentive – Exclusive Suppliers only**

Exclusive Suppliers are eligible to receive a New Milk Incentive if they satisfy the requirements set out in this section. Non-Exclusive Suppliers are not entitled to a New Milk Incentive. If an Exclusive Supplier is entitled to a New Milk Incentive and there is a Sharefarmer, we will pay you and the Sharefarmer the New Milk Incentive in accordance with the Relevant Percentage.

If you are able to increase either or both of the Milk Solids in the Milk accepted by us during any month in the Term compared to the Milk Solids accepted by us during the same month in the previous Financial Year (**New Milk Baseline**), you will be eligible for a new milk incentive at the rates set out in **Item 8** of the Details (**New Milk Incentive**). The New Milk Incentive will be paid on the amount of Milk Solids in Milk which is accepted by us during each month of the Term over and above the New Milk Baseline.

If you are a new supplier to us, the New Milk Baseline applicable for the purpose of calculating the New Milk Incentive in respect of the period from 1 July 2022 to 30 June 2023 is set out in **Item 9** of the Details and is based on the evidence provided by you of your supply to your previous processor for that period. You will provide us with updated New Milk Baseline data as and when available from the supply to your previous processor so that the information can be included in the New Milk Baseline table in **Item 9** of the Details.

If there is more than one Farm listed in **Item 1** of the Details, we will group all those Farms together for the purposes of calculating the New Milk Incentive, unless there is a different Sharefarmer Supplier or Sharefarmer Suppliers associated with any of the Farms in which case the New Milk Incentive will be calculated and paid on a per Farm basis.

### 2.6 **Growth Incentive – Exclusive Suppliers only**

Exclusive Suppliers are eligible to receive a Growth Incentive if they satisfy the requirements set out in this section. Non-Exclusive Suppliers are not eligible to receive a Growth Incentive. If an Exclusive Supplier is entitled to a Growth Incentive and there is a

Sharefarmer, we will pay you and the Sharefarmer the Growth Incentive in accordance with the Relevant Percentage.

The Growth Incentive is calculated on any increase in either or both of the Milk Solids which are accepted by us in each Growth Incentive Period over and above the average of the relevant Milk Solids in such Milk supplied during the previous two Financial Years (**Growth Incentive Baseline**).

If you are a new supplier to us, the Growth Incentive Baseline for the purpose of calculating the Growth Incentive in respect of the period from 1 July 2022 to 30 June 2023 is set out in **Item 11** of the Details and, if you commence supplying Bega part way through a Financial Year, then the Growth Incentive will be calculated based on:

- your Prior Deemed Milk Supply as set out in **Item 12** of the Details; and
- Milk Solids in Milk accepted by us during the applicable Growth Incentive Period,

(**Total Annual Milk**). You will then be paid a pro-rata proportion of the Growth Incentive calculated on the proportion of the Total Annual Milk that was accepted by us during the applicable Growth Incentive Period.

The rates for the Growth Incentive and an example of the way in which the Growth Incentive operates are set out in **Item 10** of the Details.

If you are an Existing Supplier, the Milk that you supply to us during July and August 2022 will count towards the calculation of the Growth Incentive under this Agreement.

If there is more than one Farm listed in **Item 1** of the Details, we will group all those Farms together for the purposes of calculating the Growth Incentive, unless there is a different Sharefarmer Supplier or Sharefarmer Suppliers associated with any of the Farms in which case the Growth Incentive will be calculated and paid on a per Farm basis.

To determine whether you will receive a Growth Incentive, at the end of the Growth Incentive Period, you will be assessed against both the criteria for the New Milk Incentive and the criteria for the Growth Incentive. If you are an Existing Supplier, any New Milk Incentive you received in respect of July and August 2022 will be counted for the purposes of this assessment even though it was not paid under this Agreement.

If you would have received more money from us under the New Milk Incentive, you will not also be paid a Growth Incentive. If you would have been paid more money from us under the Growth Incentive, you will receive a top up payment as soon as reasonably practicable after the end of the Financial Year, being the difference between what you would have been paid under the Growth Incentive less what you have been paid under the New Milk Incentive.

## 2.7 Fees for Services

You agree that we will provide various services to you during the Term and that we will deduct Fees for Services from the Monthly Minimum Prices payable to you for Milk supplied to us.

In particular, we may charge you:

- Minimum Collection Fees if you do not meet our minimum collection volume set out in section 4.3 and the monthly minimum litres set out in **Item 13** of the Details; and
- a Transport Surcharge.

(being the **Fees for Services**).

The amount of the Fees for Services applicable during the Term are set out in **Item 13** of the Details.

## 2.8 Industry Fees

You are liable to pay mandatory fees imposed by Dairy Australia, State Regulatory Authorities and animal welfare levies, along with various other fees or levies imposed by law (**Industry Fees**). These Industry Fees vary annually. You direct us to deduct these Industry Fees from amounts otherwise payable to you under this Agreement as soon as reasonably practicable after we have been notified of these fees.

## 2.9 Quality Deductions and other Consequences

If you do not supply Milk that is Grade 1 Milk to us during the Term, we will charge you Quality Deductions or implement other consequences in accordance with section 6 of this Agreement.

## 2.10 Milk Price Adjustments

### (a) Milk Price Increases

We will review the Monthly Minimum Prices throughout the Term. Where market conditions

are conducive to a price increase, we may, during the Term, announce the payment of a:

- Step Up – which is an additional payment that is paid to you for all Milk you have supplied to us during a specified period of the relevant Financial Year prior to our announcement; and/or
- Price Increase – which is an additional payment that is paid to you for all Milk you have supplied to us during that specified period of the relevant Financial Year after our announcement.

We will notify you in writing of any Step Up and/or Price Increase.

**(b) Milk Price Decreases**

We will not retrospectively reduce the Monthly Minimum Prices during the Term. Only in exceptional circumstances will we consider price prospective decreases in Monthly Minimum Prices within the Term, and this would be done in accordance with the Dairy Code.

We will give you at least 30 days prior written notice of such a price decrease and include all other details required by the Dairy Code.

You will have a right to terminate this Agreement within 21 days after receiving any such notice, with effect from the day the price decrease occurs. You will also have the right to rescind any such termination before the end of those 21 days. If there is a Sharefarmer Supplier, both you and the Sharefarmer Supplier must exercise your rights under this section acting jointly.

**2.11 Monthly Minimum Pricing Announcements During the Term:**

If we publicly announce a higher minimum price for your state and region (under new milk supply agreements commencing in Financial Year FY23/24) compared to the Monthly Minimum Price for the same Financial Year under this agreement, we may increase your Monthly Minimum Price under this agreement to reflect that higher price. If we decide to increase the Monthly Minimum Price, we will notify you of such change in writing.

**3. Payment**

**3.1 Monthly Payments**

We will pay you monthly during the Term.

**3.2 Payment Method**

We will make all payments required under this Agreement into the bank accounts that have been nominated by you or that you have included in our nominated banking authorisation system. You will be paid for a month on or before the 15th day of the following month and any payments for the Growth Incentive will be paid after the end of the Financial Year in accordance with section 2.6. If the 15th is not a Business Day, we will pay you on the Business Day beforehand.

You agree that the first payment made under this Agreement will not be due and payable until after the completion of the 14 day cooling off period set out in section 1.6.

**3.3 Pay Statements**

We will provide you with a Pay Statement for each month. The Pay Statement will consist of:

- (a) a Recipient Created Tax Invoice for Milk supplied in the month which also details the Fees for Services, and the Industry Fees for the month;
- (b) where applicable, a Recipient Created Tax Invoice for the reimbursement of any expenses incurred by you which we have agreed to pay; and
- (c) a year-to-date management report including a prior year comparison.

You and, if applicable, the Sharefarmer Supplier must notify us prior to the end of any month if you wish to change either of your contact details, including banking and address details to facilitate prompt payment for Milk.

**4. Collection of milk**

**4.1 Collection Times**

We will collect Milk at the times and in the frequencies agreed between us. Collection times are determined by factors including Milk volumes and tanker capacity. Reasonable notice will be given to you by us or our freight contractor of any changes to pick up frequencies.

**4.2 Title**

Ownership of Milk supplied under this Agreement passes from you to us when the Milk enters the tanker of our contractor. However, you remain responsible if the Milk does not

comply with the requirements of this Agreement, including (but not limited to) where your non-compliant Milk contaminates other milk.

#### 4.3 **Minimum Collection**

The minimum volume of Milk available for collection at any one time from each Farm is 1,800 litres per pickup on a “skip a day” basis. If the Milk available for collection at any one time from a Farm is less than that amount and you have not met the minimum monthly supply volume set out in **Item 13** of the Details, Minimum Collection Fees will apply.

An exception to this minimum collection volume may be applied by Bega where your Milk supply is based on a seasonal supply pattern, either at the start or end of your seasonal calving season.

Should your pickup volume fall below 500 litres a collection for two consecutive collections or more, you may be subject to suspension and the period of suspension will continue until such time as you are able to increase production above the required 500 litres.

You must ensure the Milk you supply under this Agreement is refrigerated, agitated and is less than 48 hours old at the time it is due to be collected by us.

#### 4.4 **Measurement of Milk Collection Volume**

All Milk collected from you is measured using the industry approved flow meters fitted on the milk tanker. Flow meters are calibrated through the industry approved measures on a regular basis for volume accuracy assurance.

To ensure accuracy of volumes of Milk supplied, we will ensure milk freight contractors check and, if necessary, recalibrate the meters on their tanker fleet every six months.

#### 4.5 **Notification to Bega of Power Outages**

If you give us reasonable notice that a Farm’s dairy will suffer a power outage, we will use reasonable efforts to pick Milk up before the power outage to assist you in preventing hot Milk.

## 5. **Supplier Obligations**

### 5.1 **General Obligations**

At all times during the Term, you are required to:

- (a) comply with dairy licensing requirements and must harvest and hold Milk in an approved dairy premises and comply with the relevant State Food Authority licence conditions and regulations;
- (b) take all reasonable steps to ensure the health and safety of our staff and our contracted tanker drivers while they are on the Farm(s);
- (c) provide safe and suitable access to allow an easy entrance and exit for our contracted tankers to and from the Farm(s) and efficient collection of the Milk from the Farm(s);
- (d) comply with all applicable laws, regulations and mandatory codes, including but not limited to those in relation to occupational health and safety, employment and workplace relations, modern slavery, environmental management, waste management and animal welfare;
- (e) comply at all times with the Bega Cheese On-Farm Quality Assurance Program and permit reviews and audits of such compliance in accordance with section 6.6(b); and
- (f) take all reasonable steps to avoid the use of GMO feeds and feed products.

A failure by you to comply with any of the above obligations may result in the suspension of this Agreement in accordance with section 6.6(c).

### 5.2 **Insurance**

You should, at your cost, purchase and maintain sufficient levels of public liability insurance and product liability insurance to protect your business from any claims that may arise under this Agreement that would be covered by such insurance. You must provide us with a certificate of currency for any such policy upon request.



|     |   |       |  |
|-----|---|-------|--|
| 6.  | <b>Milk Quality Standards and Milk Quantity</b>   |       | promptly and safely dispose of that Milk on-farm;  |
| 6.1 | <b>Quality Obligations</b>  |       |  |
|     | You must ensure the Milk to be supplied under this Agreement is Grade 1 Milk and that you comply with the Bega Cheese On-Farm Quality Assurance Program.  | (iii) | any other consequences expressly provided for in the Quality Procedures;   |
| 6.2 | <b>Self-Reporting Quality Standard Breaches and Consequences</b>  | (iv)  | an audit may be conducted in accordance with regulatory requirements; and  |
|     | If you suspect that Milk to be supplied under this Agreement is not Grade 1 Milk in terms of the "Sensory and Appearance", "Temperature" or "Antibiotics and Inhibitory Substances" parameters set out in the Quality Standards, you must self-report that breach by immediately contacting us and arranging for a sample to be tested by us. If the sample tested does not amount to Grade 1 Milk: | (v)   | you may be required to comply with the Resupply Procedure; or  |
|     | (a) we will provide you with written notice of the test results and the fact that you must promptly and safely dispose of the affected Milk on-farm; and  | (b)   | you fail to comply with the Bega Cheese On-Farm Quality Assurance Program, or you supply Poor Quality Milk, this may result in the suspension of this Agreement in accordance with sections 6.6(c) or 6.6(d).  |
|     | (b) we will reject the Milk by providing written notice to you as soon as practicable of the rejection including the reason for the rejection and the Dumping Policy will apply.  | 6.4   | <b>Dumping Policy</b>  |
| 6.3 | <b>General Consequences of Failure to comply with Quality Standards and the Bega Cheese On-Farm Quality Assurance Program</b>   |       | On the first three occasions during each Financial Year where either:  |
|     | Where you do not self-report a breach of a Quality Standard under section 6.2 and:  | (a)   | you self-report that Milk to be supplied is in breach of the Quality Standards in accordance with section 6.2; or  |
|     | (a) you do not supply Grade 1 Milk or otherwise breach the Quality Standards, the following consequences will apply:  | (b)   | Milk that is to be supplied is rejected by a grader or tanker driver on the basis of their reasonable opinion that the Milk is contaminated, soured or otherwise unfit for human consumption,  |
|     | (i) Quality Deductions being applied (as applicable);   |       | we will reject the Milk by providing written notice to you specifying the reasons for the rejection, you will promptly and safely dispose of the Milk on-Farm and we will pay for the Milk (based on an average of the Milk Solids in the previous three collections of Milk) at the Monthly Minimum Prices less a Quality Deduction equal to: |
|     | (ii) we may reject the relevant Milk (in which case we will provide written notice to you as soon as practicable of the rejection, including the reasons for the rejection) and, subject to section 6.4, no payment being made for the relevant Milk and you being required to  | (a)   | in the case of the first dump – 10% of the Monthly Minimum Prices;   |
|     |   | (b)   | in the case of the second dump – 30% of the Monthly Minimum Prices; and  |
|     |   | (c)   | in the case of the third dump – 30% of the Monthly Minimum Prices.   |

On each subsequent occasion (after the third dump) during a Financial Year that section 6.4(a) or 6.4(b) applies, we will not pay for the Milk.

#### 6.5 Notification of Breach of Quality Standards

We will report all results to you of breaches of the Quality Standards by the following means:

- (a) **Bega Production Statement** – we will provide a summary of the previous Quality Assessment Period to you, indicating our quality summary position for payment;
- (b) **SMS** – we will provide details (butterfat/protein/BMCC) via SMS as soon as possible after each pick-up if requested by you;
- (c) **Web access** - you may access your volume information and quality results on the “Milkline” page as soon as they are available. Access to the web page is via the link on the Bega Home Page at <https://www.begacheese.com.au/farmer-access/>. A security password is required to access this site.

#### 6.6 Quality Assurance Program

##### (a) Accreditation

You must obtain and maintain accreditation under the Bega Cheese On-Farm Quality Assurance Program:

- (i) if required by the applicable dairy authority, within three months of the Commencement Date if you did not supply milk to Bega Cheese Limited, Tatura Milk Industries Pty Ltd or BDD Australia Pty Ltd (formerly LD&D Australia Pty Ltd) immediately before the Commencement Date; and
- (ii) otherwise, every two years, or more frequently if required for compliance with industry regulatory requirements,

and thereafter you must comply with the requirements of that program.

##### (b) Audits and reviews

You will permit performance based audits of your systems and facilities by an auditor approved and paid for by us, as deemed reasonably necessary by us in order to comply with regulatory requirements (**QA System Audit**).

You will permit performance based reviews of your systems and facilities by us to periodically check your ongoing compliance with the Quality Standards or where you have failed to comply with a relevant Quality Standard (**Quality Review**). Quality Reviews triggered by your failure to comply with the Quality Standards will be at your cost.

##### (c) Suspension of Accreditation

Your accreditation under section 6.6(a) may be suspended if either:

- (i) any critical non-conformances are found during a QA System Audit or Quality Review. Critical non-conformances require the auditor to notify the relevant State Food Authority of the breach in food safety within 24 hours and the non-conformance must be cleared by a State Food Authority officer; or
- (ii) repeated major or minor non-conformances are not rectified by you as applicable, within such reasonable time for rectification as is provided by us to you.

The suspension will remain in place until the non-conformances have been rectified and confirmed by the State Food Authority auditor or our auditor (or both). Suspension of accreditation will also then result in the suspension of your supply of Milk to us.

**(d) Suspension of Milk Supply**

We may also suspend Milk collection from you in accordance with Quality Procedures or if:

- (i) you supply Poor Quality Milk;
- (ii) you fail to comply with any remedial action reasonably required by us in accordance with the Quality Procedures;
- (iii) there is a breach of any of those matters set out in section 5.1, where they are not rectified within such reasonable time for rectification as is notified by us to you; or
- (iv) the Farm(s) otherwise pose an unacceptable and ongoing health, safety, environmental or quality risk that may affect the proper performance of this Agreement.

In order for us to withdraw the suspension, you will need to demonstrate to our reasonable satisfaction that the reason giving rise to the suspension has been rectified or otherwise appropriately addressed and comply with our Resupply Procedures.

**6.7 Testing of Milk**

In-field test kit results are to be used as a guide only in assisting you in any decision-making process regarding the supply of Milk to us. Any subsequent factory tests will override any previous test results if non-conformances are detected in the Milk. If you use your own test kits, you are responsible for the maintenance, operations and results from the use of those kits. Unless there is a manifest error, the results of testing conducted by us, or on our behalf, will

be used as the official test results in respect of any matter regarding Milk quality.

**7. General**

**7.1 Termination**

- (a) Either party may terminate this Agreement with immediate effect, if the other party commits a material breach of this Agreement and, if that material breach is capable of remedy, does not remedy the material breach within 30 days of being notified in writing by the terminating party to do so.
- (b) Without limitation, a party may commit a material breach if:
  - (i) they enter into bankruptcy or liquidation or suffer an insolvency event;
  - (ii) they are convicted of any offence where the penalty is imprisonment;
  - (iii) they are guilty of fraud, dishonesty or any other serious misconduct in connection with this Agreement; or
  - (iv) they commit a breach of their obligations under sections 5.1, 7.5 or section 7.6 which has a serious effect on the benefit to which the other party would otherwise have under this Agreement.
- (c) If you have elected to supply Milk to us as a Non-Exclusive Supplier, you may also terminate this Agreement at any time without cause by providing written notice to us, effective 30 days after payment to us of any amounts you owe us.
- (d) In order to terminate this Agreement in accordance with this section, the terminating party will provide the other party with written notice of:
  - (i) the termination;

- (ii) the reason for the termination; and
- (iii) the day the termination takes effect.
- (d) If there is a Sharefarmer Supplier under this Agreement, both you and the Sharefarmer Supplier must exercise your rights under sections 7.1(a), 7.1(b) and 7.1(c) acting jointly.
- (iii) reduce your milking herd by more than 10%, through sale, transfer, natural attrition or any other method; or
- (iv) cease the production of Milk at the Farms.

**7.2 Changes to Farm Ownership or Herd**

(a) You acknowledge that the benefit that we receive under this Agreement is the purchase of Milk produced on the Farm(s) and that we rely on that Milk in the operation of our business. You agree to act in good faith and use your best endeavours to maintain that supply of Milk and to not do anything that would undermine Bega receiving that benefit. Without limiting these obligations, you agree not to do any of things identified in section 7.2(b) **(Farm Change Event)** unless you have:

- (i) given us at least 30 days' prior written notice of the proposed Farm Change Event; and
- (ii) paid us all amounts that you owe us under this Agreement.

(b) A Farm Change Event will occur if you:

- (i) sell or transfer, or allow to be sold or transferred, any of your Farms, dairy land and assets (excluding the milking herd) to a third party (including to any company, person or entity related to you);
- (ii) make any changes to your ownership structure, or to any lease agreement, share farming agreement or any other arrangement affecting the Farms' dairy land and/or assets;

**7.3 Variations**

- (a) This Agreement may only be unilaterally varied during the Term by us in the circumstances permitted by the Dairy Code and provided that variation is effected in accordance with the requirements of the Dairy Code. We will provide you with written notice of any such unilateral variation as soon as practicable after the variation and will include the details and reason for the variation, and the day the variation takes effect.
- (b) This Agreement may otherwise only be varied by both parties agreeing in writing to the variation.

**7.4 Obligation to act in good faith**

We each agree that we must deal with each other in good faith in relation to the supply of Milk. Without limitation, that duty of good faith applies in the circumstances specified in section 11(3) of the Dairy Code and, in determining whether either of us has acted in good faith, the matters identified in section 11(4) of the Dairy Code may be taken into account.

**7.5 Conduct of the parties**

The parties will not engage in behaviour that is, or may reasonably be considered to be intimidating, bullying, or harassing or commit any act or behaviour which is offensive or abusive in connection with this Agreement.

**7.6 Foreign Corrupt Practices Act**

The parties must comply with the U.S. Foreign Corrupt Practices Act (**FCPA**). We prohibit all forms of bribery and require all employees, agents, consultants, contractors, and other parties acting on our behalf to fully comply with any legal obligations.

**7.7 Compliance with the Dairy Code**

This Agreement implements the required terms of the Dairy Code and to the extent there is any inconsistency between the terms of this

Agreement and the Dairy Code, then the Dairy Code prevails. If any part or whole of one or more provisions of this Agreement are non-compliant with the Dairy Code, then any part or whole of one or more of those provisions will be severed from this Agreement and the validity, existence, legality and enforceability of the remaining provisions of this Agreement will not be affected, prejudiced or impaired.

7.8 **Compliance with the law**

The parties must at all times comply with the law when carrying out their obligations in connection with this Agreement.

7.9 **Set off**

We may set off any amounts due to you under this Agreement against any amounts due by you to us under this Agreement. We may set off any amounts due to the Sharefarmer Supplier under this Agreement against any amounts due by the Sharefarmer Supplier to us under this Agreement.

7.10 **Force Majeure**

You are not required to perform your obligations in this Agreement during the time you may be prevented from doing so by force majeure events such as floods, fires, or similar natural disasters. We are not required to perform our obligations in this Agreement during the time we may be prevented from doing so by force majeure events (such as damage to or destruction of our plant or manufacturing facilities) which are beyond our reasonable control (**Force Majeure Events**). In the event that we are prevented from collecting your Milk due to a Force Majeure Event, we may in our absolute discretion, make arrangements for you to be credited with the Milk in the vat and we will pay for that Milk at the applicable Monthly Minimum Price.

7.11 **Use of Information and Privacy**

We will use any personal information collected in the course of performance of this Agreement in accordance with the *Privacy Act 1988* (Cth) and the Bega Privacy Policy available at <https://begacheese.com.au/privacy-policy/>.

7.12 **Assignment**

Neither party may assign or transfer its rights under this Agreement without the prior written consent of the other party, such consent shall not be unreasonably withheld.

7.13 **Confidentiality**

All Confidential Information remains the property of and is confidential to the disclosing party. The receiving party must keep the Confidential Information confidential, must take all reasonable steps to keep secure all the Confidential Information coming into its possession or control, and must not memorise, use, modify, reverse engineer, reproduce or make copies or records of the Confidential Information for any purpose other than in connection with the performance by the either party of its obligations under this Agreement. These confidentiality obligations will apply for three years after this Agreement is terminated or expires. Either party may disclose Confidential Information as may be required by law or to their legal and other business advisers provided they comply with a similar obligation of confidence as set out in this section 7.13.

7.14 **Disputes**

(a) If we on the one hand or you on the other (the **complainant**) have a complaint in relation to a matter arising under or in connection with this Agreement, the complainant must notify the other party (the **respondent**), in writing, of the following:

- (i) the nature of the complaint;
- (ii) that the complainant wishes the complaint to be dealt with in accordance with the complaint handling procedure provided in this Agreement; and
- (iii) the outcome the complainant wants.

(b) Bega's Complaint Handling Officer must manage the complaint in accordance with the procedure in this Agreement.

(c) Within five working days after receiving notice of the complaint under section 7.14(a), the respondent must give a written acknowledgement to the complainant stating:

- (i) that notice of the complaint has been received; and

|      |                 |  |       |  |
|------|-----------------|--|-------|--|
|      | (ii)            | the steps to be taken to deal with the complaint.  |       | trustees of the trust, all those trustees are listed as party to this Agreement;   |
| (d)  |                 | The complainant and the respondent must attempt to resolve the complaint in accordance with the complaint handling procedure provided in this Agreement before taking action to resolve the complaint by mediation or arbitration. | (ii)  | have entered this Agreement for the trust's benefit and purpose and have arranged any required approvals for the trust's property to be bound to this Agreement;   |
| (e)  |                 | If the complaint is not resolved in accordance with the complaint handling procedure provided in this Agreement within 60 days after the acknowledgement was given to the complainant under section 7.14(c)(i):                    | (iii) | have the power under the trust deed to enter into this Agreement, to fulfil your obligations under this Agreement, and to use the assets of the trust to pay any amount required in connection with this Agreement; and                      |
|      | (i)             | the complaint must be referred to mediation in accordance with the Dairy Code;   |       |  |
|      | (ii)            | if mediation does not resolve the complaint, the complainant and the respondent may agree that the complaint be resolved by arbitration in accordance with the Dairy Code.   | (iv)  | have an unrestricted right to be fully indemnified out of the assets of the trust.   |
| (f)  |                 | The complainant may, at any time, withdraw the complaint by notice in writing to the respondent.   | (c)   | The Supplier acknowledges and agrees that Bega is entering into this Agreement on the basis that each of the warranties in this section 7.15 is true and will remain true throughout the Term.   |
| (g)  |                 | Despite the existence of a complaint or dispute, each party must continue to comply with its respective obligations under this Agreement.  |       |  |
| 7.15 | <b>Trustees</b> |  | 7.16  | <b>No partnership</b><br><br>This Agreement is between us as principal and you as an independent supplier. This Agreement is not a legal partnership, joint venture, agency or employment arrangement.                                       |
| (a)  |                 | Unless you have told us that you are the trustee of a trust, you warrant that you are entering into this Agreement in your own capacity and not on behalf of any other person or as trustee of a trust.                            | 7.17  | <b>Survival of terms of Agreement</b><br><br>Without limiting the sections which by their nature survive expiry or termination, sections 7.9, 7.11, 7.13, and 7.14 survive termination or expiry of this Agreement.                          |
| (b)  |                 | If you have told us that you are entering into this Agreement as a trustee, you enter into this Agreement on your own behalf and on behalf of the trust and you warrant to us that you:  | 7.18  | <b>Entire Agreement</b><br><br>This Agreement supersedes all prior agreements, discussions, representations, negotiations and understandings and states all the terms of the Agreement between the parties in respect of its subject matter. |
|      | (i)             | are either the sole trustee of the trust or if there are multiple  |       |  |

## 7.19 **Governing law**

This Agreement is subject to the laws and courts of the State or Territory in which your contracted Farms are located. If your Farms are situated across more than one State or Territory, the laws and courts of New South Wales shall apply.

## 8. **Definitions**

**Agreement** means this agreement including the appendices and attachments.

**Applicable Milk Supply Region** means the region in which your Farm(s) are situated, as determined by the regional allocation made by Bega and indicated by this Agreement. These regions are broadly identified by us using the following names:

New South Wales - Bega Central Region, New South Wales – Hunter Valley Region, New South Wales – Sydney to South Coast Region, New South Wales – West Region, Western Australia – Albany Region, Western Australia – Busselton Pinjarra Region, Tasmania Region, South Australia – Adelaide Central Region, Queensland – Gympie and Darling Downs Region, Queensland – Brisbane and Sunshine Coast Region, Southern Region (southeast South Australia and Victoria, excluding northern Victoria,) Northern Victoria and Riverina New South Wales Region and Tatura Organic Region.

**Bega** means the Bega Cheese Group member that is the contracting party to this Agreement, as set out at the beginning of this Agreement, under the heading “Parties”, and “we”, “us” and “our” have corresponding meaning.

**Bega Cheese Group** means Bega Cheese Limited and its subsidiaries.

**Bega Cheese On-Farm Quality Assurance Program** means the program set out in the manual dated May 2022 provided by us to you at the same time as this Agreement is provided.

**Bactoscan** is a measurement of the total number of bacteria present in milk, alive or dead.

**BMCC/ SCC Geometric Mean** means a 13 week geometric mean calculation of SCC.

**Business Day** means a day that is not a Saturday, a Sunday or a public holiday or bank holiday in the State to be applied as the governing law of this Agreement under section 7.19.

**Business Type** means the type of legal entity that you have used to enter into this Agreement. Your legal entity will be one of the following that are identified by the Australian Taxation Office: Australian Proprietary Company, Discretionary Services Management, Discretionary Trading Trust, Fixed Unit Trust, State Government Entity, Discretionary Investment Trust, Family Partnership, Individual/Sole Trader, Other Partnership, or Deceased Estate.

**Commencement Date** means the date set out in **Item 2** of the Details.

**Complaint Handling Officer** means Bega Cheese Limited’s Executive General Manager of Beverage Operations.

**Confidential Information** means all information relating or belonging to a party to this Agreement, in any form, that should reasonably be considered as confidential to the party to whom it belongs or relates, and that is not generally available to the public at the time of disclosure other than as a result of a breach of this Agreement.

**Dairy Code** means the code to apply to the dairy industry introduced by the Australian Department of Agriculture and Water Resources with a commencement date of 1 January 2020.

**Details** means the section entitled ‘Details’ at the front of this Agreement.

**Dumping Policy** has the meaning given in section 6.4.

**EMCI** means early milk collection index as developed by the University of Tasmania.

**EU** means European Union.

**Exclusive Milk Payment System** means the payment system described by that name in **Item 4** of the Details and with the associated pricing set out in **Item 6** of the Details.

**Exclusive Supplier** means a person that elects to supply Milk to us on an exclusive basis by selecting the “Exclusive Supply” option in **Item 4** of the Details.

**Existing Supplier** means you are an existing supplier to Bega with a milk supply agreement that expires on 31 August 2022.

**Expiry Date** means the expiry date selected by you in **Item 3** of the Details.

**Farm(s)** means the farm or farms located at the addresses specified in **Item 1** of the Details from

which you or (if applicable) the Sharefarmer must operate their dairy business.

**Farm Change Event** has the meaning given in section 7.2(b).

**Fees for Services** has the meaning given in section 2.7.

**Financial Year** means a period commencing on 1 July and ending 12 months later.

**Force Majeure Event** means an event as defined in section 7.10.

**Grade 1 Milk** means Milk provided by you which meets the Specifications.

**Grade 2 Milk** means Milk which has the TPC and SCC parameters identified as such in the Quality Deductions Table.

**Grade 3 Milk** means Milk which has the TPC and SCC parameters identified as such in the Quality Deductions Table.

**Grade 4 Milk** means Milk which has the TPC and SCC parameters identified as such in the Quality Deductions Table.

**Grade 5 Milk** means Milk which has the TPC and SCC parameters identified as such in the Quality Deductions Table.

**Grade 6 Milk** means Milk which has the TPC and SCC parameters identified as such in the Quality Deductions Table.

**Growth Incentive** means the incentive, the details for which are set out in section 2.6.

**Growth Incentive Baseline** means the growth incentive baseline set out in **Item 11** of the Details or as described in section 2.6.

**Growth Incentive Period** means each Financial Year during the Term.

**Industry Fees** has the meaning given in section 2.8.

**Milk** means bovine milk supplied and accepted under this Agreement.

**Milk Solids** means butterfat and protein.

**Minimum Collection Fees** has the meaning given in **Item 13** of the Details.

**Monthly Minimum Prices** means the prices to be paid each month by Bega for Milk supplied by you as set out in **Item 6** of the Details.

**New Milk Baseline** means the new milk baseline as defined in section 2.5.

**New Milk Incentive** means the incentive, the details for which are set out in section 2.5.

**Non-Exclusive Supplier** means a person that elects to supply Milk to us on a non-exclusive basis by selecting the “Non-Exclusive Supply” option in **Item 4** of the Details.

**Non-Exclusive Milk Payment System** means the payment system described by that name in **Item 4** of the Details and with the associated pricing set out in **Item 6** of the Details.

**Pay Statement** means the statement described in section 3.3.

**Personal Use** means Milk that you produce that is used by you for personal consumption at the Farm(s) or to feed calves at the Farm(s).

**Poor Quality Milk** means Milk that fails to comply with the law, Food Safety Standards, or is Grade 6 Milk.

**Prior Deemed Milk Supply** has the meaning given in **Item 12** of the Details.

**Productivity Incentive** means the incentive, the details for which are set out in section 2.4.

**QA System Audit** has the meaning in section 6.6(b).

**Quality Assessment Period** means a ten day period during each month where Milk is assessed to determine if it meets the Quality Standards. There are three quality assessment periods per month. For non-30 day months, the final ten day period is adjusted (e.g. a 31 day month will have an 11 day period as the last quality assessment period for the month and a 28 day month will have an 8 day period as the last quality assessment period of the month).

**Quality Deductions** means those fees that Bega will charge you for breaches of the Specification or otherwise you shall bear such costs as set out in the Dumping Policy.

**Quality Deductions Table** means the table forming Part 2A of Appendix A, which is to be interpreted in accordance with Part 1 of Appendix A.

**Quality Procedures** means the procedures in Part 3 of Appendix A which set out consequences for failing to comply with the Quality Standards.



**Quality Review** has the meaning given in section 6.6(b).

**Quality Standards** means the standards that apply to Milk to be supplied to Bega as set out in:

- (a) Part 2 of Appendix A, including the Quality Standards Table; and
- (b) the Specification.

**Quality Standards Table** means the table forming Part 2 of Appendix A, which is to be interpreted in accordance with Part 1 of Appendix A.

**Relevant Percentage** means the percentage of all monies payable by Bega under this Agreement to each of the Supplier and the Sharefarmer Supplier as set out in **Item 5** of the Details.

**Resupply Procedure** means the resupply procedure set out in Part 4 of Appendix A referable to Sediment, BMCC, Bactoscan or Antibiotics/Inhibitory Substances.

**Somatic Cell Count, or SCC or Bulk Milk Cell Count or BMCC** means the concentration of white blood cells in the bulk milk and is quantified as cells/ml.

**Special Conditions** means the special conditions, if any, set out in Appendix B to this Agreement.

**Specification** means Milk supplied under this Agreement that has:

- (a) a Total Plate Count of less than 10,000 cfu/mL; and
- (b) Somatic Cell Count of less than 200,000 cells/ml.

**Supplier** means the person or entity (whatever the Business Type) supplying Milk to Bega under this Agreement, Supplier and, if applicable, including the Sharefarmer Supplier whose details are set out on the front page of this Agreement, and **you** and **your** have a corresponding meaning.

**Term** has the meaning given in section 1.5.

**Thermoduric** means total number of bacteria that have survived pasteurisation and have formed colonies.

**Total Plate Count or TPC** means the concentration of viable micro-organisms in a sample such as bacteria and is measured in cfu/ml (cfu = colony forming unit).

**TPC Geometric Mean** means an 8 week geometric mean calculation of TPC.

**Transport Surcharge** has the meaning given in **Item 13** of the Details.

## APPENDIX A

### Quality Standards and Quality Deductions

#### Part 1: Interpretation of Quality Standards Table and Quality Deductions Table

You are required to supply Grade 1 Milk to us during the Term, being Milk that complies with the Quality Standards.

The tables set out in Part 2 and Part 2A of this Appendix A should be read in the following way:

##### A) Quality Standards Table – Part 2

- (a) Milk supplied must meet each of the targets set out in column A of the Quality Standards Table.
- (b) Milk will be tested by us at the times set out in the Quality Standards Table in column D. For instance, temperature will be tested in relation to each consignment of Milk supplied.
- (c) If Milk does not comply with the Quality Standards, we may implement the consequences set out in the Quality Deductions Table and section 6 of this Agreement.

##### B) Quality Deductions Table – Part 2A

If Milk does not comply with the Quality Standards in respect of SCC or TPC and we accept the Milk, we will:

- (a) apply the applicable percentage deduction in the Quality Deductions Table to the Monthly Minimum Price depending on whether the Milk is Grade 2 Milk, Grade 3 Milk, Grade 4 Milk, Grade 5 Milk or Grade 6 Milk; and
- (b) implement any further consequences set out in section 6 of this Agreement.

##### C) Quality Procedures – Part 3

The Quality Procedures set out the consequences of failing to comply with the control limits set out in the Quality Standards Table, including when we may reject or suspend your Milk collection in accordance with section 6 of this Agreement for breach of the Specifications or other Quality Standards.

**Part 2: Quality Standards Table**

|   | A<br>TARGET       | B<br>CONTROL LIMITS | C<br>TEST METHOD   | D<br>MINIMUM TEST FREQUENCY                          |
|---|-------------------|---------------------|--|--|
| <b>MICROBIOLOGICAL</b>  |                   |                     |  |  |
| <b>Aerobic Plate Count (APC)<br/>or Total Plate Count (TPC)</b> | <10,000 cfu/mL    | <50,000 cfu/mL      | AS 1766.2.1 or Petrifilm SM, or Bactoscan                                | As per Bega specified period                         |
| <b>Somatic Cell Count (SCC)</b>                                 | <200,000 cells/mL | <400,000 cells/mL   | Fosomatic FC 5000 or appropriate IR<br>method calibrated by AS method    | Every delivery                                       |
| <b>Thermophilic bacteria</b>                                    | <2,000 cfu/mL     | <5,000 cfu/mL       | Pour Plate Method  | Testing may occur every Quality<br>Assessment Period |
| <b>CHEMICAL</b>   |                   |                     |  |  |
| <b>Protein (True)</b>   | 3.25% m/v         | min 3.0% m/v        | Milkoscan 4000 or appropriate<br>IR method as calibrated by<br>AS method | Every delivery                                       |
| <b>Milk fat</b>   | 3.8% m/v          | min 3.2% m/v        | Milkoscan 4000 or appropriate<br>IR method as calibrated by<br>AS method | Every delivery                                       |
| <b>Antibiotics and Inhibitory<br/>Substances</b>                | zero              | zero                | Any approved testing method in<br>Australia                              | Every delivery                                       |
| <b>PHYSICAL</b>   |                   |                     |  |  |

|                           |  |  |   |                          |
|---------------------------|--|--|---|--------------------------|
| Temperature               | 1–4°C  | 1–5°C  | Tanker digital thermometer – calibrated by AS method                          | Every delivery/Every vat |
| Acidity                   | <0.12%   | < 0.15%  | Titrateable Acidity test method and or approved internal method (ref AS 2300) | Every delivery           |
| Sensory and Appearance    | White to cream in appearance, free from foreign matter, taints and coagulation | White to cream in appearance, free from foreign matter, taints and coagulation | Smell and visual test prior to pumping from tanker                            | Every delivery           |
| pH                        | >6.65  | >6.65 and < 6.75   | Approved internal pH test method  | As required              |
| Foreign Matter (Sediment) | Disc 1   | Disc 2 minimum   | Sediment Lintine disc test or approved internal method (AS 2300, 1.7-1990)    | Every delivery           |
| Freezing point            | -0.512 °C  | <-0.517 °C   | Freezing point depression test – AS 2300.2.5                                  | Randomly / As required   |

***Milk supplied must also be free from: abnormal constituents, nonyl-phenol ethoxylates (NPE's), quaternary ammonium compounds (QACS), chemical residues above maximum residue limits, oestradiol, aflatoxins or novel proteins, Bovine Tuberculosis, Leptospirosis, Anthrax, Brucellosis and Bovine Spongiform Encephalitis (BSE). Compliance with Food Standard Code 1.4.4 part 1.4 Contaminants and residues along with any additional importing country requirements is required and notification to us of any suspected residue contamination with chemicals such as wash water or grazing paddocks under withhold. The milk supply officer will liaise with factory quality leaders or the relevant State Food Authority.***

***Failure to supply Milk that is not free from these items may result in your supply being rejected or suspended and the application of the Resupply Procedure set out in Appendix A Part 4.***

***Milk that has had water added to it is considered adulterated in an unacceptable manner. Repeated abnormal results may lead to rejection or suspension of collection of Milk from your Farm(s). Suspected Suppliers may be reported to the relevant Food Authority in their state.***

**PART 2A – Quality Deductions Table**

| Quality Deduction Table by Milk Grade*   |                    |              |                  |                  |                  |                  |              |
|--|--------------------|--------------|------------------|------------------|------------------|------------------|--------------|
|  |                    | TPC (cfu/mL) |                  |                  |                  |                  |              |
|  |                    | <10,000      | 10,001 to 15,000 | 15,001 to 20,000 | 20,001 to 30,000 | 30,001 to 50,000 | >50,000      |
| SCC – (cells/mL)   | <200,000           | 1            | 2                | 3                | 4                | 5                | 6            |
|  | 200,001 to 250,000 | 2            | 3                | 3                | 4                | 5                | 6            |
|  | 250,001 to 300,000 | 3            | 3                | 4                | 4                | 5                | 6            |
|  | 300,001 to 350,000 | 4            | 4                | 4                | 5                | 5                | 6            |
|  | 350,001 to 400,000 | 5            | 5                | 5                | 5                | 6                | 6            |
|  | > 400,000          | 6            | 6                | 6                | 6                | 6                | 6            |
| <p>* The numbers identified in the above section of the Quality Deduction Table indicate the relevant grade number of the Milk supply within that TPC and SCC range. For example, the number “2” in the table indicates that Milk within such range would be referred to as Grade 2 Milk, and the percentage adjustment for Quality Deduction for Grade 2 Milk in the below section of the table would be applied.</p> |                    |              |                  |                  |                  |                  |              |
| % Adjustment for Quality Deduction**   |                    | Grade 1 Milk | Grade 2 Milk     | Grade 3 Milk     | Grade 4 Milk     | Grade 5 Milk     | Grade 6 Milk |
|  |                    | 0%           | -1.5%            | -4.5%            | -6.5%            | -15%             | -30%         |

### **Part 3: Procedures For Failure to Meet Specifications or other Quality Standards**

The Quality Standards Table sets out the relevant control limits for each of the Quality Standards. This Part 3 sets out how the control limits are applied for SCC and TPC and for other Quality Standards and the consequences of failing to comply with those control limits (including when we may reject or suspend your Milk collection in accordance with section 6 of this Agreement for breach of the Specifications or other Quality Standards).

#### **1. SCC**

- The maximum allowable SCC level of Milk is 400,000 cells/mL. This is in line with export requirements and some of the alternate compliance arrangements in place with some State Dairy Authorities. Suppliers will receive a written notice after the first two Quality Assessment Periods above 400,000 SCC (based on a weighted average).
- Suppliers with 3 consecutive Quality Assessment Periods with official results above 400,000 may be subject to suspension of Milk supply in accordance with the terms of this Agreement.
- Suppliers with four Quality Assessment Periods (either individual or consecutive) with official results above 400,000 in a rolling 12 month period may also be subject to suspension of Milk supply in accordance with the terms of this Agreement.
- If the BMCC Geometric Mean is greater than or equal to 400,000 cells/mL for 13 consecutive weeks' the Supplier may be subject to suspension of Milk supply in accordance with the terms of this Agreement.

#### **2. TPC**

- Suppliers will receive a written notice after the first two Quality Assessment Periods above 50,000 TPC.
- Suppliers with 3 consecutive Quality Assessment Periods with official results above 50,000 TPC may be subject to suspension of Milk supply under this Agreement.
- If the TPC Geometric Mean is greater than or equal to 100,000 cfu/mL for 8 consecutive weeks, then this does not meet export requirements and we may also suspend Milk supply as this equates to the Supplier consistently failing to meet the Specification.

#### **3. Thermoduric Bacteria**

- If a result over 2,000 cfu/mL occurs, a sample from your following consignment of milk will be tested (a retest) to confirm the original result. If your test results are equal to or exceed 5,000 cfu/mL you will be contacted directly by a Bega representative to determine appropriate remedial action to resolve the issue. If results are 5,000 cfu/mL or above, daily testing is required until the results are below 5,000 cfu/mL. The test turnaround time is 3 days. Suspension under section 6.6 (d) of this Agreement may also be applied for a breach of this Quality Standard.

#### **4. Milk Solids (Fat and Protein %)**

- Suppliers whose Milk falls below the control limits for protein and milk fat set out in the Quality Standards Table (calculated based on a weighted average over a Quality Assessment Period) will be called by a Bega representative advising the Supplier that their Milk quality is below the control limits. A Supplier will then be asked to demonstrate what management changes they are implementing to rectify the low

results and undertake remedial action. If the Supplier's milk continues to not meet the control limits during the next two Quality Assessment Periods following that warning, we may suspend collection of Milk from that Supplier until the Supplier can demonstrate to our reasonable satisfaction that the control limits will be met.

- Section 6.2 or section 6.3 of this Agreement may also be applied for a breach of the control limit for this Quality Standard.

#### **5. Antibiotics and other inhibitory substances**

- Inhibitory substances can include antibiotics, pesticides, herbicides, detergents (especially quaternary ammonium compounds), blood and colostrum.
- Any Milk suspected of being contaminated by antibiotics or other inhibitory substances will be rejected wherever this is possible prior to delivering into the tanker.
- Should a positive result be detected on the tanker load, the milk is segregated while further testing is conducted. The vat sample for each supplier that supplied raw milk in the suspect tanker load is then checked for the presence of inhibitory substances and the offending supplier will be notified. There are also regular random tests on individual Supplier samples.
- Where you do not self-report a breach of the control limits of the Antibiotics and Inhibitory Substances Quality Standard under section 6.2 of this Agreement, we may apply the measures set out in section 6.3 of this Agreement.
- Positive milk tanker results are reported to the relevant State Dairy Authority and will require an on farm investigation and corrective action report.
- Farms with reoccurring problems may be suspended from supply until steps are in place to prove that it will not reoccur. Several samples may then be taken from the vat for testing prior to resumption of collection.
- It is the Supplier's responsibility to have the next consignment of Milk tested before the next tanker collection.
- We participate in the Australian Milk Residue Analysis (AMRA) Survey. This is an independent, government-operated, chemical residue monitoring program for the Australian dairy industry. It is carried out by independent experts at our sites and other processors' sites throughout Australia. Both random and targeted milk samples are taken from bulk farm pick-up tankers for testing at Government-contracted laboratories. If a sample is confirmed as containing a residue at 50% or more of the Maximum Residue Limit (MRL), then trace-back to farm or factory of origin is initiated and if necessary, trace-forward procedures are instigated. A trace-back is also initiated when a sample is reported as screen (presumptive) positive for antibiotics or aflatoxin M1.
- If one or more suppliers, including the Supplier, have supplied antibiotic milk into a tanker, the Supplier will be responsible for our milk disposal costs and for any amounts we have paid for non-antibiotic milk received into the same tanker load. Such costs will be applied on a pro-rata basis to litres provided across those suppliers who supplied antibiotic milk to that tanker. Suppliers may elect to pay the costs directly, or have the amount deducted from their milk payments in equal instalments over the following 4 months.

## **6. Temperature, Acidity, Sensory, pH, Sediment, Freezing Point**

- In the event that the control limits set out in the Quality Standards Table are not met for Temperature, Acidity, Sensory, pH, Sediment, Freezing Point parameters, you will be contacted directly by a Bega representative to discuss remedial action to resolve the issue in the first instance.
- If sufficient remedial action has not been implemented within an agreed timeframe, we may take action under section 6.6 (d) 6.2 or 6.3 of this Agreement, as applicable.



## **Part 4: Resupply Procedure**

The aim of this procedure is to provide a re-supply path for Suppliers who have been suspended from supplying Bega due to Milk breaching the Quality Standards or the Supplier supplying Poor Quality Milk or breaching this Agreement in a manner that meant Milk supply was suspended.

### **1. BMCC/ SCC**

- The Supplier must demonstrate they have taken corrective action to address the issue before resupply can commence.
- The Supplier can dry off the whole herd for a minimum of four consecutive weeks and recommence supply after this time. Previous history will not be used in calculating the 13 week geometric mean or for other Quality Deductions.
- If you wish to recommence supply earlier than the minimum four weeks' then you must provide four consecutive milking samples to Bega that meet the BMCC/ SCC parameters for Grade 1 Milk.
- BMCC/SCC results for Milk collected for the next seven days must, at a minimum, meet the BMCC/SCC parameters for Grade 5 Milk set out Quality Deductions Table. If the results are above this, then collections will again cease immediately for a period of seven days and you must commence the Resupply Procedure again.

### **2. TPC**

- The Supplier must demonstrate they have taken corrective action to address the issue before resupply can commence.

### **3. Antibiotics/Inhibitory Substances**

- A sample of the next milking must test negative for antibiotics/inhibitory substances to enable resupply. Collections will not recommence until Milk has tested negative.
- Samples must be presented to a testing company approved by Bega.
- Note seasonal calving herds should present a sample for testing prior to recommencing supply. Sample must test negative for antibiotics/inhibitory substances before collections will recommence.

### **4. Generally**

- Resupply in any of case of suspension will commence at the next convenient time for the tanker collection. No more than four milkings will be collected and, at a minimum, the Quality Standards must be met.

**APPENDIX B**  
**SPECIAL CONDITIONS**