



ASX ANNOUNCEMENT

Corporate Governance Statement

In accordance with ASX Listing Rule 4.7.4, attached is the Bega Cheese Limited Corporate Governance Statement which was effective from 30 June 2019.

28 August 2019

For further information please contact

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Company Secretary
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CORPORATE GOVERNANCE STATEMENT

The Bega Cheese Limited (Bega Cheese Group or Group) Board is committed to achieving and maintaining the highest standards of accountability and transparency in the management and conduct of its business. The Board has adopted corporate governance policies and practices that it believes are consistent with the continued growth and success of the Group and the ongoing enhancement of value for the Bega Cheese Group shareholders.

This Corporate Governance Statement, which has been approved by the Board outlines the extent to which the Group's corporate governance policies and practices are consistent with the 'Corporate Governance Principles and Recommendations' published by the ASX Corporate Governance Council (Recommendations). The Board does not consider that all of the Recommendations are appropriate for the Group at this point in time given its background as a co-operative business and the related provisions in its Constitution which require a minimum number of Supplier Directors and set a maximum shareholding limit. However, where the Group has not followed a Recommendation, this has been identified together with the reasons why it has not been followed.

This Corporate Governance Statement:

- outlines the key aspects of the Group's corporate governance framework;
- is structured and numbered in order of the principles set out in the ASX Recommendations;
- includes cross references to other relevant information in this Corporate Governance Statement on the Company's charters, policies and codes, details of which are available in the Corporate Governance section of the Company's website at www.begacheese.com.au/investors/corporate-governance ; and
- should be read in conjunction with the Directors' Report and the Remuneration Report (contained in the Directors' Report) which is included in the 2019 Annual Report available at <https://www.begacheese.com.au/investors/annual-reports/> as those reports also contain information required to be included by the ASX Recommendations.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

BOARD AND MANAGEMENT FUNCTIONS (RECOMMENDATIONS 1.1, 1.3 AND 1.4)

The roles and responsibilities of the Board and Board Committees are defined in the Board Charter and the written charters of the Audit & Risk Committee (ARC), the Nomination, Remuneration and Human Resources Committee (NRHRC), the Milk Services Committee (MSC) and the Peanut Growing and Breeding Committee (PGBC).

The Board Charter also sets out the delegated responsibility of the CEO for the day-to-day management and operation of the Bega Cheese Group 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. During Barry Irvin's period of approved leave of absence, he has appointed Max Roberts as his alternate director. The Board appointed Maxwell Roberts as Chairman of the Board during Barry Irvin's leave of absence. 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 maintain and enhance the reputation of the Group through active engagement with all key stakeholders.

The Bega Cheese Group has written agreements with all Directors (as well as senior executives) setting out the key terms of their appointment. The Company Secretary is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

BACKGROUND CHECKS ON DIRECTORS AND INFORMATION TO BE GIVEN FOR ELECTION OF DIRECTORS (RECOMMENDATION 1.2)

The Board will undertake appropriate checks before appointing a person, or putting forward to shareholders a candidate for election, as a director. If shareholders are making a decision on whether or not to elect or re-elect a director, the Board will provide shareholders with all relevant information in its possession.

DIVERSITY POLICY (RECOMMENDATION 1.5)

The Group has a diversity and inclusiveness strategy aimed at building a competitive advantage for the Group. The Group believes that embracing diversity requires recognising the strengths and uniqueness in our people and creating an environment where they can thrive and develop. The strategy requires a long-term commitment for leaders to lead diversity and inclusion through the Groups values to embed a culture of enhanced thinking on how talent is recognised, harnessed, developed and rewarded. Diversity in the Group is about creating a respectful, inclusive work environment, which positions the Group to attain its business aspirations. The Group recognises that the wide array of perspectives resulting from a workplace that is diverse in gender, age, ethnicity and cultural background promotes innovation and benefits the Bega Cheese Group, customers, suppliers, shareholders and employees.

The focus of the strategy is in the areas of gender, organisational culture, leadership capability and cultural diversity.

The Board reviewed the Diversity Policy in August 2017, which will next be reviewed in 2019 and a Diversity Charter was published.

The refreshed diversity and inclusiveness strategy identifies five elements for action for the Group:

1. Leveraging Strengths - leveraging individual strengths of employees and building team effectiveness through diversity;
2. Developing People - developing the capacity of individuals to grow, and the leader's capacity to create a climate of growth, inclusion and value for different skills, experiences and ways of thinking;
3. Understanding People's Needs - really listening to employees, knowing what their experience of work and life are, looking at how the Group can ensure that employees work experience enhances their experience of life, helping employees manage pressure points throughout their careers;
4. Community - building a sense of togetherness within the Group and through external partnerships; and

5. Removing Barriers – having a clear view of what may be getting in the way to achieve diversity and inclusion targets by shaping processes to remove bias.

Internal promotion, recruitment and acquisition over the last five years has changed the employee profile of Bega, with an increase in the number of women in professional roles to 46%. These roles are a feeder group into business management roles. We are seeing a greater diversity in the cultural background of leaders in management roles. The proportion of women employed by the Group as reported to the Workplace Gender Equality Agency during FY2019 was as follows:

• Board of Directors	14%
• Managers (including senior executives)	22%
• Bega Cheese salaried staff	41%
• The Bega Cheese Group	24%

The Bega Cheese Group's diversity and inclusion strategies and measurable objectives are to:

- a. increase the representation of women in management positions to the overall proportion of women employed by the Group, currently at 29%
- b. have succession plans in place for all Executive Team positions with a diverse pool of identified successors
- c. actively manage any gender pay equity imbalances
- d. ensure external and internal employment practices generate a diverse pool of candidates
- e. measure the effectiveness of the diversity and inclusion strategy through engagement survey feedback.

As a 'relevant employer' under the Workplace Gender Equality Act 2012, the Group submitted an annual filing for the 12-month period ending 31 March 2019. It has been confirmed by the Workplace Gender Equality agency that the Group achieved compliance status. The report can be found in the Corporate Governance section of the Investor Centre on the Bega Cheese Limited website.

BOARD PERFORMANCE EVALUATION (RECOMMENDATION 1.6)

The performance of the Board and Directors is reviewed internally on an annual basis, and three-yearly by an independent expert. In FY2019 the NRHRC conducted a Board and Director review process of both self and peer evaluation.

MANAGEMENT PERFORMANCE EVALUATION (RECOMMENDATION 1.7)

The performance of the senior executives is reviewed regularly against performance indicators determined by the Board. An evaluation of the performance of senior executives has taken place during the reporting period in accordance with the processes set out in the Remuneration Report.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

NOMINATION, REMUNERATION AND HUMAN RESOURCES COMMITTEE

(RECOMMENDATION 2.1)

The membership of the NRHRC is comprised of one independent Director (Terry O’Brien) who was elected to the Committee after the resignation of Peter Margin and appointed as chair of the Committee at its 20 May 2019 meeting, and two non-independent Directors (Max Roberts and Richard Cross). The composition of the NRHRC does not comply with Recommendation 2.1 as the Committee does not consist of a majority of Independent Directors. However, the Board believes that, in the context of the current make-up and size of the Board, the perspective and expertise that the current members bring to the NRHRC is appropriate. The NRHRC may invite any person from time to time to attend meetings of the Committee. More detail on the NRHRC is provided in the Remuneration Report.

The qualifications of the Committee members and their attendance at the meetings of the NRHRC are included in the Directors’ Report.

DETAILS OF DIRECTORS (RECOMMENDATIONS 2.2, 2.3 AND 2.6)

Membership of the Board is currently comprised of three long-standing Supplier Directors, one non-Independent Director (Max Roberts) and two Independent Directors (Raelene Murphy and Terry O’Brien). The Executive Chairman, Barry Irvin, is currently on leave of absence.

Within the context of the Board composition requirements of the Bega Cheese Constitution, the Group aims to achieve a mix of industry, finance and business skills among the Directors that will enable the Board to effectively oversee and guide the Group’s governance and strategic direction.

Details of each Director’s period of office, skills, experience and expertise are set out in the Directors’ Report.

Supplier Directors supply milk to the Group on the same terms as other milk suppliers in the same region and the Group’s procedures and systems ensure that milk prices are set according to the commercial interests and needs of the Group. The Board recognises that there may be a perception that the milk supply relationship between the Group and the Supplier Directors may influence the decision making of these Directors. The Board also recognises that there may be a perception that the length of tenure of the non-Independent Director may influence the decision-making of this Director. Accordingly, while they are able to bring an independent judgment to bear on Board decisions, the Supplier Directors and non-Independent Director have not been characterised as independent due to this potential perception concern.

This means that contrary to Recommendations 2.4 and 2.5, the Board does not include a majority of Independent Directors and does not have an Independent Chair. Notwithstanding the above, the Board considers that it is well placed to fulfil its duties and, in particular, to effectively review and constructively challenge the performance of management. Further, during Barry Irvin’s leave of absence, the Board believes that Max Roberts is the right person to perform the role of Chairman by virtue of his extensive knowledge of and experience in the Bega Cheese Group business and his specialist skills within the dairy industry.

The Group has a program in place for inducting new Directors and providing appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to

effectively perform their role as Directors. Each Director may, in appropriate circumstances and with the approval of the Chairman, seek independent professional advice at the Group's expense.

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

CODE OF CONDUCT (RECOMMENDATION 3.1)

The Bega Cheese Group has a code of conduct (Code) that contains a cohesive set of principles that all officers and employees of the Group are required to abide by in business and dealings with stakeholders. The key aspects of the Code are to:

- a. act with honesty, integrity and fairness and in the best interests of the Group
- b. act in accordance with all applicable laws, regulations, policies and procedures
- c. use Group resources and property properly.

A copy of the Code of Conduct is available in the corporate governance section of the Group's website at www.begacheese.com.au/investors/corporate-governance/.

SECURITY TRADING POLICY

Bega Cheese has adopted a security trading policy which is designed to ensure compliance with ASX listing rules. The policy also ensures Directors and other relevant employees and their associates are aware of the legal restrictions in dealing in Bega Cheese securities while such a person is in possession of unpublished price sensitive information.

A copy of the Security Trading Policy is available in the corporate governance section of the Group's website at www.begacheese.com.au/investors/corporate-governance/.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

AUDIT & RISK COMMITTEE (ARC) (RECOMMENDATIONS 4.1 AND 4.3)

The ARC is comprised of one Independent Director (Raelene Murphy) as Chair of the Committee, one Independent Director (Terry O'Brien) and one Supplier Director (Richard Parbery). Peter Margin was a member until his resignation on 31 January 2019.

The responsibilities of the ARC include:

- a. overseeing the process of financial reporting, taxation, internal control, financial and non-financial risk management and compliance and external audit
- b. monitoring the Group's compliance with laws and regulations and its own policies
- c. ensuring that the relationship between the Group and its external auditor remains independent
- d. evaluating the adequacy of processes and controls established to identify and manage areas of potential risk.

The ARC regularly updates the Board on the activities of the Committee and brings any significant issues identified to the Board's attention on a timely basis. Meetings of the ARC are generally held bi-monthly before meetings of the Board. A rolling timetable has been agreed to plan meetings with external auditors at least twice a year and to review the interim and annual accounts. Special meetings are scheduled by the Chair of the ARC as necessary. Each member of the Board is entitled to attend all meetings of the Committee. The ARC may invite other persons to attend as required.

The qualifications of the ARC members and their attendance at the meetings of the ARC are included in the Directors' Report.

In accordance with the Corporations Act 2001, the lead partner and the review partner of the external auditor will be rotated at least every five years and is next due after FY2023. The external auditor is invited to attend the Bega Cheese Group's Annual General Meeting to be available to answer questions from shareholders relevant to the audit.

FINANCIAL RECORDS (RECOMMENDATION 4.2)

Prior to approving the Group's financial statements for FY2019, the Board has received from the CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

CONTINUOUS DISCLOSURE POLICY (RECOMMENDATION 5.1)

The Bega Cheese Group is committed to observing its disclosure obligations under the Listing Rules and the Corporations Act 2001. The Group has adopted a continuous disclosure policy that establishes procedures aimed at ensuring that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information.

PRINCIPLE 6 - RESPECT THE RIGHTS OF SECURITY HOLDERS

COMMUNICATIONS POLICY (RECOMMENDATIONS 6.1 AND 6.2)

The Bega Cheese Group is committed to keeping shareholders informed of all major developments affecting the Group relevant to shareholders and in accordance with all applicable laws. Information will be communicated to shareholders through the lodgement of all relevant financial and other information with the ASX and publishing information on www.begacheese.com.au.

The Group's website includes media releases, key policies and Board Committee charters. All relevant announcements made to the market and any other relevant information is posted on the Group's website as soon as practicable after it has been released to the ASX.

The Group has implemented a shareholder communications policy to facilitate two-way communication with shareholders and investors, and to encourage effective participation at shareholder meetings.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

RISK MANAGEMENT POLICY AND RISK MANAGEMENT COMMITTEE

(RECOMMENDATIONS 7.1, 7.2 AND 7.3)

The identification and proper management of the risks associated with the Group's business are important priorities of the Board. The Bega Cheese Group has adopted a risk management policy appropriate for its business. This policy highlights the risks relevant to the operations of the Group.

The senior management team is responsible for designing and implementing systems to minimise and control risks associated with the Group's operations, and it reports regularly to the ARC and the Board on those risks. The ARC is also responsible for overseeing and assessing the process of financial and non-financial risk management and compliance. The Board reviews the Group's risk management framework at least annually to satisfy itself that this framework continues to be sound. A review has been carried out by the Board during the 2019 financial year reporting period.

The CEO and CFO have reported to the Board on the effectiveness of the Bega Cheese Group's management of its material business risks. The Group has an enterprise wide risk management framework which manages risks through understanding and responding to the uncertainties the Group faces including supporting the needs of our customers, enabling excellent supplier relationships, maintaining a safe and energised workforce with shared values and an agreed code of conduct.

The internal audit function provides independent and objective assurance on the adequacy and effectiveness of the Bega Cheese Group's systems for risk management, internal control and governance, along with recommendations to improve the effectiveness and efficiency of these systems and processes. The Group Internal Audit Manager who has also been assigned key Governance and Assurance responsibilities reports to the Company Secretary with direct engagement with the CFO, CEO and Chair of the ARC.

ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY RISKS

(RECOMMENDATION 7.4)

The Bega Cheese Group is committed to identifying and managing the economic, environmental and social sustainability risks that could substantively impact our ability to create or preserve value for our key stakeholders over the short, medium or long-term. The Group is producing a further sustainability report for FY2019, which is available on the Group's website, this follows on from the FY2018 report, also available on the Group's website www.begacheese.com.au.

Economic Sustainability

Economic sustainability risks for the Bega Cheese Group are substantively controlled by maintaining market share, proper brand management, facilitating growth through appropriate acquisition, proper fiscal management and anticipating and responding to changes in domestic and overseas markets in which the Group operates.

The Bega Cheese Group has medium and long-term contractual arrangements with key partners that provide guidance as to volume expectations, market share performance criteria as well as development of new business and products. Brand performance monitoring and market research is tasked to the sales and marketing team who also maintain direct relationships with domestic and overseas agents and monitor regulatory changes in key countries. The Bega Cheese Group exercises

strong fiscal control through rigorous management of capital and operational budgets. Business cases are developed and reviewed, which include financial modelling and sensitivity analysis for all major projects.

Environmental Sustainability

The Bega Cheese Group manages risks related to environmental sustainability including the ability to secure milk from suppliers as well as risks associated with the manufacture of products. Sustainability programs have been in place since FY2015, and we introduced a new program in FY2018, providing all suppliers with the opportunity to access information, services training and capital works funding to support their business in investing in farm sustainability.

Major environmental spills, long-term environmental harm or licence breaches all represent risks to ongoing operations. The infrastructure at some sites limits the potential for expansion due to resource constraints such as access to water, energy and appropriate wastewater management options. These risks are managed through strategic site planning and close collaboration with local authorities and supply companies.

Operational environmental sustainability risks are managed by the Group's environment management systems. The manufacturing footprint and environmental performance of each site are monitored against resource consumption and waste production to deliver continuous improvement across a range of intensity indicators.

Social Sustainability

As a food producer, the Bega Cheese Group's sustainability risks include matters relating to the safety of the Group's products and workforce as well as the role of the Group in our communities. Consumer safety is a top priority and any breach may result in reputational damage. The Group's mature quality management system includes quality assurance, with complete traceability of all ingredients and products.

Safety at sites across the Group is material to our social sustainability. Bega Cheese Group aims to drive a deep safety culture within the organisation and the health and safety program being well supported by staff. The Bega Cheese Group also has a talent matrix to develop staff which complements a health and well-being program to help make the Group an employer of choice in the industry. Engagement surveys provide feedback from employees which informs plans to retain and attract qualified and talented staff.

With the Bega Cheese Group being primarily based in regional locations, the sustainability of these communities is a fundamental cornerstone of the Group's approach to business and as a result, the Group seeks to support local organisations where possible. The Group makes significant contributions to charity through monetary contributions, encouraging staff to participate in volunteer work and partnering with organisations supporting rural activity such as the Rural Clinical School, Australian National University College of Medicine, Biology and Environment. The business also contributes to the development of skills through training programs for the farming community.

PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY

NOMINATION, REMUNERATION AND HUMAN RESOURCES COMMITTEE

(RECOMMENDATION 8.1)

The responsibilities of the NRHRC include matters relating to the remuneration policies and practices of the Group.

The membership and conduct of the NRHRC are set out at Principle 2 above. The composition of the NRHRC does not comply with Recommendation 8.1 as the Committee does not consist of a majority of Independent Directors. However, the Board believes that, in the context of the current make-up and size of the Board, the perspective and expertise that the current members bring to the NRHRC is appropriate.

Structure of Remuneration

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.

Details of the remuneration for Directors for their non-executive roles and the basis for the determination of the remuneration for executive roles are also set out in the Remuneration Report.