



LIVESTOCK PURCHASING - POLICY & PROCEDURES

BACKGROUND

Teys Australia believes that the future of its business is dependent on progressing from a commodity focused operation to one manufacturing branded quality beef and value added meat products. Teys have a long history of supply chain innovation and developing strategic relationships across the supply chain to ensure the delivery of sustainable value to our key customers. A vital element of these strategic relationships is the one that we share with our suppliers. Our business increasingly relies on cattle producers. Therefore Teys Australia have formalised their existing purchasing policies and procedures and are informing producers of that.

Teys Australia also has a legal obligation to comply with the Australian Competition and Consumer Act 2010.

PRINCIPLES

Compliance with this policy is a condition of employment with Teys Australia for those engaged in the buying of livestock.

Teys Australia employees engaged in the purchase of livestock attend regular training provided by the company.

In dealings with livestock suppliers, a buyer purchasing livestock on behalf of Teys Australia will:

- Act at all times in a fair, reasonable and conscionable manner as the buyer is representing the company.
- Observe all policies relating to the livestock purchasing process.
- Provide the information to livestock suppliers as outlined in this policy

In dealing with other livestock buyers, agents or participants in a livestock market, a buyer purchasing livestock on behalf of Teys Australia will:

- Act at all times in a manner so as to achieve the best possible commercial outcome for Teys Australia.
- Not engage in any cartel conduct, or conduct that in any way substantially lessens competition in a market for the purchase of livestock, or is contrary to consumer law.

Teys Australia is committed to managing all of its operations to ensure the health, safety and welfare of its employee's. In attending sale-yards, and farms Livestock Buyers will avoid placing themselves in a position where they could be injured.

PROCEDURES

Teys analyses forward sales and market values of as yet unsold meat and meat co-products to develop a break even purchase price for livestock where all production costs can be covered. There are separate calculations for the different categories of cattle (e.g. Grasslands, EUCAS, Organic). The price grids are derived from these calculations. Other factors such as maintaining continuous operations to ensure employment are also considered when developing the grids.

Purchasing livestock directly

When purchasing direct from sellers of livestock, buyers will provide either the grid or information derived from the grid to the seller.

The grid price offered is valid at the time of offer. Acceptance of the offer may be in the form of a verbal agreement. If the agreement is verbal, the buyer must make a written diary note of the terms of the agreement reached on the same day as the agreement was reached.

The seller must be sent a Teys Australia Livestock Contract with relevant terms and conditions and any other relevant materials as required by Teys Australia. The signed contract must be returned by the seller as soon as possible prior to processing of the cattle.

Providing feedback to the livestock supplier

The livestock supplier will be offered the opportunity to attend the processing of the animal including the grading. For all cattle that are directly consigned feedback is provided back to the supplying producer. The minimum requirements of the feedback supplied is covered by AUS-MEAT who set the standard. MSA feedback is also provided, the format of which is set by MSA.

Teys Australia are developing animal health data capture capability on plant and will over the next year feed that information back to producers who wish to see it along with relevant information about the conditions found.

If the livestock supplier requests additional information from Teys, the buyer will request that through the Livestock Manager, and additional information will be provided supplier where possible.

Complaints

Complaints about feedback or any other aspect of the direct purchase process or grading results will be subject to the Teys Australia Complaints Policy. The formal complaints policy can be found at: https://teysgroup.com/au/wp-content/uploads/2020/09/Teys-Australia-Complaints-policy-02_06_2020.pdf

Purchasing cattle from saleyards

The company's policy is for buyers to attend all regular sales along the East Coast and South Australia.

A decision not to attend a sale can be made by the Livestock Manager based on commercial or work health and safety grounds. The commercial grounds may include:

- The expected numbers and/or quality of livestock is considered to be inadequate to economically justify attendance
- The operational requirements of the processing facilities
- The terms or conditions under which the sale is to proceed.

Teys prefer to purchase livestock from saleyards through buyers who are employees of the company. In exceptional circumstances the Livestock Manager may determine that a contracted agent will be used to purchase livestock. In these cases the agent will only be buying slaughter cattle for Teys at that sale.

The determination of what the company can afford to offer is based on the grid for the relevant market and the numbers required to meet operational requirements as determined by the Livestock Manager.

Conduct of Buyers

In engaging with the seller (at all stages of the sale), the buyer's conduct will comply with all relevant competition and consumer laws notably those relating to unconscionable conduct, a guide to which can be found at <https://www.accc.gov.au/business/anti-competitive-behaviour/unconscionable-conduct>

In particular, buyers must not engage in:

- Cartel conduct which means a contract, arrangement or understanding that involves: Price fixing, Restricting output, Market sharing, Bid rigging, or Preventing, limiting or restricting the supply or acquisition of livestock.
- Other forms of anti-competitive conduct, which include any conduct which has the purpose of substantially lessening competition in the market
- Conduct contrary to relevant consumer laws, in particular unconscionable conduct.

There must be no discussion with competitors on markets, prices, customers, livestock availability or any aspect of the Teys business that could serve the purpose of substantially lessening competition.