Bega Cheese Limited
Corporate Governance Statement

Bega Cheese Limited (**Bega Cheese** or **Company**) is committed to achieving and maintaining the highest standards of accountability and transparency in the management and conduct of the Bega Cheese business. The Board has adopted corporate governance policies and practices which it believes to be fundamental to the continued growth and success of Bega Cheese and enhancing value for all Bega Cheese shareholders (**Shareholders**). In developing those policies, the board of directors of Bega Cheese (**Board**) has been guided by the "Corporate Governance Principles and Recommendations" published by the ASX Corporate Governance Council (**Recommendations**).

This Corporate Governance Statement outlines the extent to which the Company's corporate governance policies and practices are consistent with the Recommendations as at the time of the initial public offering and listing of the Company pursuant to a prospectus lodged with ASIC (**Prospectus**). The Board does not consider that all of the Recommendations are appropriate for the Company, at this point in time and also due to its background as a co-operative business. However, where the Company has not followed a Recommendation, that Recommendation is identified and reasons are provided for not following it.

Copies of all the Company's key policies and practices and the charters for the Board and its committees (each a **Board Committee**) referred to in this statement are available in the 'Corporate Governance' section of the Company's website at www.begacheese.com.au.

Principle 1 – Lay solid foundations for management and oversight

Board and management functions (Recommendation 1.1)

The roles and responsibilities of the Board and Board Committees are defined in the Board Charter and the written charters of the Audit and Risk Committee (**ARC**) and the Nomination and Remuneration Committee (**NRC**), each established by the Board.

Newly appointed Directors are taken through an induction process which includes the provision of information regarding the Company and the Board's operational information, governance requirements and policies.

The Board Charter also sets out the delegated responsibility to the Chief Executive Officer (**CEO**) for the day-to-day management and operation of the Bega Cheese business.

The Chairman of the Board is responsible for leading and overseeing the operation of the Board and assisting individual Directors to fulfil their respective duties. The Board has also allocated to the Chairman an executive role in relation to the strategic direction of the Bega Cheese Group. The Chairman will work in collaboration with the CEO, selected senior executives and the Board to build mutually beneficial commercial relationships with existing and potential business partners and customers and maintain and enhance the reputation of the Company through active engagement with all key stakeholders.

Management performance evaluation (Recommendation 1.2)

The performance of the senior executives is reviewed regularly against performance indicators determined by the Board.

Principle 2 – Structure the Board to add value

Details of Directors (Recommendations 2.1, 2.2 and 2.3)

The current membership of the Board is comprised of five Supplier Directors, including the Executive Chairman (Barry Irvin), and one external, independent Director (Peter Margin) who does not have any business or other relationship or interest in the Company or any other related body corporate of the Company (collectively, **Group**). The Board intends to appoint a second external, independent Director shortly after the Company is listed on the ASX.

Details of each Director's period of office, skills, experience and expertise are set out in sections 6.1 and 6.2 of the Prospectus. Section 6.1 also includes details of the mix of skills the Board believes is appropriate and whether the Board considers each Director to be independent.

Section 6.4 of the Prospectus details the Board's non-compliance with Recommendations 2.1 and 2.2 and the reasons for this departure.

Recommendation 2.3 requires that there is a clear division of responsibility between the roles of the Chairman and the CEO. The Company believes that the perspective and expertise that the Chairman will bring to the strategic development of the Group, by virtue of his extensive experience in the design and implementation of strategic business initiatives and thorough knowledge of the dairy industry, are essential to the Group's sustained success. Therefore, in the Company's opinion, the overlap in the executive role of the Chairman with the responsibilities of the CEO is justified. In all other respects, the roles of the Chairman and the CEO remain clearly delineated and separate.

Nomination committee (Recommendation 2.4)

Details of the Company's NRC and its Charter are set out in section 6.6 of the Prospectus.

Board performance evaluation (Recommendation 2.5)

Under its Charter, the NRC is responsible for assessment of, and setting processes in relation to, the whole of Board performance review and the individual evaluation of non-executive Directors, as well as of senior management (also see Principle 8 below).

Principle 3 – Promote ethical and responsible decision making

Code of Conduct (Recommendation 3.1)

The Board has endorsed a code of conduct (**Code**) as part of its corporate governance framework to provide a cohesive set of principles that Bega Cheese will abide by, as a company, in business and dealings with stakeholders. The Code applies to all employees of Bega Cheese, including directors and senior executives. A summary of the Code is set out in section 6.11 of the Prospectus.

Diversity policy (Recommendations 3.2, 3.3 and 3.4)

The Board has adopted a diversity policy which is summarised in section 6.8 of the Prospectus.

The Company intends to comply with the reporting requirements in its annual reports as required by Recommendations 3.3 and 3.4.

Principle 4: Safeguard integrity in financial reporting

Audit committee (Recommendations 4.1, 4.2 and 4.3)

The responsibilities of the ARC are summarised in section 6.6 of the Prospectus. They also include setting processes for the selection appointment and rotation of the external auditor.

As indicated in the Prospectus, the Board's aim is to comply with the composition requirements of Recommendation 4.2, which requires that the ARC consist only of non-executive Directors, a majority of whom are independent Directors and be chaired by one of them. The Board will implement these composition requirements as soon as practicable.

The formal Charter of the ARC is on the Company's website.

Principle 5: Make timely and balanced disclosure

Continuous disclosure policy (Recommendation 5.1)

The Board has adopted a continuous disclosure policy which is summarised in section 6.9 of the Prospectus.

Principle 6: Respect the rights of shareholders

Communications policy (Recommendation 6.1

The Company's position regarding communications with shareholders is set out in section 6.12 of the Prospectus. The Board has adopted a shareholder communications policy which is available on the Company's website.

Principle 7: Recognise and manage risk

Risk management policy and risk management committee (Recommendations 7.1 and 7.2)

Details of the Company's risk management policy are set out in section 6.7 of the Prospectus.

The role of the ARC includes overseeing the process of financial and non-financial risk management and compliance. Senior management reports regularly to the Board regarding the management of material business risks throughout the Group.

Recommendation 7.3 does not yet apply to Bega Cheese given it is not yet listed.

Principle 8: Remunerate fairly and responsibly

Remuneration committee (Recommendations 8.1 and 8.2)

The responsibilities of the NRC include matters relating to the remuneration policies and practices of the Company, as summarised in section 6.6 of the Prospectus.

The NRC's Charter requires the NRC to consist of at least 3 members. Recommendation 8.2recommends that a remuneration committee consist of a majority of independent non-executive Directors and be chaired by one of them.

On the listing of the Company, the NRC will not comply with this recommendation, as it will consist of one independent Director (who will chair the NRC) and 3 non-independent Directors. The Board believes that, in the context of the current make-up and size of the Board, the perspective and expertise the 3 non-independent Directors will bring to the NRC is appropriate.

A copy of the NRC's Charter is available on the Company's website.

Structure of remuneration (Recommendation 8.3)

The remuneration of senior executives of the Bega Cheese Group is reviewed on an annual basis. Details of the remuneration structure for senior executives are set out in the Remuneration Report included (at note 29 of the financial statements) in the Company's 2010 Annual Report, available on the Company's website.

Details of the remuneration for Directors for their non-executive roles and the basis for the determination of the remuneration for executive roles are detailed in section 9.16 of the Prospectus.