



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 2020.

27 August 2020

For further information please contact

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Company Secretary
Bega Cheese Limited
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CORPORATE GOVERNANCE STATEMENT

The Bega Cheese Limited (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 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' (4th edition) 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 2020 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 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. The Executive 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 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 SENIOR EXECUTIVES BEFORE APPOINTMENT AND INFORMATION TO BE GIVEN FOR ELECTION OF DIRECTORS (RECOMMENDATION 1.2)

The Group will undertake appropriate checks before appointing a director or senior executive, or putting forward someone to shareholders as 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 Group 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 Group's 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 Group, customers, suppliers, shareholders and employees.

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

The focus of the strategy is in the areas of gender, organisational culture, leadership capability and cultural diversity. It 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 53%. These roles can be 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 FY2020 was as follows:

- Board of Directors 33%
- Managers (including senior executives) 27%
- Bega Cheese salaried staff 42%
- The Bega Cheese Group 29%

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.

At this time the Group does not currently have a measurable objective for the Board to comprise of at least 30% of each gender within a specified period, noting that the current composition of the Board meets that objective.

The Bega Cheese Group is making good progress in working towards the achievement of its diversity and inclusion strategies. In May 2020 the Board of Directors approved a Diversity and Inclusion Blueprint which established the plans to achieve the objectives over the next two years.

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 2020. We are waiting for confirmation by the Workplace Gender Equality agency that the Group has achieved compliance status. The report can be found in the Business Conduct 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 FY2020 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 BE EFFECTIVE AND ADD VALUE

NOMINATION, REMUNERATION AND HUMAN RESOURCES COMMITTEE

(RECOMMENDATION 2.1)

At the start of FY2020, membership of the NRHRC was comprised of one Independent Director (Terry O'Brien) as Chair of the Committee, and two non-independent Directors (Max Roberts and Richard Cross). The composition of the NRHRC at that time did not comply with Recommendation 2.1 as the Committee did not consist of a majority of Independent Directors. In the context of the then-current make-up and size of the Board, the Board considered that the perspective and expertise those members brought to the NRHRC was appropriate.

Following the retirement of Max Roberts as a Director at the 2019 AGM and the subsequent conclusion of his role as alternate director for the Executive Chairman (during the Executive Chairman's leave of absence for health reasons), an Independent Director (Raelene Murphy) was elected to the NRHRC on 29 January 2020. Accordingly, from 29 January 2020, the NRHRC consisted of a majority of Independent Directors and its composition is now fully compliant with Recommendation 2.1.

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, 2.4, 2.5 AND 2.6)

The Constitution prescribes that the Board will comprise up to 8 Directors, with at least 4 Supplier Directors. A Supplier Director is a Director who conducts a dairy farming business and supplies milk to the Company. During FY2020, the Supplier Directors were Barry Irvin, Richard Parbery, Rick Cross and Jeff Odgers. Jeff Odgers retired as a director on 30 June 2020 and Barry Irvin was on leave of absence for health reasons for a period of FY2020. As at the time of approval of this Corporate Governance Statement, the Board comprises Supplier Directors Barry Irvin, Richard Parbery and Rick Cross, and three Independent Directors, namely Raelene Murphy, Terry O'Brien, Patria Mann.

Within the context of the Board composition requirements of the 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. The Board regularly reviews its skills matrix to ensure that it covers the skills needed to address existing and emerging business and governance issues relating to the Group.

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

In accordance with the Recommendations, a Director is considered to be independent if he or she is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, his or her capacity to bring an independent judgment to bear on issues before the Board to act in the best interests of the Group and its shareholders generally. The Board reviews the independence of each Director regularly, in accordance with the guidelines set out in the Company's Board Charter and the ASX Recommendations. As at the date of this Corporate

Governance Statement, and at all times during the reporting period, the Board considers each of Raelene Murphy, Terry O'Brien and Patria Mann to be Independent Directors. As disclosed in the Notice of 2019 AGM, Ms Mann was previously a non-executive director of Bellamy's Australia Limited from March 2016 to May 2017. A subsidiary of Bellamy's Australia Limited has for some time been a customer of Tatura Milk Industries Pty Ltd, a wholly owned subsidiary of the Company. The Board has considered this past association with a customer of the Group having regard to the Board Charter and ASX Recommendations 2.3 and has formed the view that this past association does not compromise the independence of Ms Mann. The Board has reached this view on the basis that Ms Mann's role as a non-executive director of Bellamy's Australia Limited for a reasonably short period of time prior to her election as a director of the Company would not interfere, nor be reasonably seen to interfere, with Ms Mann's capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally. It is noted that ASX Recommendation 2.3 requires this Corporate Governance Statement to address this particular issue for a 3 year period after Ms Mann ceased to be a director of Bellamy's Australia Limited and that this period concluded in May 2020.

The Board has formed the view that the Supplier Directors should not be classified as independent within the terms of the Recommendations. While 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. Accordingly, while they are able to bring an independent judgment to bear on Board decisions, the Supplier Directors 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.

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. As part of the director evaluation process, periodic reviews are undertaken by the Group to determine whether additional professional development is required for existing directors to maintain the skills and knowledge needed to perform their role as directors effectively.

PRINCIPLE 3 – INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

VALUES (RECOMMENDATION 3.1)

The Group's statement of values is available on the Group's website at

<https://www.begacheese.com.au/careers/values/>

CODE OF CONDUCT (RECOMMENDATION 3.2 AND 3.4)

The Group has a Code of Conduct 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 of Conduct 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
- d. avoid real or apparent conflicts of interests.

The Group's anti-bribery and corruption policy is contained within the Code of Conduct.

Any material breaches of the Code of Conduct will be reported to the Nomination Remuneration & Human Resources Committee.

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/business-conduct/.

WHISTLEBLOWER POLICY (RECOMMENDATION 3.3)

The Group has a Whistleblower Policy which applies to all officers and employees of the Group and commits the Group to complying with all applicable laws and maintaining strong principles of corporate governance and ethical standards of conduct across the business in its interactions with fellow employees, contractors, suppliers, the community, other stakeholders and the broader environment within which the Group operates.

The key aspects of the Whistleblower Policy are to:

- a. encourage the reporting of wrongdoing that may cause loss to the Group or damage to the Group's reputation or may cause harm to others;
- b. establish effective reporting and investigation mechanisms within the Group;
- c. enable the Group to effectively deal with reports from whistleblowers in a way that will protect the identity of the whistleblower and provide for the security of the information provided; and
- d. protect whistleblowers against any reprisals.

Any material incidents reported to the Whistleblower service will be reported to the Nomination Remuneration & Human Resources Committee.

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

SECURITY TRADING POLICY

The Group 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 Group 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 THE INTEGRITY OF CORPORATE REPORTS

AUDIT & RISK COMMITTEE (ARC) (RECOMMENDATIONS 4.1)

The ARC is comprised of one Independent Director (Raelene Murphy) as Chair of the Committee, two Independent Directors (Terry O'Brien and Patria Mann) and one Supplier Director (Richard Parbery).

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 at least four times per year, 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 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 FY2020, 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.

VERIFICATION OF PERIODIC REPORTS (RECOMMENDATION 4.3)

The Group is committed to providing clear, concise and effective disclosure in its corporate reports. The Group's goal is that periodic corporate reports will be accurate, balanced and provide investors with appropriate information to make informed investment decisions.

The Group's process for verifying unaudited periodic corporate reports is as follows:

- reports are prepared by, or under the supervision of, subject-matter experts;
- material statements in the reports are reviewed for accuracy and material requirements; and
- other than administrative announcements all other announcements must be approved by the Board.

This process is intended to ensure that all applicable laws, regulations and company policies have been complied with, and that appropriate approvals are obtained before a report is released to the market.

Consistent with these principles, the non-audited sections of the Annual Report, the Investor Presentation and Corporate Governance Statement for the reporting period were prepared by the relevant subject matter experts and reviewed and verified by relevant executives and senior managers prior to review and consideration by the Board and if thought fit, approval.

The process for verification of integrity of the sustainability report includes preparing the report against the Global Reporting Initiative (GRI) Standards 2016, and having the report approved by the Board and CEO prior to release.

ASX announcements including administrative announcements are reviewed by the Chairman and CEO prior to release by the Company Secretary.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

CONTINUOUS DISCLOSURE POLICY (RECOMMENDATION 5.1)

The 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.

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

MATERIAL ANNOUNCEMENT NOTIFICATION (RECOMMENDATION 5.2)

The Board receives notification of all announcements made to the Australian Securities Exchange, utilising the external notifications feature of the ASX Online Company Portal.

RELEASE OF PRESENTATION MATERIALS (RECOMMENDATION 5.3)

The Group releases copies of presentation materials on the ASX Market Announcements Platform ahead of any new or substantive investor or analyst presentations.

PRINCIPLE 6 - RESPECT THE RIGHTS OF SECURITY HOLDERS

COMMUNICATIONS POLICY (RECOMMENDATIONS 6.1, 6.2, 6.3 AND 6.5)

The 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 a shareholder communications policy to facilitate two-way communication with shareholders and investors, and to encourage effective participation at shareholder meetings. The policy also specifies that the Group gives shareholders the option to receive communications from, and send communications to, the Group and its security registry electronically.

The Shareholder Communications Policy is available in the corporate governance section of the Group's website at www.begacheese.com.au/investors/corporate-governance/.

SUBSTANTIVE RESOLUTIONS TO BE DECIDED BY POLL (RECOMMENDATIONS 6.4)

The Group conduct all substantive resolutions considered at General Meetings of shareholders by poll.

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 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 and that the Group is operating with due regard to the risk appetite set by the Board, including in respect of contemporary and emerging risks such as conduct risk, digital disruption, cyber-security, privacy and data breaches, sustainability and climate change. A review has been carried out by the Board during the 2020 financial year reporting period.

The CEO and CFO have reported to the Board on the effectiveness of the 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 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 ARC has reviewed the effectiveness and the performance of the internal audit function, approved the annual internal audit plan, reviewed internal audit reports completed and agreed actions, and ensured that planned audit activities are in alignment to business risks. A risk-based methodology is used in setting the annual internal audit plan. 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.

ENVIRONMENTAL OR SOCIAL RISKS (RECOMMENDATION 7.4)

The Group is committed to identifying and managing the environmental and social 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 publishes a Sustainability Report annually, which is available in the environment section of the Group's website at www.begacheese.com.au/sustainability/.

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 and are set out in the NRHRC Charter.

The NRHRC Charter is available in the corporate governance section of the Group's website at www.begacheese.com.au/investors/corporate-governance/.

The membership and conduct of the NRHRC are set out at Principle 2 above. At the start of FY2020, the composition of the NRHRC did not comply with Recommendation 8.1 as the Committee does not consist of a majority of Independent Directors. In the context of the then-current make-up and size of the Board, the Board considered the perspective and expertise those members brought to the NRHRC was appropriate.

Following the retirement of Max Roberts as a Director at the 2019 AGM and the subsequent conclusion of his role as alternate director for the Executive Chairman (during the Executive Chairman's leave of absence for health reasons), an Independent Director (Raelene Murphy) was elected to the NRHRC on 29 January 2020. Accordingly, from 29 January 2020, the NRHRC consisted of a majority of Independent Directors and its composition is now fully compliant with Recommendation 8.1.

The number of times members of the NRHRC have met and the individual attendances of the members are set out in the Directors' Report.

POLICES AND PRACTICES REGARDING REMUNERATION OF NON-EXECUTIVE DIRECTORS, EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES (RECOMMENDATION 8.2)

The remuneration of senior executives of the 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.

SECURITY TRADING POLICY (RECOMMENDATION 8.3)

The Group has adopted a Security Trading Policy which states that a Designated Person (which includes any director, CEO and senior executive) who participates in unvested entitlements under any equity-based remuneration schemes is prohibited from entering into transactions in associated products which limit their economic risk.

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/.