

BEGA CHEESE LIMITED

2019 SUSTAINABILITY REPORT



Bega[®]



The Great
Australian
Food Company

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Overview

About this report

This report addresses our performance and improvement plans in relation to the material sustainability impacts of Bega Cheese Limited during the financial year 1 July 2018 to 30 June 2019 (FY2019).

In sections one to three of this report we outline the nature of our business, our aspirations, values and strategic approach to sustainability. This includes how we identify and prioritise material issues and address governance and risk management. In the sections that follow, we detail how we manage our impacts on sustainable development and how we respond to the challenges and opportunities they present.

Unless otherwise stated, the information in this report covers the following sites: Bega (Ridge Street and Lagoon Street), Koroit (from August 2018), Strathmerton, Tatura, Coburg (until February 2019), Port Melbourne (Vegemite Way and Lorimer Street), Tolga and Kingaroy. It excludes the Maffra transfer station and the depots at Inverlaw and Gayndah, which are not material. The Derrimut site, which is operated but not owned by Bega, is included in the safety and human resources statistics only. It is not included in the environmental data.

The 25% joint venture Capitol Chilled Foods (Australia) Pty Ltd and the 50% joint venture Bemore Partnership with Blackmores Limited are included only in the financial information.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards 2016. A copy of the GRI Content Index with links to relevant sections of the document is provided on page 54.

We produce a range of reports to meet the evolving needs of our various stakeholders. Our 2019 Annual Report provides a summary of Bega Cheese Limited's operations and financial statements for FY2019 and is available at www.begacheese.com.au. We also produce an annual Corporate Governance Statement, Workplace Gender Equality public report and publish multiple policies on our company website.

The approach we take to audit and assurance is outlined in our 2019 Annual Report. External assurance has not been sought regarding this report. Our approach to external assurance of sustainability reports is under development.

Where there are changes to previously reported data, this is explained in notes where the restated information appears. Restatements can occur due to significant changes such as acquisitions, or a change in measurement methods.

Tell us what you think

As our business continues to evolve, we will keep improving our sustainability reporting and welcome your feedback on this report. Please address any questions, comments or suggestions to bega.admin@bega.com.au.

Previous reports are also available at www.begacheese.com.au.

Please consider the environment before printing this report.



FY2019 in review

Message from the Chairman and CEO

We are pleased to present you with our fifth annual Sustainability Report. Sustainability is essential to our business strategy and earning the trust and confidence of our customers, suppliers, shareholders, staff and the community. By adopting a mindset of continuous improvement we aim to make a positive difference economically, socially and environmentally.

As a food manufacturer, our most material sustainability issues are food safety, water, environmental compliance, energy, animal welfare and sustainable sourcing. We own and operate eight manufacturing sites across three states and have developed significant capacity and capability in our supply chain and operations. We carefully manage the direct impact of our operations and work closely with our dairy and peanut farmer suppliers to support a focus on resource management and sustainability.

In this report, we outline our material impacts on sustainability and how we are working to address those impacts locally, and contributing globally to the UN Sustainable Development Goals (UN SDGs). We also share our future approach and targets for FY2020 with our new Corporate Social Responsibility (CSR) framework. We have aligned this framework with the UN SDGs where we can make the greatest contribution, or where we have the greatest impact.

Our CSR strategy is important to our shareholders as a proactive measure we take to ensure we make positive contributions to society and the environment. This in turn supports our business performance and helps us attract and retain great employees, ensuring strong productivity.

Resilience in a challenging year

We operate in a highly competitive global marketplace and FY2019 presented many challenges. The drought along with high costs for water, feed and power have all had an impact. There have also been major changes in the domestic and international competitive environment. Throughout this, Bega Cheese Group has continued to demonstrate strength and resilience.

In pursuing our vision to be the Great Australian Food Company, our focus is on ensuring an effective and efficient supply chain network and increasingly diversifying our product portfolio and channels to market. Accompanying this is an ongoing focus on business improvement and growth opportunities to create further value for our suppliers, the local communities in which we operate and our shareholders.

Key to our success is our Continuous Improvement program and focus on leadership development. This year the Bega Aspire Leadership Development Program centred on supporting sustainability initiatives in FY2019 and beyond. This program aims to develop capable, energetic and passionate leaders in our business who are central to our growth aspirations. It has been named as a finalist for the Australian Institute of Training and Development Excellence Awards in the category of "Best Talent Development program".

Our acquisition of the Koroit facility in August 2018 highlighted the growing diversity of the Group, increasing the range of products we manufacture. The Koroit facility has injected significant processing capacity into our network and an extra 308 million litres of milk. Integrating this facility into our network enables us to meet growing industry challenges by adding important flexibility, geographic diversity and scale. We entered into a supply arrangement with a major international infant formula business which has led to our decision to invest in a new lactoferrin plant at the Koroit facility, to be commissioned in FY2020.

In the first half of FY2019, our investment in Capilano Honey demonstrated our interest in expanding our spreads offering to include honey, even though we subsequently divested our shares. We also acquired a controlling interest in 180 Nutrition, an online health and wellness business that supplies dairy and plant protein products and natural health supplements through its own e-commerce platform and weekly educational podcasts. This aligns with emerging global consumer trends and supports the expansion of our nutritional product portfolio.

Important rationalisation opportunities also took place this year. The closure of the Coburg facility in February 2019 was quickly followed by a toll manufacture agreement with a third party for ongoing supply of cheddar and mozzarella cheese. This will enable us to continue to grow our business utilising our own milk pool and avoids additional capital expenditure and duplication of infrastructure in the Australian dairy industry. In addition, we have made available our own extra capacity to process other customers' milk supply into dairy commodities.

Supporting our farmer suppliers

Increasing farm input costs have had a significant impact on our dairy farmer suppliers. In response, we temporarily suspended our Bega Better Farms program in September 2018 to divert funds toward drought support programs. In FY2020 the Bega Better Farms program will re-commence. To date, 23 capital works grant applications have been approved for funding. Animal welfare is a major focus of the Better Bega Farms program with half of the program's capital works projects in FY2019 going toward improvements on farms to animal health or calf management infrastructure.

We introduced an irrigation supplement payment in Northern Victoria to assist with the purchase of temporary water for all farms. Suppliers in the Orbost region in Victoria, significantly affected by the drought, were supported with stock feed freight subsidies.

Bega Cheese Group provides meaningful financial support to suppliers via the Bega Supply Premium. This up-front investment in future milk supply has positioned the group well to manage the challenges ahead as adverse climatic conditions and record high milk prices paid to suppliers continue into FY2020.

The Peanut Company of Australia was also impacted by a dry season causing a lack of water for irrigated growers. Dryland growers also experienced a tough season due to a lack of substantial rain to support crops.

These challenges adversely impacted a number of key sustainability performance measures in FY2019, which are calculated against our production volumes.

Capacity and markets

Despite these challenges in a year of significant change, the resilience and strategic focus of Bega Cheese Group has once again been demonstrated in FY2019.

We are pleased to report that Group revenue increased by 13% to \$1.42 billion. The normalised EBITDA of \$115.4 million was 5% up on the prior year and the net profit after tax was \$38.3 million.

This year Bega Cheese Group produced 280,405 tonnes of dairy and food products, an increase of 8% on the previous year.

We collected a record 1.06 billion litres of milk from our dairy farmers, a 41% increase on FY2018. This represents 12% of Australia's national milk pool. We enjoy a positive reputation among dairy



farmers and this, along with our competitive payment strategies, helps support the ongoing supply of milk that is so vital to our business. As part of our on-boarding of new dairy farmers, a farm report checklist is completed which includes key questions on animal health and welfare practices, chemical use and effluent management. In FY2019, 82% of new dairy suppliers brought on board completed the checklist.

Milk volume reduced across the Australian dairy industry, primarily due to drought conditions impacting dairy farmer suppliers. Overall, Australian milk production was 8.8 billion litres, a decrease of 5.7% compared to FY2018, primarily as a result of the drought and high costs for feed, water and other inputs. The current forecast for FY2020 is for Australian milk production to fall an additional three to five percent, due to continued high input costs and the reduced size of the national herd.

Revenue of \$1.42 billion increased by 13% compared with last year. The increase was primarily due to the increased milk volume with the Koroit facility acquisition. We also saw strong growth in our core branded consumer and food service business in both the domestic and international markets.

The domestic market remains extremely competitive. High milk prices being paid to milk suppliers are starting to be reflected in the market, with the price of retailers' mark milk and cheese products increasing in recent months. The Group will continue to be proactive in recovering higher operating costs for dairy products. Our domestic and foodservice foods business has a strong product portfolio with leading brands and strong consumer support. We will continue to build on this and extend our product range and establish new channels to consumers, including online.

Our export branded revenue has grown by over 4%, driven by South East Asia and North Asia consumption. A growing middle class in the Asian region is increasingly seeking our high quality and healthy Australian food products.

Sustainability performance

This year we continued to work hard to understand and minimise the environmental and social impacts of our business and continued to improve on our safety performance.

The safety of our people is always our priority as we continue to strive to achieve zero injuries. Our safety performance has again improved year on year, with ongoing investment in our people and our assets. In FY2019, the total recordable injury frequency rate (TRIFR) was reduced by 15%.

We are committed to ensuring our products always meet and exceed the expectations of our customers and consumers. Our food safety performance remains strong. A combined 99 independent quality and food safety audits consisting of 134 audit days were conducted across the group in FY2019 with no serious concerns being identified.

Customers who purchase our products are increasingly focused on provenance, improved traceability, quality assurance and the sustainability of resource use and farming practices. Our focus remains on healthier eating, ensuring our ingredients are sourced as ethically and sustainably as possible and consumer preferences for Australian owned and made products are met. The recently launched Bega Simply Nuts range of peanut butter is made from 100% Australian peanuts, sourced from our Kingaroy facility. This year we developed a Palm Oil policy, to affirm our commitment to sourcing palm oil in a socially and environmentally responsible and sustainable manner. We have adopted the Roundtable on Sustainable Palm Oil (RSPO) as our standard for palm oil and palm oil products.

Supporting the nutritional needs of our consumers involves providing relevant wellbeing choices and information. This is evident through innovations in our product range which includes Reduced Salt Vegemite, Gluten Free Vegemite, the Bega Simply Nuts Peanut Butter range and a range of options for reduced fat dairy products. We continue to create new and improved products to meet consumer preferences.

We are a valued partner in the communities in which we operate, supporting many charities and organisations. Over many years Bega Cheese has supported its local communities, both with direct contributions to regional charities and through specific fundraising events. In South East NSW we host the Bega Cheese Corporate Event held in the Bega Valley, now in its 28th year. Clients, customers and suppliers from Australia and around the world are invited to attend. In Northern Victoria, Tatura Milk organises the “Tatura 200”, an annual charity bike ride and walk, which Bega Cheese contributes to. This event began in 2008 and attracts over 350 participants each year. Proceeds from both are contributed to local charities.

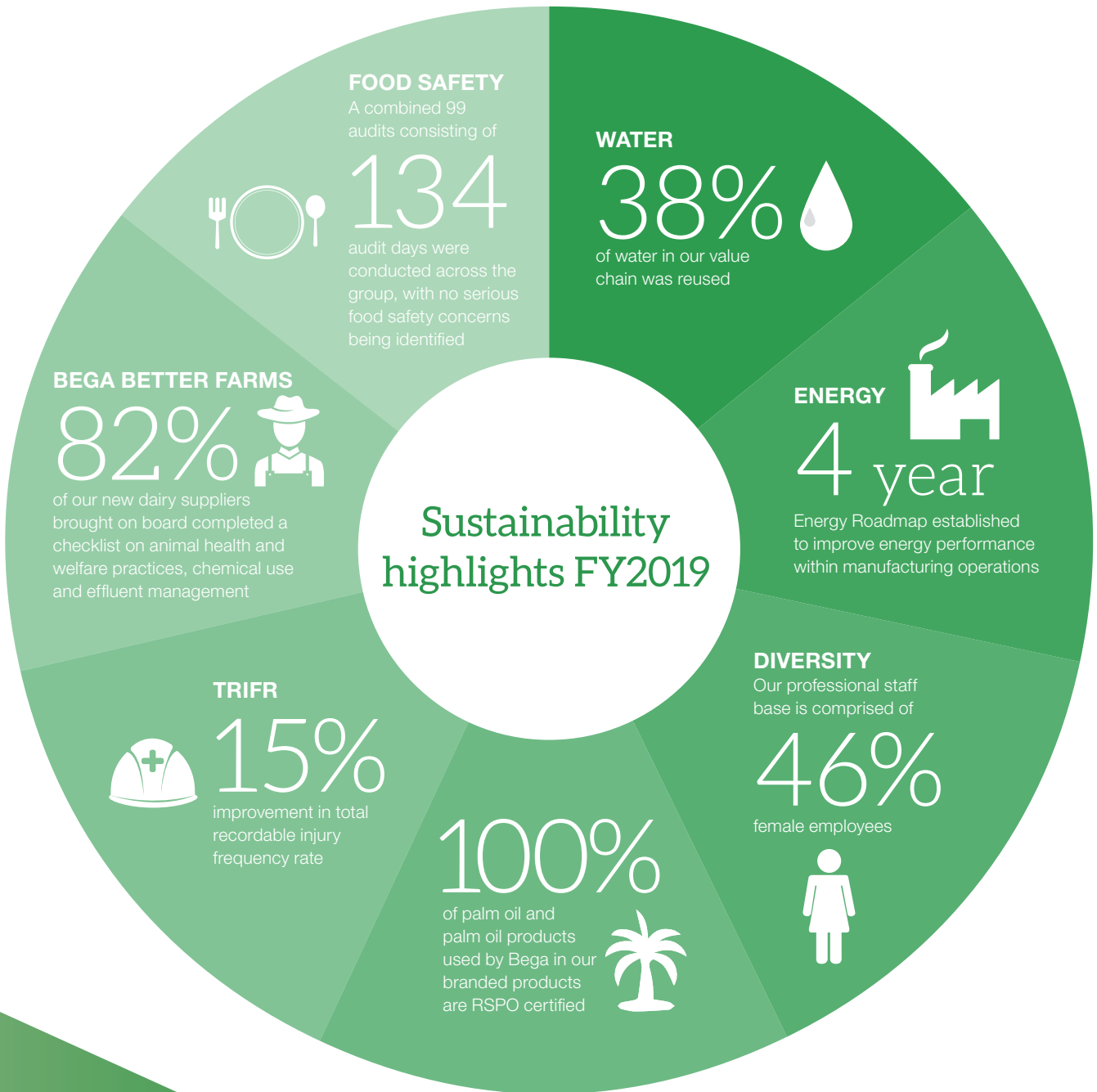
Other highlights of our FY2019 sustainability performance include continuing the rollout of our Energy Roadmap, which aims to realise a 20% reduction in energy use over four years. A water security analysis was conducted and is an important step in reviewing our approach to water management. This year 38% of water in our value chain was reused. Important progress has been made to address gender imbalance within the Group. Women now represent 46% of our salaried staff in professional roles, up from 36% in the prior year.

We remain committed to achieving our sustainability targets and acknowledge that there is always a great deal more work to be done. Our growth towards becoming the Great Australian Food Company relies on the knowledge and effort of our staff and the support we receive from our suppliers, shareholders, customers and the community. Sincere thanks is extended to them all for another year of their dedicated support.



Max Roberts
Chairman
16 September 2019

Paul van Heerwaarden
Chief Executive Officer
16 September 2019



About Bega Cheese

Our business was founded as a collective of rural dairy farmers in the Bega Valley of New South Wales, keen to make a difference to their local industry and community. This heritage and culture has been key to our success.

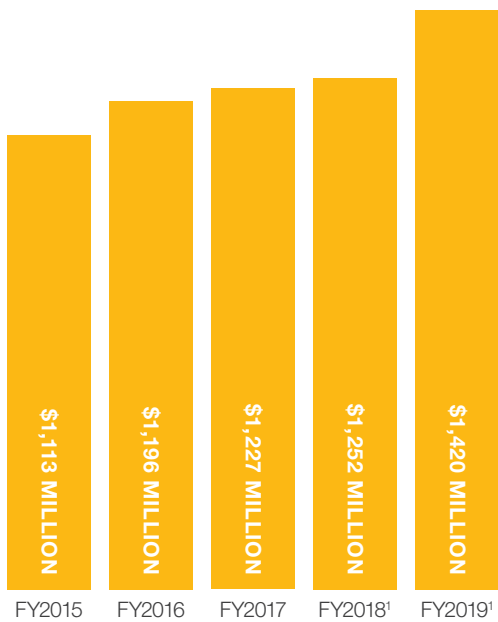
Since its modest beginning, Bega Cheese has grown into a \$1.42 billion corporate entity employing over 2,000 permanent staff. The business was listed on the Australian Securities Exchange in 2011 (ASX Code: BGA) and now has approximately 13,700 shareholders. Today we own and operate eight manufacturing sites across New South Wales, Victoria and Queensland. We are supplied by over 550 dairy farms and 100 peanut farms.

We have continued to leverage and evolve our core dairy and nutritional capabilities to become a respected and successful global food business, with a vision to become the Great Australian Food Company. In recent years we have grown and transformed through a number of strategic acquisitions: the Mondelēz grocery business in Australia and New Zealand in July 2017; the Peanut Company of Australia (PCA) in January 2018; and the Koroit dairy plant in Western Victoria from Saputo Dairy Australia Pty Ltd in August 2018.

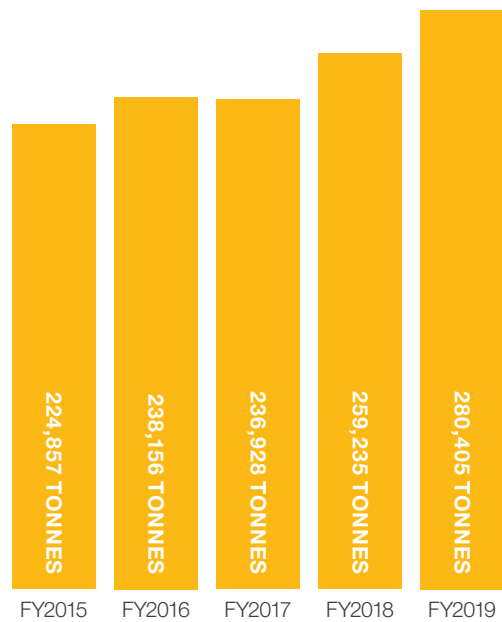
Today, we have significant capacity and capability across dairy ingredients, nutritionals, retail dairy products and spreads including Vegemite and peanut butter. This increased capacity positions us well for further growth in domestic and international markets. We continue to focus on our strategy of building a dairy and food business capable of servicing customers and consumers in Australia and around the world with competitively priced, high quality products from dairy and agriculture regions in Australia.

Our success is supported by the farming families that supply us, the local communities in which we operate, our quality products and services, and ongoing personal engagement with our customers. These principles remain steadfast as we extend beyond current product categories and evolve into the Great Australian Food Company. We proudly continue to have a strong focus on the needs of our customers, a record of superior shareholder returns, strong supplier relationships, a safe and engaged workforce, and long-term community support and engagement.

Year-by-year revenue



Year-by-year production volume



¹ FY2018 and FY2019 Revenue is restated due to adjustment for the impact of AASB15 *Revenue from Contracts with Customers*

Our vision and values

Following the purchase of the Mondeléz grocery business and PCA, we reviewed our vision and values. These were launched in FY2019.

Our vision is to be the Great Australian Food Company.

- Great food
- Great people
- Great aspirations
- Greater good

We make a difference in everything we do by embracing our values. These values are as follows.

Passion for the customer

We create great food and build brands that our customers and consumers love and trust.

Grow our people

We ensure our people will continue to grow with Bega. We give them the responsibility to work together and achieve great outcomes.

Invest in our future

We have great aspirations to go beyond our business today. We invest in technology, innovative products and new markets.

Support each other

We strive for a greater good by combining our success with a positive and lasting impact on others.



Our history

1899

Founded by rural dairy farmers in Bega, New South Wales

In 1899, dairy farmers in the Bega Valley of New South Wales decided to improve their individual production and marketing activities and together established the Bega Co-operative Creamery Company. The original Bega Cheese factory at Lagoon Street in Bega opened in 1900 and still operates today producing cheddar, mozzarella cheese and whey powders.

1997

Ridge Street site built in Bega, New South Wales

In 1997, Bega Cheese built a cheese processing and packaging facility at Ridge Street, Bega, producing cheese products for both the Australian and International market.

2007

Acquisition of Tatura Milk Industries, Victoria

In April 2007, Bega Cheese acquired a 70% shareholding in Tatura Milk Industries Limited (Tatura Milk), located in the township of Tatura in Northern Victoria. The final 30% was acquired in 2011. This broadened the company's product range with the addition of cream cheese, milk powders and nutritionals.

2009

Acquisition of manufacturing facility in Strathmerton, Victoria

In March 2009, Bega Cheese acquired the cheese manufacturing facility of Kraft Foods at Strathmerton in Victoria. The asset was one of the largest processed cheese facilities in Australasia and Bega Cheese further invested in the infrastructure adding natural cheese cutting capability to the plant.

2011

Australian Securities Exchange listing

An important milestone for Bega Cheese occurred in August 2011 when the business listed on the Australian Securities Exchange (ASX). Following the successful listing, Bega Cheese acquired the final 30% of Tatura Milk, making it a wholly owned subsidiary of Bega Cheese.

2017

Bega Foods: Acquisition of Mondelēz Grocery Business, Port Melbourne, Victoria

In January 2017, the Bega Cheese Group announced the acquisition of Mondelez International's Australian and New Zealand grocery and cheese business (Mondelēz grocery business) now known as Bega Foods. The acquisition was completed in July 2017. This diversified our product portfolio with the iconic Vegemite brand and a range of other products including peanut butter, salad dressings, dips, sauces and cheese. It also included the manufacturing site in Port Melbourne, Victoria.

Sale of infant nutritional assets to Mead Johnson Nutrition Asia Pacific (now part of Reckitt Benckiser Group)

In late February 2017 Bega Cheese Group formed an important long-term strategic alliance with the sale of infant nutritional assets to Mead Johnson Nutrition Asia Pacific. This involved the sale of our Derrimut nutritional formula finishing plant, established in 2014, in Melbourne and one of our milk powder spray dryers at Tatura to our nutritional formula customer (acquired by Reckitt Benckiser Group). The sale was accompanied by a 10-year service agreement.

2018

Acquisition of Peanut Company of Australia, Queensland

In January 2018 we finalised the acquisition of the Peanut Company of Australia (PCA) business. Founded in 1924 and based in Queensland, PCA supplies peanuts for our peanut butter product range. PCA has plants at Kingaroy and Tolga in Queensland and is involved with all aspects of the peanut processing chain – from developing new peanut crop varieties to drying and shelling, grading, blanching, sorting, roasting and granulating the final product.

Acquisition of manufacturing facility in Koroit, Victoria

In August 2018, we were pleased to complete the acquisition of one of Murray Goulburn's former dairy manufacturing facilities, located at Koroit in Western Victoria, from Saputo Dairy Australia. The Koroit dairy manufacturing facility has significant capacity for butter, milk powders and nutritional powders, which complements our existing dairy infrastructure network, providing us with a strong position in one of Australia's largest dairy regions.

2019

Acquisition of 180 Nutrition

In February 2019, we became the majority shareholder in 180 Nutrition, an online health and wellness business that supplies dairy and plant protein products and natural health supplements through its own e-commerce platform.

Our sites



TOLGA
12 Tostevin Street
Tolga QLD 4882 Australia



KINGAROY
133 Haly Street
Kingaroy QLD 4610 Australia



BEGA
11-13 Lagoon Street
Bega NSW 2550 Australia



BEGA - HEAD OFFICE
23-45 Ridge Street
Bega NSW 2550 Australia



TATURA
236 Hogan Street
Tatura VIC 3616 Australia



STRATHMERTON
Murray Valley Highway
Strathmerton VIC 3641 Australia



KOROIT
41 Commercial Road
Koroit VIC 3282 Australia



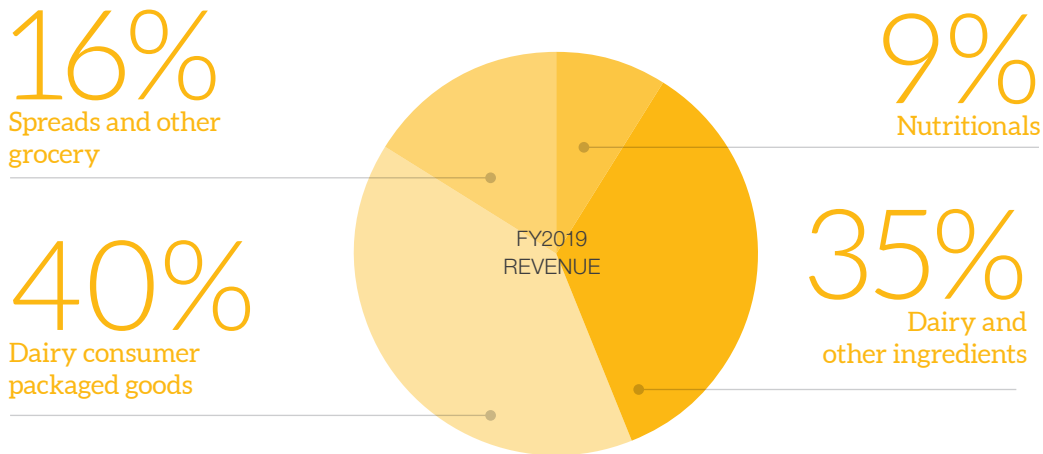
PORT MELBOURNE
1 Vegemite Way
Port Melbourne VIC 3207 Australia



PORT MELBOURNE
664 Lorimer Street
Port Melbourne VIC 3207 Australia

Markets

In FY2019 Bega Cheese Group revenue increased by 13% on the previous financial year to \$1.42 billion.



In the Australian market, the Bega brand is a household name across dairy and grocery categories. We also have the trusted brand Vegemite as well as Zoosh dressings and dips and we are the market leader in peanut butter. Most of our revenue comes from products that are number one by market share in their categories.

Vegemite is stocked in over 80% of Australian pantries. Our domestic customers include Aldi, Coles, Woolworths and Metcash plus distribution across food service and quick service restaurants. Our business-to-business customers include Fonterra, Kraft, Mondelez, Bellamy's and Blackmores.

Internationally, our brands and products are gaining popularity. Export sales totalled \$442 million in FY2019 and comprised 31% of total sales. We are committed to expanding our range of dairy ingredients, nutritional and core food products around the world. Our international customer base includes manufacturers, retailers, distributors and agents in markets including South East Asia, China, Japan, Korea, United Kingdom, France and the Middle East. We also have an increasing number of nutritional, food service and ingredient customers in China.

The Bega Bionutrients health and nutrition ingredients business continues to grow. Bega Bionutrients' flagship product, lactoferrin, has been produced at Tatura since 2002. In FY2020 production of lactoferrin will commence at our new facility at Koroit. Lactoferrin, a naturally occurring iron-building protein in milk, is valued for its anti-microbial, anti-inflammatory and immunological properties. It is used globally as a bioactive ingredient in infant formula, nutraceutical and pharmaceutical products. Aspects of Bega Bionutrients' footprint are included in this report through the energy, water, safety and human resources facets of the relevant operating sites, such as Tatura. In FY2020, we expect to further expand Bega Bionutrients and look forward to incorporating more content on the business in our future reporting cycles.

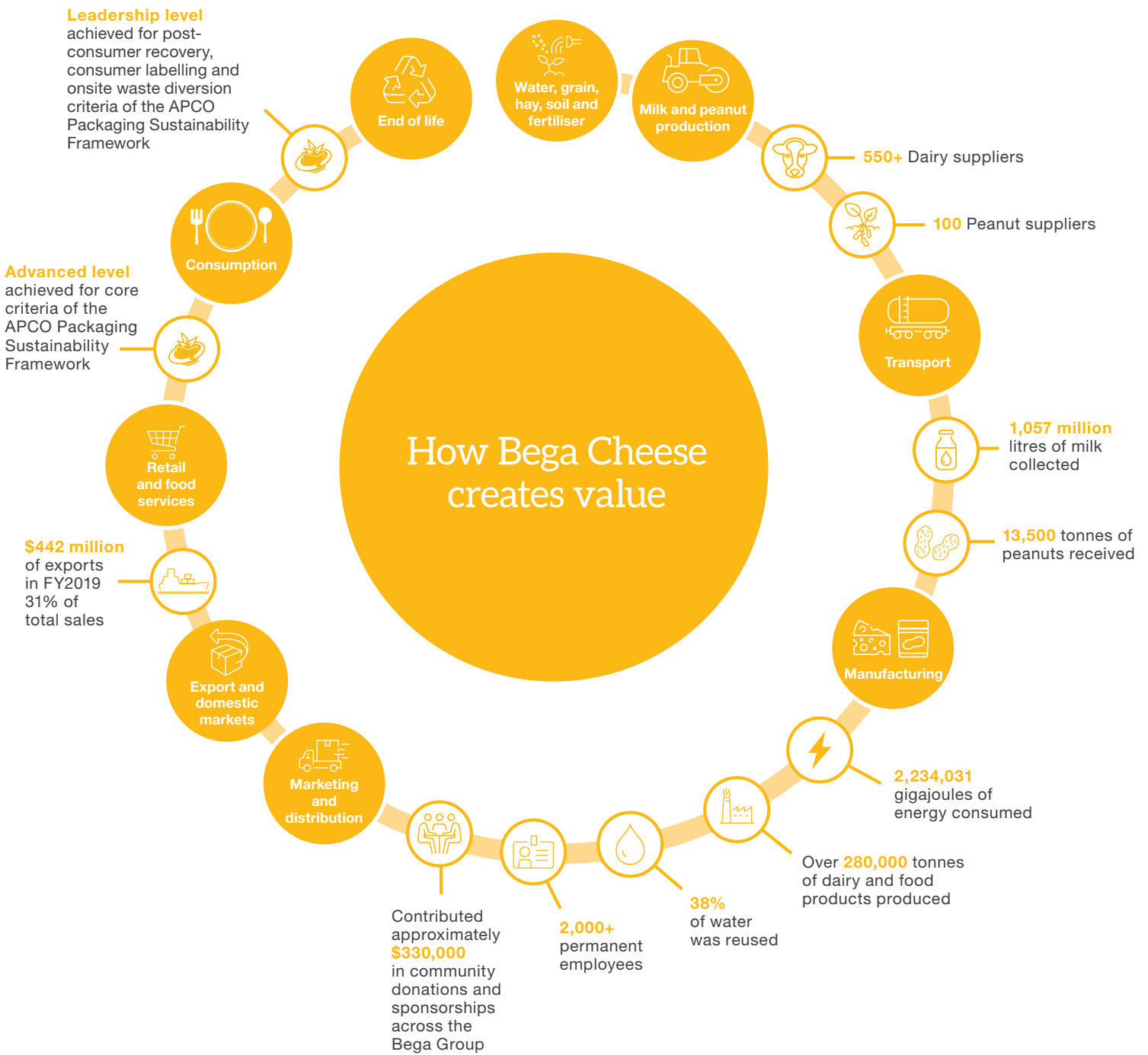
Bega Cheese is now a majority shareholder in 180 Nutrition. 180 Nutrition sells dairy and plant based protein products, superfoods and wholefood bars online in Australia. They connect customers with the world's leading experts in nutrition via podcasts and a strong social media presence. This addition to our business aligns well with our vision of being The Great Australian Food Company.

International customer base



| Region | Export sales |
|-------------|--------------|
| Europe | \$31.0m |
| Middle East | \$35.8m |
| North Asia | \$162.0m |
| South Asia | \$189.6m |
| Americas | \$8.5m |
| Others | \$14.8m |

Our value chain



Bega Cheese targets and performance

We set annual targets to measure our performance on key sustainability issues. Our business has adopted a continuous improvement approach, always aiming to improve performance year on year. Sustainability targets are reflected in business unit planning and performance is regularly reviewed by site leadership teams, the Group Safety and Sustainability Manager, and other senior group managers.

The table below shows the sustainability targets we established for FY2019 and how we performed in each area. Our future Corporate Social Responsibility approach and targets for FY2020 and beyond are detailed in the pages that follow.

Bega Cheese targets and performance

| | ONGOING TARGET | FY2019 PERFORMANCE | PROGRESS |
|---|--|---|---|
| % of women in management positions | 32% | 22% |  More to do |
| Maintain zero product recalls for food safety | 0 | 0 |  On track |
| Food safety | Continue quality and food safety management integration of newly acquired businesses | |  On track |
| | FY2019 TARGET | FY2019 PERFORMANCE | PROGRESS |
| Workplace injuries | <6.5 TRIFR | 5.8 TRIFR |  On track |
| | Develop pathway to certify our safety management system initially to AS/NZS 18001 and then to the new global safety standard ISO 45001 | Completed a gap audit of our safety management system using AS/NZS 18001 |  On track |
| | Review our Golden Safety Rules | Revised and launched our Golden Safety Rules |  Completed |
| | Continue our behavioural leadership program across managers, supervisors, team leaders, and health and safety representatives | Rolled out stage two of our behavioural leadership program at our Strathmerton site |  On track |
| | Develop additional lead safety measures to focus the business on key activities to drive further improvement | Tracked number of monthly workplace inspections and recording of near misses |  On track |

| | FY2019 TARGET | FY2019 PERFORMANCE | PROGRESS |
|-------------------------------|---|--|--|
| Sustainable sourcing | Invest in water programs to aid farmers in buying water | Funds from the Bega Better Farms program diverted towards drought support programs |  Completed |
| | Develop a more detailed position on palm oil and report on our progress in our next report | New policy developed and published in this report |  Completed |
| | Increase Australian peanut content in our peanut butter products | Launched Bega Simply Nuts Peanut Butter range using 100% Australian grown peanuts |  On track |
| | Source 100% sustainable palm oil and palm oil derivatives for our products | 100% of the palm oil and palm oil products used by Bega branded products are RSPO certified |  On track |
| Ethical sourcing | Develop an ethical sourcing framework | A Group Ethical Sourcing Policy is under development |  More to do |
| Energy intensity | 6.10 GJ/t | 7.39 GJ/t |  More to do |
| | Continue to implement Energy Roadmap by developing an energy policy and site specific energy management plans | Energy policy delayed for integration with a water, energy and greenhouse gas policy in FY2020 Energy use mapped, sub metering systems designed and 38 concept proposals were approved for energy saving projects |  On track |
| Greenhouse gas intensity | Establish a long term target to reduce CO2 emissions | 0.64 tCO2e/t |  More to do |
| Water intensity | 7.80 kL/t | 7.53 kL/t |  On track |
| Waste diversion from landfill | 62% | 52% |  More to do |
| Waste intensity | 7.70 kg/t | 8.62 kg/t |  More to do |

Our approach to corporate social responsibility

The responsibility we take towards the world around us is influenced by our humble beginnings as a cooperative. Our business was founded as a collective of rural dairy farmers in the Bega Valley, New South Wales, who were keen to make a difference to their local industry and community.

This history shapes our view today - that together we all play a part in creating a sustainable community and environment. We proudly contribute to the local communities where we operate because we are part of them.

Our Corporate Social Responsibility (CSR) framework sets our agenda for addressing the impacts of our business and opportunities where we can contribute to sustainable development more broadly. Our CSR framework is illustrated below and features three critical aspects of our business:

- our products
- our people and communities
- our planet.



The development of the CSR framework is informed by multiple initiatives, including:

- a consideration of the United Nations Sustainable Development Goals (UN SDGs)² and where we have the greatest impact or contribution to make as a business
- industry guidance including the Dairy Declaration of Rotterdam, developed by the International Dairy Federation and the Food and Agriculture Organisation of the United Nations and the Australian Dairy Industry Sustainability Framework

- the results of a materiality assessment undertaken in FY2017 to determine our key sustainability issues – food safety, water, environmental compliance, energy, animal welfare and sustainable sourcing (for more information on our material issues refer to Appendix pages 58 - 60).

The diagram below outlines the relationship between the themes of our developing CSR framework, the material issues we determined in FY2017 and the United Nations Sustainable Development Goals (UN SDGs) where we have identified the greatest impact or contribution we can make.

Relationship between our CSR Framework, the United Nations Sustainable Development Goals and our material issues



SUSTAINABLE DEVELOPMENT GOALS



²The UN SDGs are a collection of global goals set by the United Nations General Assembly in 2015 for the year 2030.

Our CSR strategy: Greater good

Our products

Bega products are household favourites across Australia and continue to gain popularity worldwide. We create food that people love and trust and we maintain this trust by continually aiming to improve. We ensure transparency in labelling and marketing, the highest quality food safety and we develop products that provide options to meet evolving customer wants and needs.

Our people and our communities

Our success is underpinned by our people and the communities in which we operate. Bega is a valued partner in local communities and proudly supports a range of charities and organisations. We are committed to ensuring a healthy and safe work environment for our employees. We value a diverse workplace that brings about a wide array of thinking, perspectives and experience. We believe in 'growing our people' and actively supporting their development throughout their careers.

Our planet

We recognise the need to minimise the impact our business activities have on the planet. Through good land and water management, and reducing our greenhouse gas emissions and packaging impact, we aim to contribute to a better planet for generations to come.

Our priorities

Our focus is on the five areas where we can have the greatest impact:

- Food nutrition
- Diversity, inclusion and equality
- Greenhouse gases
- Water sustainability
- Packaging.





Our products

Food nutrition (key focus area)

Making better, healthier food

We will deliver on customer expectations by completing ingredient health reviews across our portfolio and designing product alternatives to meet specific dietary requirements. As one of our key focus areas, our commitment will include:

- developing a nutritional profiling standard based on the World Health Organisation’s nutritional recommendations and Australian Dietary Guidelines
- removing 15 tonnes of salt from our product portfolio by 2023
- reducing sugar by 10% in Bega Peanut Butter by 2023.



Food safety and quality

Making food that our customers and consumers trust

We are committed to ensuring our products meet the expectations of our customers and consumers. We will focus on continuing to improve food safety and quality systems in our operating facilities by maintaining certification to Global Food Safety Initiative (GFSI) and recognised schemes such as British Retail Consortium (BRC) Global Standards.



Responsible marketing

Speaking honestly about our products

The quality of our food speaks for itself. There is nothing to hide, no corners to cut, nothing our consumers wouldn’t be glad to hear about. We continue to be transparent and clear in our marketing, advertising and labelling practices, to help consumers make better choices.



2.4

By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.



3.4

By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.



Our people and communities

People safety

Keeping everyone healthy at work

'Safety always' is a priority for our business. We will continue to invest in improving safety in our operations and building capability in our teams through behavioural-based safety programs.

We continuously assess and invest in our sites and safety procedures. We will also examine the benefits of independent certification of our safety management programs, to be recognised by international and Australian standards.



Community contribution and expectation

Helping the community thrive

We are a valued partner in many communities and support a range of charities and organisations. We aim to direct our support to projects that have a lasting community benefit, are based in our local communities and support local organisations.

Our community partnership work is often directed to regional areas, supporting charities assisting members of the community experiencing difficult circumstances. We support a wide range of community projects in the areas of education, sport, community service, the arts and health.



Diversity, inclusion and equality (key focus area)

Recognising that everyone has something to give

We will continue to actively invest in creating an inclusive culture, embracing diversity and treating people with respect through our policies and practices. We are committed to promoting gender equality in the workplace and on increasing the percentage of leadership positions held by women. We report annually to the Workplace Gender Equality Agency against the standardised gender equality indicators, in accordance with the requirements under the Workplace Gender Equality Act 2012 (Cth).

As a key focus area, our commitment to diversity, inclusion and equality includes:

- increasing the representation of women in management positions to the overall proportion of women employed by the Group to 32% (currently 22%)
- having succession plans in place for all Executive team positions with a diverse pool of identified successors.



People capability

Making people's potential a reality

We will adopt a culture of 'growing our people', providing a supportive environment for learning and development.

We aim to develop capable, energetic and passionate leaders at Bega, who are central to our growth aspirations.



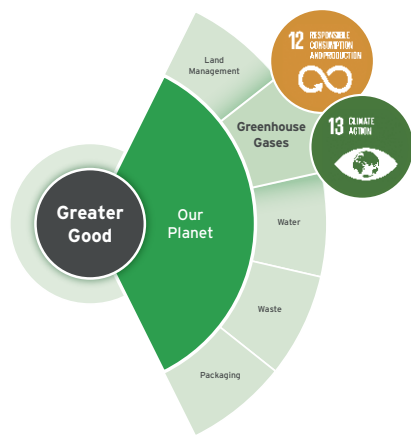
Our planet

Land management for agriculture

Supporting sustainable farm practices

We understand that agriculture has a profound impact on the environment and work closely with our suppliers to support them in their sustainable farm practices.

Australia's drought conditions continue to significantly impact our farmer suppliers. The sustainable use of water is crucial and we will focus on water intensity reduction, dairy and peanut on-farm water management programs, plus the ongoing work of our Continuous Improvement teams in reducing water consumption.



Greenhouse gases (key focus area)

Responding to the challenges of climate change

Climate change has already had observable effects on the environment and global temperatures will continue to rise for decades to come. Climate change affects our supply chain through water security, weather events, food security, prices and farming viability.

We recognise the need to respond to these challenges by reducing greenhouse gas emissions from our energy consumption and our supply chain. As a key focus area, our greenhouse gas initiatives include:

- improving energy efficiency in manufacturing through our Energy Roadmap
- implementing a comprehensive water, energy and greenhouse gas policy.



Water sustainability (key focus area)

Ensuring every drop counts

Water security is a key challenge for our business and we continually explore opportunities for water system improvements. We are vigilant with ensuring effective water management in our operations, including initiatives to reduce water consumption and decrease wastewater.



2.4

By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.



6.4

By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.



12.2

By 2030, achieve the sustainable management and efficient use of natural resources.



Waste

Producing more, wasting less

We will continue to strive to reduce our waste going to landfill. Our business is committed to exploring new ways to divert our trade byproducts from landfill, ensuring beneficial reuse wherever possible.



Packaging (key focus area)

Packaging for a better planet

We are systematically reviewing packaging to identify continuous improvement opportunities and explore more sustainable options. As one of our key focus areas, our packaging commitments include:

- transitioning up to 20% of cheese slice clamshell packaging to 100% recycled PET
- partnering with APCO in conjunction with Planet Ark to launch the application of the Australasian Recycling Label.



12.3

By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.

Industry participation

We are active contributors to the Australian Dairy Industry Sustainability Framework and we are guided by the national priorities for the industry in our approach to determining material issues, developing targets and monitoring our progress in sustainable development. You can read more about the Framework at www.dairyaustralia.com.au/ourdairypromise.

Bega Cheese contributes its performance data on energy, greenhouse gas emissions, water and waste to the Dairy Manufacturers Sustainability Council Environmental Sustainability Scorecard which can be viewed online at www.dmsc.com.au.

We are also an active participant and member of various industry bodies, some of which have a dedicated focus on issues in sustainability. These include:

- Australian Dairy Industry Council
- Australian Dairy Products Federation Incorporated
- Australian Farm Institute
- Dairy Industry Association Australia (NSW and Victoria)
- Dairy Research Foundation
- Gardiner Foundation
- NSW Farmers Association
- NSW Irrigators' Council
- Dairy Manufacturers Sustainability Council
- Australian Packaging Covenant Organisation
- Australian Food and Grocery Council
- Infant Nutrition Council, Australia and New Zealand.

We monitor global environment, social and governance (ESG) indices and continually seek to improve our measures against them. We have been rated by Morgan Stanley Capital International (MSCI), achieving a BBB rating in October 2018. The Australian Council of Superannuation Investors has also reviewed our level of sustainability disclosure and has assessed our disclosure as 'Moderate'.

We will progressively develop responses to new recommendations and regulations, such as the Taskforce on Climate Related Financial Disclosure (TCFD) and Commonwealth Modern Slavery Act (2018).

Governance and risk management

The Bega Code of Conduct provides a framework of principles that Bega Cheese Limited and its subsidiary companies abide by in business and when dealing with stakeholders. It outlines the responsibilities that employees, contractors, suppliers, consultants and directors have to the company. The Code of Conduct was updated in August 2018 and is available on our website at www.begacheese.com.au/Investors/Corporate-Governance/.

Our Code of Conduct encompasses high standards of business ethics, fair employment, safety, fair business practices, stakeholder engagement and environmental management. Contractor compliance with relevant aspects of the Code of Conduct is managed as part of their engagement and maintained through a web-based training and compliance tool which is completed annually.

Employees complete a Code of Conduct Declaration upon employment, and refresher training every 12 months to ensure awareness of any changes. The Code of Conduct also outlines the company's grievance procedures and provides an independent hotline to report any breaches.

Our Board consists of eight directors overseeing the sustainability activities of Bega Cheese, while Board sub-committees monitor performance and provide advice and assistance. The Audit and Risk Committee monitors and reviews the risk register at least annually to assess the degree to which material risks are being effectively managed and to ensure that all material financial and compliance risks are adequately reflected in the financial statements.

The Company Secretary reports annually to the Audit and Risk Committee on the organisation's compliance with our risk management policy and the effectiveness of the Bega Cheese risk framework. Our approach to risk is based on AS/NZS ISO 31000:2009. Managers are responsible for compliance with risk management policies and processes, and ensuring that key controls are in place and effective.

The Board has also established two Committees aimed at our two key areas of raw materials sourcing, peanuts and milk. The Peanut Growing and Breeding Committee assists increasing the supply of Australian peanuts, promoting growth in the industry and fostering the relationship with peanut grower suppliers. Similarly, the Milk Services Committee assists in formulating strategies to ensure the purchase of appropriate quantities of milk to satisfy the strategic plans of the business and foster its relationship with farmer milk suppliers.

Bega Cheese Directors occupy positions on the governance bodies of a number of key industry associations. Jeff Odgers, Director, was a Director of Dairy Australia and became their Chairman in November 2017. Richard Cross, Director, is also currently the Chairman of Murray Dairy Inc.

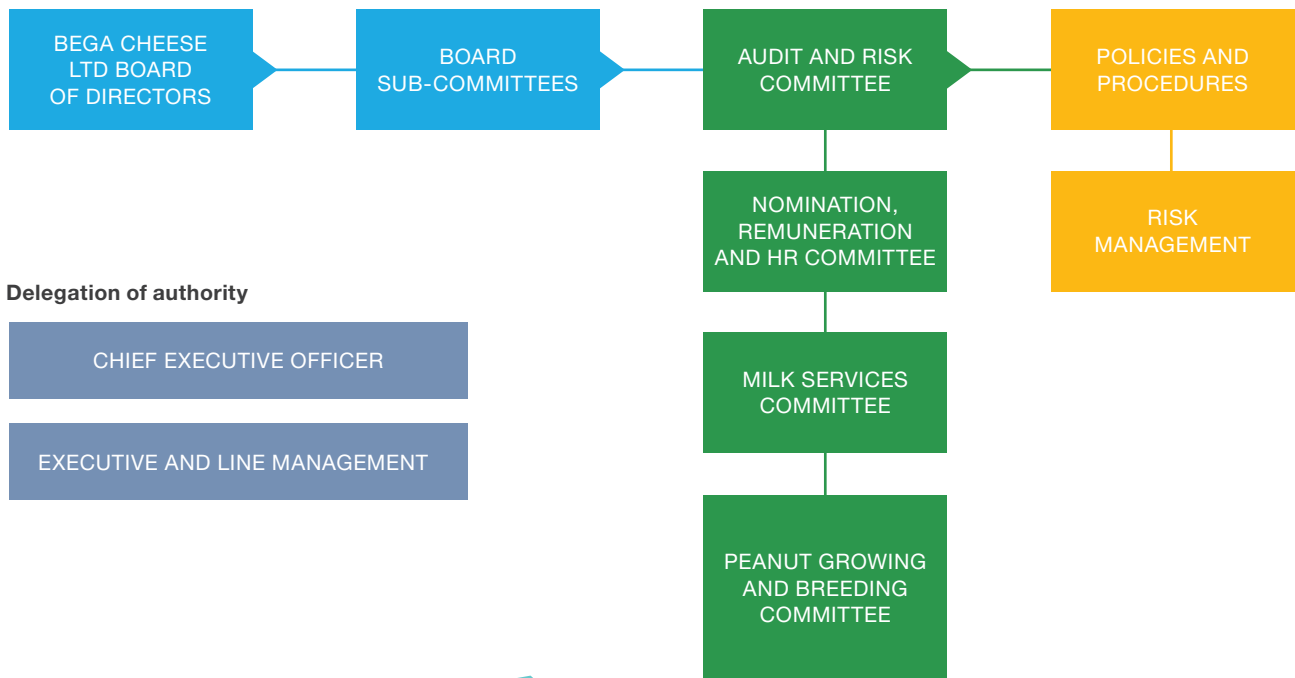
Some executive and management members also occupy positions on industry associations. David McKinnon, Executive General Manager Human Resources, is a member of the Federal Government Department of Industry and Training - Food Beverage and Pharmaceuticals Industry Reference Committee.

Liz Newlan, Manager Human Resources, is a member of the Skills Impact Food, Beverage and Pharmaceuticals Industry Committee and the Federal Government Department of Education Food, Beverage and Pharmaceutical Industry Reference Committee.

Hamish Reid, Executive General Manager Nutritionals, is Chair of the Board of the Infant Nutrition Council of Australia and New Zealand, of which Tatura Milk Industries is an associate member.

Further details on Bega Cheese Directors and their other current directorships are available on pages 18-19 of our 2019 Annual Report.

Bega Cheese governance



Responsible sourcing and community development

Looking after our supply chain

Provenance, improved traceability, quality assurance and the sustainability of resource use and farming practice are all of prime importance to our customers. Throughout all product and ingredient lifecycles we partner with suppliers to ensure a focus on the ethical and sustainable sourcing of ingredients, sound labour practices and efficient manufacturing processes.

With around 200 main suppliers and over 800 smaller suppliers, more than 90% of our supply chain expenditure is in Australia. Local sourcing allows us to maintain a strong focus on ensuring the sustainability of Bega Cheese and its supply partners by establishing long-term arrangements that ensure ingredients meet expected quality and other standards. Nearly 70% of our spending is on milk, raw materials and other ingredients for our key food products. During FY2019, there were no significant changes to the supply chain or location of suppliers.

Bega Cheese supply chain expenditure



Our Group Procurement Charter was established in FY2018 and implemented across the Bega Cheese Group. It outlines how internal stakeholders and suppliers are managed in order to achieve mutually beneficial, productive and sustainable relationships. It is based on the Bega Cheese Group Code of Conduct and relies on the principles of fairness, ethics, transparency and responsiveness.

In managing our supply chain, we seek to:

- increase the Australian sourced content within our suppliers' product range
- support primary producers through developing sustainable and fair supply arrangements underpinned by balanced commercial terms
- reduce landfill through diversion to recycling
- reduce water usage through investment in processing practices and technology
- ensure transparent and consistent sourcing and contract processes.

We assess suppliers through a company-wide standardised sourcing and evaluation process which includes a range of cross-functional stakeholders across the business. Assessment criteria are communicated to all suppliers at the commencement of the procurement process. This includes sustainability-related performance criteria, ranging from accreditation by independent certification organisation to a relevant standard to life-cycle impacts of materials. In FY2019 approximately 20 new suppliers were brought on board, and a similar number terminated through this evaluation process.

Our key sustainability criteria are currently under review with our quality, safety and product development teams. A number of linked initiatives will be implemented in FY2020, as follows.

Ethical Sourcing Policy

We plan to release a group Ethical Sourcing Policy which will set out clear expectations in the areas of responsible sourcing, fair work practices, modern slavery, community development, water usage, recycling and environmental impact.

Standard supplier on-boarding platform

A standard supplier on-boarding platform will be incorporated to enable us to assess all current and potential suppliers against a range of requirements in the areas outlined in our Ethical Sourcing Policy. Suppliers considered to be “high risk” will be audited for their compliance.

Chain of Responsibility training and assessment will be completed by all employees and contractors to support the new policy and on-boarding platform. New employees will be required to complete Chain of Responsibility awareness training as part of their induction.

Update to our Procurement Charter

We will update our Procurement Charter to reflect the work undertaken for the Ethical Sourcing Policy and standard supplier on-boarding platform, and align with the principles of the ISO 20400:17 Sustainable Procurement Guidance.



Bega Cheese adopts Sustainable Palm Oil Policy

Bega Cheese acknowledges the environmental and social impacts associated with the production and supply of palm products. We use palm oil or palm oil derivatives in a variety of products including peanut butter.

We have recently adopted a new Sustainable Palm Oil Policy and are committed to sourcing palm oil in a socially and environmentally responsible and sustainable manner. We have adopted the Roundtable on Sustainable Palm Oil (RSPO) as our standard for palm oil and palm oil products.

Specifically, we are committed to sourcing palm oil and palm oil products from a transparent, traceable and sustainable supply chain that:

1. protects high conservation areas, high carbon stock forests and peatlands
2. respects and upholds the rights of workers, indigenous peoples and local communities
3. upholds high standards of transparency through reporting of traceability and achieving RSPO accredited certification
4. supports our goal that by December 2020 Bega Cheese will source 100% of its palm oil and palm oil products from Segregated³ or Identity Preserved⁴ palm oil and palm oil products.

The policy applies to all palm oil and palm oil products, both sourced by Bega Cheese and used in our supply chain, whether manufactured at our own facilities or by a third party. The policy applies to our brands: Vegemite, Bega Peanut Butter, Simply Nuts, Zoosh, Dairymont, Royal Victoria, Tatura, Bega Cheese (International), Farmers Table, Bonox and Picky Picky⁵.

We currently estimate that, based on the certification of our suppliers, 100% of the palm oil and palm oil products used by Bega in our branded products are RSPO certified. More than 80% is either Identity Preserved or Segregated with only two ingredients certified as Mass Balance⁶. We are working toward 100% sourcing from Identity Preserved and Segregated to meet our goal next year.

³ Segregated (SG): a supply chain that assures that RSPO certified palm oil products delivered to the end user come only from RSPO certified sources.

⁴ Identity Preserved (IP): a supply chain model that assures that the RSPO certified palm oil products delivered to the end user is uniquely identifiable to a single RSPO mill and its certified supply base.

⁵ Products made under contracts are currently excluded from this policy.

⁶ Mass balance: Sustainable palm oil from certified sources is mixed with ordinary palm oil throughout supply chain.

Working with our farmers

Prioritising Australian grown peanuts

As a leading producer of peanut butter, Bega Cheese is committed to maximising the percentage of Australian peanuts in our peanut butter products. Our acquisition of the Peanut Company of Australia (PCA) will help us progress that goal. Currently, our Bega Simply Nuts Peanut Butter range is made from 100% Australian grown peanuts.

Queensland produces 95% of Australia's peanuts and up to 25% of the crop is grown as a rotational crop with sugar cane, adding to yields for cane farmers. Peanut crops improve soil health by naturally drawing nitrogen from the air and fixing it to soil via their root systems. This means farmers can apply less nitrogen for the following sugar cane crop, and this helps control weeds and prevent disease by interrupting their cycles.

Naturally occurring nitrogen helps reduce the need for application of inorganic nitrogen fertilisers, which have been linked to the degradation of the Great Barrier Reef. The Australian and Queensland Government's *Reef 2050 Long-Term Sustainability Plan* aims to reduce dissolved nitrogen loads by up to 80% by 2025.

Bega Cheese also works with peanut growers to ensure that the use of chemicals and fertilisers can be traced back to the paddock as part of our quality assurance process. Growers must provide a Grower Declaration and Peanut Grower Chemical Use Record prior to the delivery of any peanuts, which includes requirements for pest control programs and the use of registered chemicals.

Supporting dairy farmers in tough times

This year we collected 1,057 million litres of milk from dairy farmers, a 41% increase on FY2018. Our hope is that all farms supplying our milk are dynamic, successful and help sustain strong, vibrant rural communities. We enjoy a positive reputation among dairy farmers and this, along with our competitive payment strategies, helps support the ongoing supply of milk that is so vital to our business.

As part of our on-boarding of new dairy suppliers to Bega Cheese, a farm report checklist is completed which includes key questions on animal health and welfare practices, chemical use and effluent management. By the end of FY2019, 82% of our new dairy suppliers who were brought on board during the year had completed the checklist.

This financial year we continued our Bega Better Farms program to help dairy farmers develop and improve their business. Funds were diverted towards drought support programs from September 2018 and the program will resume in FY2020. Grants were made available for information and service support, development and training and on-farm capital works. Our Field Officers assessed applications against the expectations of the farm report checklist, the risk of non-compliance and opportunities for improvement. A summary of the grants approved and completed in FY2019 is presented in the table below and demonstrates a priority on animal health and welfare as well as water and effluent management.

Bega Better Farms program grants for FY2019

| Capital Works Projects – Up to \$5,000 | | |
|---|-------------------|--------------------|
| Bega Better Farms Category | Projects approved | Projects completed |
| Animal health | 21 | 14 |
| Calf management | 10 | 7 |
| Chemicals | 3 | 1 |
| Effluent | 13 | 9 |
| Energy | 2 | 1 |
| Irrigation and water | 11 | 8 |
| Soil and nutrients | 1 | 1 |
| Workplace health and safety | 1 | 1 |
| Total projects | 62 | 42 |
| Funds | \$301,500 | \$206,173 |
| Advice and service support - up to \$1,000 per farm | | |
| Farm planning | | 11 |
| Animal health | | 13 |
| Soil and nutrients | | 8 |
| Workplace health and safety | | 2 |
| People management | | 6 |
| Total farms | | 40 |
| Funds | | \$38,340 |
| Training and development | | |
| Individual scholarships | 17 | \$20,225 |
| Group training support | 6 | \$14,646 |
| Funds | | \$34,871 |

The drought across much of South Eastern Australia directly affected many farms, significantly increasing farm input costs for all suppliers in all regions. Challenging operating conditions resulted in a large number of farmers, particularly in Northern Victoria, retiring from the industry and many others leaving to secure higher milk prices from liquid milk competitors. In response, we temporarily suspended the Bega Better Farms program in September 2018 to divert funds toward drought support programs. We introduced an irrigation supplement payment in Northern Victoria to assist with the purchase of temporary water for all farms. Suppliers in the Orbost region in Victoria, significantly affected by the drought, were supported with stock feed freight subsidies. In FY2020 the Bega Better Farms program will re-commence. To date, 23 capital works grant applications have been approved for funding.

In 2018 Bega Cheese Group commenced the recruitment of organic milk suppliers to support our nutritionals business. Existing certified organic supply was recruited along with the commencement of certification for many existing suppliers. Organic milk is produced in the absence of synthetic chemicals, vet treatments and fertilisers. For existing conventional farmers, the change requires learning of a whole new way of farming, with the main focus on soil health and preventative measures for managing herd health. Our major focus has been on supporting farmers through the process with certification assistance and technical support.

Securing milk supply to support the newly acquired Koroit dairy manufacturing facility in the Western District of Victoria was another priority focus this year. The introduction of the Bega Supply Premium, which provided both existing and new suppliers with an upfront payment in return for a two or three-year supply agreement, was a successful tool for milk recruitment in both the Western District and Gippsland regions. The Bega Supply Premium was made available to all suppliers in all supply regions and the uptake was very high.

PLANS FOR
FY2020 

- Increase Australian peanut content for our peanut butter products
- By December 2020, Bega Cheese will source 100% of its palm oil and palm oil products from Segregated or Identity Preserved palm oil and palm oil products

Animal welfare

Our business depends on the health and welfare of Australia’s dairy herd. Animal health and welfare is of great interest to our stakeholders, particularly our large customers and consumers.

We support the Australian Dairy Industry Sustainability Framework, which aims for 100% compliance with legislated Australian Animal Welfare Standards and 100% uptake of relevant recommended practices by 2020. We also support the National Dairy Industry Animal Welfare Strategy and require all of our suppliers to comply with the Australian Animal Welfare Standards and Guidelines for Cattle, and the Australian Animal Welfare Standards and Guidelines for Land Transport of Cattle. Adhering to these standards and guidelines is a condition we place on our suppliers, as detailed in our Supplier Handbook.

Our farm report checklist for on-boarding new suppliers includes questions on these standards, such as the use of pain relief when dehorning calves, managing herd fertility to eliminate routine induction, provision of adequate shelter and eliminating tail docking.

Animal welfare is a major focus of the Better Bega Farms program with half of the program’s capital works projects in FY2019 going toward improvements on farms to animal health or calf management infrastructure. This includes improvements to yards and laneways to prevent lameness, better sheds for calves, improved access to water in summer and the provision of shade and shelter in paddocks. Farmers are also taking up the offer of advice and service support for animal health under the program, to meet and improve on the recommended practices.

Case Study: Bega Better Farms improves animal welfare

Bega Better Farms is an initiative of Bega Cheese designed to encourage continuous improvement in the areas of quality assurance, regulatory compliance and resource sustainability. Animal health and welfare is a high priority focus area under the program. Half of the Bega Better Farms capital works projects to-date have been related to animal health and welfare. Of these projects, a third are associated with improvements to calf rearing facilities.

Jamie and Anne Snell in Northern Victoria were successful in obtaining a Bega Better Farms Grant to help build a new calf rearing facility for their bull calves. Designed to accommodate around 160 calves, the facility has provided the Snell family with the capability to rear their bull calves to weaning age. This improves welfare for their bull calves because prior to the construction of this facility, the majority had to be sold locally at just 10 days old.

The Bega Better Farms program contributed \$5,000 towards a cost of around \$38,000 for the new calf rearing facility. The facility has enabled a better outcome for the bull calves, provided a better working environment for staff, and improved the capacity for machinery storage during the off season.



Supporting regional economies

Our contribution to regional communities takes many forms and includes direct employment, support for regional charities, payments to our suppliers, tax payments to government, and providing dividends to our shareholders. Bega Cheese is a significant employer in regional Australian centres including Bega in New South Wales, Koroit, Strathmerton and Tatura in Victoria, and Kingaroy and Tolga in Queensland. We employ over 2,000 permanent staff across the company.

Through sourcing raw materials, our business directly supports the livelihoods of many suppliers. Since acquiring the Peanut Company of Australia, we also continue to work towards our goal of sourcing an increased percentage of peanuts from Australian peanut growers.

In FY2019, we paid \$13.3 million in tax in the ordinary course of business. We manage our Australian tax obligations in line with the expectations of the Australian Tax Office (ATO) and have a strong history of paying fully franked dividends to shareholders. Our results this year supported our full-year dividend of 5.5 cents per share. Under Australian taxation law, Bega Cheese Group has three taxable entities, being Bega Cheese Limited, Tatura Milk Industries Pty. Ltd. and Peanut Company of Australia Pty. Ltd.

Community partnerships

Through supporting local communities and encouraging their economic development our business makes a genuine difference in the regions where we operate.

We place priority on supporting the communities of our farmer suppliers and our staff through a range of charitable events and sponsorships. Much of our corporate support is directed to regional areas, often supporting charities that assist members of the community experiencing difficult circumstances. A wide range of community projects are supported and include the areas of education, sport, community service, the arts and health.

In FY2019, we contributed approximately \$330,000 in community donations and sponsorships across the Bega Group. Our local sponsorship prioritises opportunities based on projects which have the widest community benefit, are based in our local communities supporting local organisations, and which have a lasting community benefit.

Charitable events

Bega Cheese Corporate Event

Our annual Corporate Event has raised over \$1.1 million in the past 10 years. This event is an important opportunity to showcase the Bega Valley to visiting guests, who then attend a charity auction held in aid of the causes we support each year. In addition to the support from corporate clients, Bega Cheese also makes a substantial donation. Bega Cheese chooses a local charity in the Bega Valley as the beneficiary.

Corporate clients, customers and suppliers from around the world are invited to attend the event and tour the region. In FY2019 Tulgeen Disability Services was the chosen charity, with proceeds from the event totalling \$200,000. Tulgeen Disability Services is a not-for-profit community-based disability service provider operating in the Bega Valley and surrounding communities. They provide respite and supported living services, and the funds will go towards increasing supported accommodation services to people with disability. This is an urgent need in the Bega Valley where there is a lack of accessible, safe, secure and affordable accommodation and a 10-year wait list for social housing.

Previous recipients of the annual Bega Cheese auction include the Community Carers Accommodation South East at the regional hospital, the Youthland project at Jigamy (a camp that educates young people about aboriginal culture), the Tathra Bushfire Recovery Mayoral Appeal, and South East Women's and Children's Services.

Tatura 200 Charity Bike Ride & Walk

The Tatura 200 Charity Bike Ride & Walk is one of our long-standing charitable events. Known as the Tat200, it was an initiative of the original Tatura Milk Industries Board, aimed at extending community support beyond its traditional stakeholders. Since the event's inception in 2008, the past decade has seen the Tatura 200 Charity Bike Ride & Walk raise approximately \$915,000 for local charities, organisations and community groups in the Goulburn Valley. More information on the event and fund recipients can be found at www.tatura200.com.au.



Case Study: Staff activities support community giving

Staff across our business regularly lend their support to some excellent causes through a range of social events and competitions.

A Jeans for Genes Day event was held at our Port Melbourne site in Victoria, supporting research for childhood genetic diseases by raising money while donning some denim.

Staff at our Kingaroy site in Queensland came together to participate in R U OK Day. This important event was supported by many sites across our business, bringing people together to see the power of conversation. The national day of action inspires people to ask "are you ok?" and encourages meaningful conversation that could change a life.

A group of staff at our Koroit site formed a cycling team and participated in the Murray to Moyné bike ride fundraiser in April to raise money for local community emergency response teams. This is the ninth year the team from Koroit has participated and this year's funds raised resulted in a new defibrillator being donated to the town.

Many sites across the Bega Group participated in Biggest Morning Tea event in May, in support of the Cancer Council. Other charities that have been supported include The Smith Family, Fun Flight, the Good Friday Appeal and the Shepherd Centre.



Case Study: Staff volunteer for Eat Up

With 10.9% of Australian children living in poverty, around one in every eight young Australian children will go to school each day without any lunch. This impacts their concentration in class and ability to learn at a critical time in their lives. Eat Up is a charitable organisation that is working to change this by making and delivering thousands of lunches a month to schools around Australia. Since 2013, they've delivered over 250,000 lunches.

In October 2018 and February 2019 around 25 of our staff from our Port Melbourne site volunteered during their lunchbreak to make, wrap and stack Vegemite and cheese sandwiches. Sandwiches were made with Vegemite and cheese donated by Bega and made in record time with over 1,200 cheese sandwiches assembled in 45 minutes! For more information on Eat Up visit www.eatup.org.au.



Our people

Our people are key to our integrity and success. At Bega Cheese we have a diverse and inclusive workforce of over 2,000 permanent employees and we are committed to creating a workplace where all our people can thrive. We are proud to be a significant employer in the rural communities in which we operate.

Our Code of Conduct, referred to throughout this report, is the cornerstone of our commitment to ethical behaviour. It outlines our business, social and environmental responsibilities and the standards by which our employees work. This guiding set of principles sets the benchmark for the way we do business at Bega Cheese, ensuring we observe the highest standards of business conduct. It outlines the responsibilities that Directors, employees, contractors and consultants, have toward Bega Cheese and covers multiple aspects of our business including, health and safety, conflicts of interest, fair business practices, community engagement and grievance processes. Each staff member is required to read and sign that they understand and will adhere to our Code of Conduct.

We respect our employees' right to freedom of association and collective bargaining. Approximately 70% of our employees' employment arrangements are covered by collective bargaining agreements.

Social diversity and equal opportunity

We continue to be guided by our Board-approved Diversity and Inclusion Strategy for 2017-20. The strategy outlines how we work to foster a diverse and inclusive workplace. Bega Cheese is proud of our diverse workplace and we believe this brings a wide array of thinking, perspectives and experience which promotes innovation, enhances quality decision making, and enables us to attract and nurture the best talent. Our commitment to diversity and inclusion is formalised in the Bega Cheese Diversity and Inclusion Policy, which has five elements: leveraging strengths, developing people, understanding people's needs, community, and removing barriers.

Supporting new parents

Our family-friendly policies include paid parental leave (including for parents of stillborn children) offering 12 weeks' paid leave for the primary caregiver. In addition, we have introduced a Super Booster policy which is an up to 12-week superannuation top up for those taking more than 12 weeks of unpaid parental leave. This support means that we consistently have a high rate of employees return to work after taking parental leave.

Supporting mature age employees

We value age diversity in our organisation and appreciate the knowledge and experience our mature age employees bring to the workplace. We offer a wide range of flexible working initiatives, including options for employees to take a phased approach to retirement.

Working flexibly

We strive to provide a flexible working environment that accommodates the needs of our people, our customers and our business. A flexible working policy and process exists for salaried employees, which employees and their managers can work through to determine whether flexible working requests can be accommodated. Access to flexible working options can improve productivity and support a more sustainable work-life balance.

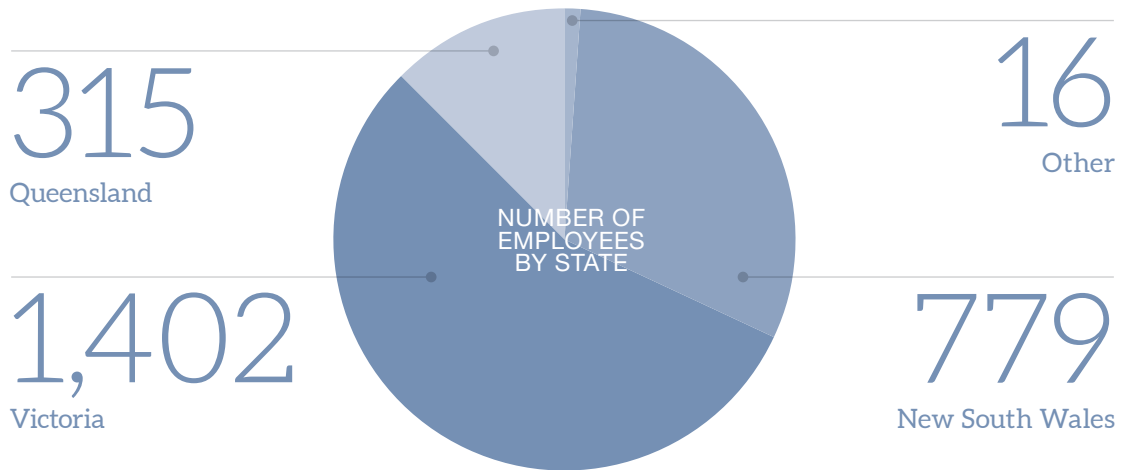
Employee breakdown by employment type and gender

While overall our staff is comprised of 29% female and 71% male employees, our professional staff base is comprised of 46% female and 54% male employees. The proportion of female employees in this category has grown significantly in recent years.

Bega Cheese employee breakdown by employment type and gender



| | Female | Male |
|-----------|--------|-------|
| Total | 735 | 1,777 |
| Full-time | 444 | 1,378 |
| Part-time | 132 | 88 |
| Permanent | 576 | 1,466 |
| Temporary | 159 | 311 |



Gender equality

Bega Cheese is committed to promoting gender equality in the workplace. We remain focused on increasing the percentage of leadership positions held by women - an opportunity that is key for our organisation. We report annually to the Workplace Gender Equality Agency against the standardised gender equality indicators, in accordance with the requirements under the Workplace Gender Equality Act 2012 (Cth).

We aim to:

- increase the representation of women in management positions to 32% (currently 22%)
- have succession plans in place for all Executive team positions with a diverse pool of identified successors
- actively manage any gender pay equity imbalances
- ensure our employment practices generate a diverse pool of candidates
- measure the effectiveness of the diversity and inclusion strategy through engagement survey feedback.

Supporting each other

One of Bega's core values is to 'support each other'. We strive for greater good by combining our success with a positive and lasting impact on others. We are proud of our heritage and always consider the wellbeing of our people, our farmers and suppliers, the environment, and the communities who support us. Supporting the values are our leadership competencies and behaviours. We expect all employees to foster inclusion and value diversity, and we have a leadership expectation that our leaders ensure they work to optimise diversity.

Case Study: Bega Cheese introduces graduate program

In February 2019, we welcomed our first Bega Graduate intake. Our new graduate program is an important part of a strategy to grow our workforce in line with our growth aspirations in the coming five years.

During their orientation week graduates met with General Managers and experts in their field, toured the Vegemite factory, learnt about their own working styles and discovered more about our community involvement. A highlight was lending a hand cooking at OzHarvest, Australia's leading food rescue organisation. OzHarvest collects quality excess food from commercial outlets and delivers it directly to charities that support people in need across the country.

Recruiting young professionals through our graduate program supports the long-term strategy of the Bega Group in an increasingly competitive global market. This aids workforce development, helps build a greater talent pipeline and improves our workforce diversity. It also brings new ideas and skills into the workplace and enables us to further engage with our communities, strengthening our employer brand.





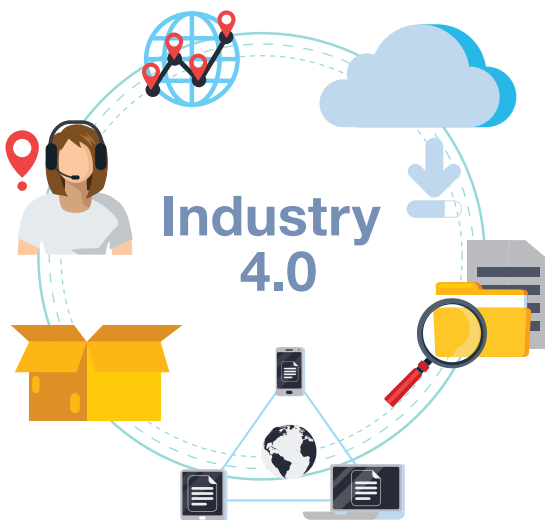
Case Study: Aspire – our leadership development program

Aspire is an accelerated development program for future leaders at Bega Cheese. It is aimed at developing capable, energetic and passionate leaders in our business, who are central to our growth aspirations.

Participants from across the business undertake a series of learning modules linked to the Bega leadership competencies and values. The Aspire program takes participants on a journey from leading self, to leading and motivating others, to leading the business and facilitating change.

The program concludes with participants working in teams on a business improvement initiative where they use the skills acquired during the program. In 2019 the team’s improvement initiatives revolved around the central theme of sustainability.

The Bega Aspire Leadership Development Program has been named a finalist for the Australian Institute of Training and Development Excellence Awards, in the category of "Best Talent Development Program". The winners will be announced in October 2019.



Case Study: Bega partners with Swinburne University and Telstra on innovative Industry 4.0 projects

Rapid technological advancements are changing how businesses conduct their operations, and Bega Cheese aims to lead the way with how we will approach the opportunities this presents.

Industry 4.0, also known as the fourth industrial revolution, is about using transformative technologies to connect the physical world with the digital world and includes advanced automation and robotics, artificial intelligence and machine learning, and sensor technology and data analytics. Bega Cheese is collaborating with research partner Swinburne University, regarded as pioneers in Industry 4.0, to investigate how we could incorporate these innovative techniques into our business.

In late 2018 we began scoping two pilot projects - one examining applications for digitising inbound milk logistics and the other looking at applications for Vegemite production at Port Melbourne. Learnings will inform how we might explore other applications of emerging technologies across the business to enable enhanced plant productivity, product quality, and supply chain efficiency.

Case Study: Digitising inbound milk logistics

The pilot project on our inbound milk supply looks at how new technologies could help inform us on milk conditions, milk volumes and the overall performance of the supply chain. This involves collaboration with dairy farmer suppliers, transport carriers and Telstra as the communications technology provider.

Sensor technology can be applied throughout the supply chain - on farms, in trucks and at the receiving end at our sites. This information helps us anticipate production needs in real time by providing up-to-date information on variable aspects such as the condition and volume of milk, the logistics condition of tankers, delivery times, condition on farms, and the composition of milk. Weather data bases can also provide automated information on weather patterns in the region, which has an impact on milk production. All of this information allows for better planning - and enables better reconciliation, helping expedite payment to our farmer suppliers.

This pilot for inbound milk logistics will be evaluated for the potential for larger scale rollout and for the potential of a similar pilot to look at applications to our outbound delivery to customers.

Bega Cheese invested \$160,000 in the first phase of the pilot projects. In late June 2019, Bega Cheese was pleased to have received approval for a Cooperative Research Centres Projects grant of \$600,000 from the Department of Industry, Science and Technology. This funding is for the next phase of our inbound milk supply chain monitoring and logistics project.

A safe workplace

Bega Cheese is committed to providing a healthy and safe workplace for all employees, contractors and visitors. We believe that all incidents are preventable and that no work is so important that it cannot be done safely.

Ensuring the safety of people presents significant challenges across the agriculture industry – on farms and in manufacturing. Our approach is guided by compliance with the Occupational Health and Safety Act 2004 in Victoria, the Work Health and Safety Act 2011 in New South Wales, and the Work Health and Safety Act 2011 in Queensland. The corresponding Occupational Health and Safety (OHS) regulations, related to the Acts in each state, set out how the business must comply. We have a responsibility to ensure we meet the relevant requirements in each individual state or territory.

Safety management

Our business has a single safety management system comprising policies, procedures and standards which covers Bega Cheese Group as a whole. This includes all sites and our supply chain.

In December 2018, we adopted a new Health and Safety Policy that applies to all of our manufacturing sites and commercial offices in Australia, including our sales teams and field support staff working domestically or overseas. The policy highlights the importance of proactive identification and management of hazards to reduce risks, and the reporting of near misses to enable continuous improvement. Our overall approach to safety is risk-based, meaning we identify hazards, assess risks and then implement controls to eliminate or at least reduce risks to an acceptable level.

In FY2019 a number of key processes were updated. This included our processes around the permit systems for confined-space entry, working at heights and hot work.

We invest in our people to ensure that employees are able to make informed decisions to avoid exposure to harm and have developed six 'golden safety rules' which establish minimum standards of safety to protect people from the risks most likely to cause serious injury, illness or death. In FY2020 these will be rolled out to all employees via our learning management system and continually embedded in our safety-first approach.

Within every role-level in our business there are defined responsibilities for OHS, with our more senior levels accountable for oversight of performance, including compliance and implementation of controls. Compliance is evaluated through audits and inspections that occur at defined intervals.



Golden safety rules

1. Never bypass a safety control
2. Keep clear of moving vehicles and plant
3. Wear personal protective equipment (PPE)
4. Use the lifting aids provided
5. Be fit to work
6. Do not rush

Bega

Safety always

Key performance indicators have been established to measure various aspects of safety including time taken to implement controls for identified hazards and issues. Each site has a risk register which details the controls in place to reduce risk exposure and further actions to be taken in the year ahead. Registers are updated annually and reviewed during February and March each year. The output of the reviews is used to inform capital and resource priorities for the year ahead.

Reviews and audits

A management review is conducted during the last quarter of each year to evaluate the recent safety performance and outcomes from audits. In FY2019 the business continued to focus on addressing actions arising from audits of chemical management, traffic management and Lock-out Tag-out, a safety procedure that prevents accidental startup of a machine while it is in a hazardous state or while a worker is in direct contact with it.

Management and the Board receive monthly reports on our safety performance. A quarterly occupational health and safety report is submitted to the Audit and Risk sub-committee. In addition, a six-monthly Board due diligence review is completed.

Safety performance improves year on year

The safety performance of our business continues to improve year on year, with an increased emphasis on reducing risk exposure through ongoing investment in our people and our assets.

In FY2019, we maintained our strong focus on embedding a culture of safety within the organisation. We continued our behavioural safety program, designed to improve engagement with our employees and build capability in recognising, understanding and minimising exposure to risk.

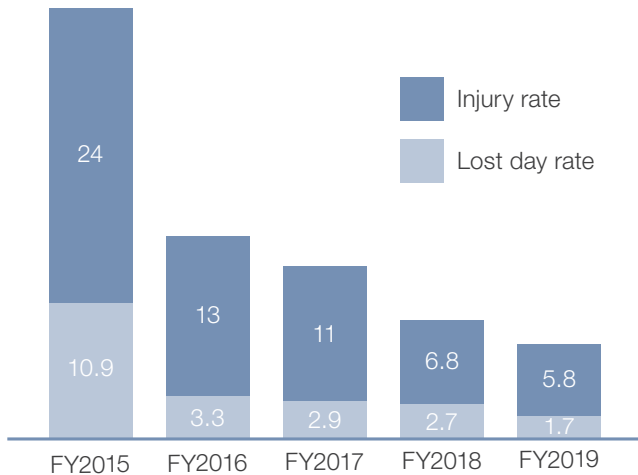
While there is some way to go, we are committed to eliminating injuries and pursuing continual improvement in our Total Recordable Injury Frequency rate (TRIFR). During FY2019, Bega Cheese Group's TRIFR per million hours worked was 5.8, which represents an improvement of 15% on the previous year. We calculate TRIFR as Lost Time Injuries plus Medical Treatment Injuries plus Restricted Work Injuries per one million hours worked.

There were no workplace fatalities, prosecutions, fines or penalties for occupational health and safety issues in FY2019. This data includes direct employees and workers employed through labour hire contracts.

In our previous report, we made a number of commitments for FY2019 and have made significant progress on those goals. We have:

- committed to develop a pathway to certify our safety management system initially to AS/NZS 18001 and then to the new global safety standard ISO 45001
- completed an OHSAS 18001 gap audit of our safety management system which identified some relatively minor improvement opportunities and has allowed us to further develop a pathway to certification to ISO 45001
- reviewed our golden safety rules, engaged all sites in the process and linked these rules to our new corporate values
- continued our behavioural leadership program across managers, supervisors, team leaders and health and safety representatives (stage two of this program was rolled out at our Strathmerton site)
- maintained our focus on developing additional lead safety measures by tracking the number of workplace inspections completed each month across the Group and measuring the numbers of near misses reported.

Total recordable injuries



• Total Recordable Injury Frequency Rate (TRIFR) is calculated as the total number of recordable injuries for each million hours worked. Recordable injuries includes all lost time injuries, medical treatment injuries and restricted work injuries.

PLANS FOR **FY2020**



- Plan the scope and timing of a certification audit to the ISO 45001 global safety standard
- Communicate our golden safety rules and its rollout to all employees via our learning management system
- Roll out stage two of our behavioural leadership program across sites at Bega and Tatura
- Continue our internal audit program by auditing all sites to determine compliance to the permit systems for confined-space entry, hot work and working at heights



Case Study: New fixed racks improve safety at Lagoon Street site in Bega

Ensuring a safe work environment for our employees involves an ongoing commitment to identifying hazards, assessing risks and implementing controls to eliminate or reduce them. This year, safety risks were reduced at our Lagoon Street site in Bega by replacing old, demountable warehouse racking with new fixed racking. Installation was completed in May 2019.

For over 20 years, the site’s warehouse racking had to be manually built around pallets. Racking would then be manually deconstructed at the end of use, when pallets were due for rotation or moved off site. A great deal of lifting and manual handling was required in the process of building and deconstructing racking many times each day as stock was manufactured. This repetitive manual task increased the risk of injuries. The issue was identified as a key concern and noted on the critical risk register as the highest risk on site.

The Bega Cheese Executive team gave its full support to a \$435,000 project to install new Satellite Racking - a storage system with a fixed rack that is easily loaded and unloaded by a satellite robot. This means a pallet can now be simply placed onto the rack and the satellite robot lifts and traverses it to the next available space.

The system has been designed to allow for easier forklift loading of the satellite unit. The new racking also assists with better pallet management, creating a more efficient warehouse storage system.

Feedback from operators in the warehouse has been extremely positive. Staff have commented that stock rotation is now a relatively ‘risk free activity’ and the new storage system brings about ‘a much more effective and efficient way to work’.

With manual handling now reduced by around 90%, the safety risk associated with the old demountable racking has been removed from the critical risk register. The team at our Lagoon Street site continues to maintain its focus on safety improvements.

Health and nutrition

Food safety

As a food manufacturer, food safety is an expectation of consumers and is always a priority to our business. Our products reach a large number of consumers and many of our products, such as infant formula, are targeted to sensitive consumers.

Our approach to food safety is based on our Quality Policy which applies to all Bega Cheese manufacturing sites, third party manufacturers producing products on our behalf, and our supply chain. This policy is informed by international food safety standards recognised by the Global Food Safety Initiative, regulation, the standards of major customers and industry best practice.

We are committed to supplying safe, consistent and quality products to our customers and consumers. This is achieved through:

- compliance with regulatory obligations, including export legislation and the requirements of any importing country
- the application of Good Manufacturing Practices, and meeting the standards of our customers and consumers
- a documented quality management system, which provides the framework to assess and control current and emerging food safety and quality issues
- developing and maintaining appropriate management and supervisory controls over all activities in the design, production and supply of products
- ensuring all employees are trained to the required level to ensure compliance with the standards and requirements of their role
- establishment and monitoring of key programs including vendor assurance, storage and handling, production and processing, product testing and product release
- evolving our systems in response to changing regulations, industry best practice and moving expectations of markets.

In the Australian market, food recalls have been increasing year on year. The reasons for this are associated with allergens, microbial contamination and foreign matter. We focus on risk reduction in these areas as priorities. Bega Cheese quality and food safety management systems are frequently audited internally but also by second and third parties. In FY2019, a combined 99 audits consisting of 134 audit days were conducted across the group, with no serious concerns being identified.

All Bega Cheese manufacturing plants are certified to the British Retail Consortium (BRC) Global Standard for Food Safety. SAI Global, the worldwide leading provider of supplier evaluations to the BRC standard, continue to be our provider of choice for auditing against the standard. Auditing by SAI global across all sites ensures consistency in the audit approach. This supports continuous improvement in quality and food safety management across Bega Cheese Group. All sites hold an A or AA rating under this certification scheme. We review results of the audits to improve our performance in quality and food safety along with other internal measures such as the business benefits and costs of meeting or not meeting specifications first time.

We are pleased to report that we had no enforced or voluntary product recalls for food safety issues in FY2019. There were no incidents of non-compliance with regulations or voluntary codes concerning the health and safety impacts of our products.

PLANS FOR FY2020

- Maintain zero product recalls for food safety
- Embed and sustain a culture of quality
- Select and commence rollout of a business-wide solution for digital monitoring and Statistical Process Control of food safety and quality control points
- Build and implement a comprehensive regulatory information resource to facilitate compliance to an importing country's requirements when exporting products

Food nutrition

In the Australian market, Bega brands are household names. From Bega Cheese to Vegemite, our consumers have grown up with these trusted brands which continue to gain popularity worldwide. As our business expands, so does our product portfolio and we understand our important role in consumers' diets.

Bega Cheese is committed to providing nutritious products to suit our consumers' requirements. We endeavour to support changing lifestyles and needs throughout their busy lives. We are committed to growing, enhancing and improving our product portfolio, and aim to meet the dietary needs and desires of all our consumers.

Today's consumers aspire to better health and healthier eating. With almost two-thirds of Australians aged over 18 years being overweight (Australian Bureau of Statistics, 2015) and coronary heart disease as the leading cause of death (National Mortality Database), we aim to help and support consumers to make better food choices for a healthier life.

In FY2019, we developed a health and wellbeing strategy with clear commitments to expand and modify our product range to meet consumer needs. We are committed to supporting the nutritional needs of our consumers and our promise is to provide relevant wellbeing choices and information, with which they can improve their health.

Bega Cheese will:

- provide better choices
- provide food that is safe, tasty and nourishing
- provide clear communication
- publicly declare our commitments and policy relating to health and wellbeing.

PLANS FOR

FY2020



- Initiate a reformulation program to align with the nutritional profiling standard

A key component to delivering our strategy is the Bega Nutrient Profiling Standard. Developed in FY2019 the comprehensive standard, based upon the Australian Dietary Guidelines, provides nutrient targets for new products and reformulations. We have developed ambitious targets to align our product portfolio to this standard.

Evidence shows that diets high in salt and sugar can contribute to obesity and heart disease. In FY2019 Bega developed targets to remove 15 tonnes of salt from food products by 2023, and reduce sugar by 10% in Bega Peanut Butter by 2023.

We have already made progress in promoting 'better for you' products to meet consumer needs. Examples of current products we offer that are targeted at health-conscious consumers, or consumers with special dietary needs, include:

- Reduced Salt Vegemite
- Gluten Free Vegemite
- Bega Simply Nuts Peanut Butter range
- a range of reduced fat dairy products.

TASTES LIKE:
**NO WHEAT,
NO WORRIES**



Case Study: Gluten free Vegemite caters for special dietary needs

Over one in 70 Australians suffer from Coeliac disease and need to avoid gluten. In FY2019, we successfully launched gluten free Vegemite. This was made possible by replacing brewer’s yeast, which is grown on barley and wheat, with a yeast grown on molasses.

Gluten free Vegemite has certification from Coeliac Australia. This means that it has no detectable gluten as per the Food Standards Australia and New Zealand guidelines for gluten free, which is subject to testing every 12 months and independently validated. The product displays Coeliac Australia’s highly recognisable crossed grain logo. This label, used on packaging and in advertising, provides people with Coeliac disease the confidence to know the product is safe for them. The symbol of the crossed grain in a circle is both nationally and internationally recognised.

This is an example of clearly communicating health credentials to our consumers by using well known endorsements, helping empower them to choose foods suited to their specific gut health. With the same much loved flavour and consistency as original Vegemite, gluten free Vegemite caters for our consumers with specific dietary needs.



MONASH
UNIVERSITY
LOW FODMAP
CERTIFIED™

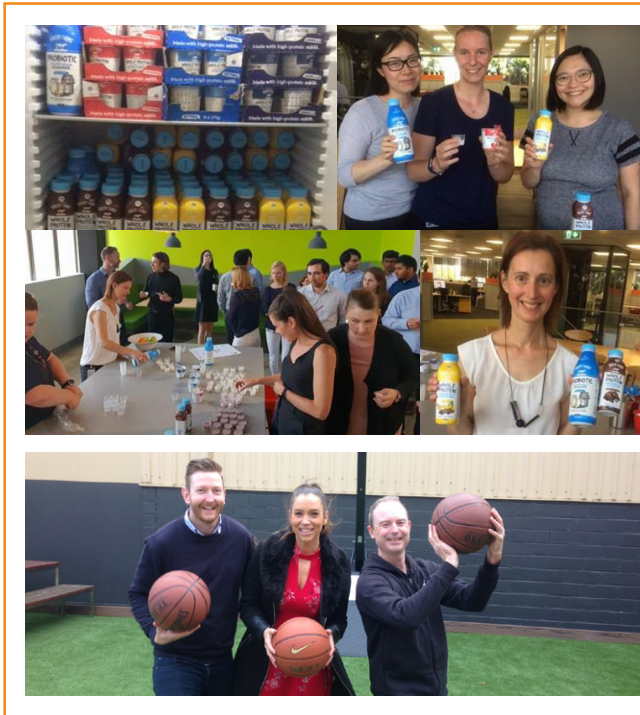
Case Study: Low FODMAP certification of Vegemite

This year we were very pleased to be able to certify all three Vegemite products (gluten free, original and reduced salt) as low FODMAP⁷. One in seven Australians has Irritable Bowel Syndrome (IBS)⁸. FODMAPs, which are poorly absorbed short-chain carbohydrates, can be found in a wide range of foods and contribute to the discomfort of many individuals with this condition.

Extensive research by Monash University over the past decades have identified a low FODMAP eating plan as beneficial for IBS symptoms. The Monash research laboratory has established techniques to measure FODMAP levels in foods, helping people find relief from their symptoms through a low FODMAP diet. Monash FODMAP are the leaders in their field with the number one medical App worldwide, which now lists Vegemite as low FODMAP certified.

⁷ FODMAP stands for Fermentable Oligosaccharides; Disaccharides; Monosaccharides; and Polyols.

⁸ Dieticians Association of Australia (Irritable Bowel Syndrome)



Case Study: Staff Wellbeing Weeks inspire better health

Recognising the importance of good health and nutrition is just as essential for our staff as it is for our business. Staff at our Port Melbourne site in Victoria participated in Wellbeing Weeks which ran in December 2018. This was a great chance for staff to consider their physical and mental health and participate in a range of sessions on offer.

Many activities were held across each week, including Rise and Recharge - a program modelled on the Baker Heart and Diabetes Institute’s program, designed to change sedentary habits to improve health. Staff were asked to consider their own health and to focus on movement every 30 minutes to avoid prolonged sitting.

The Wellbeing Weeks’ events included yoga, meditation, guest talks, basketball competitions, walks and fitness sessions. ‘Lunch and learn’ talks shared healthy food tips, and free healthy snacks such as smoothies were available. Staff used a scorecard to track their participation, provide feedback and enter a prize draw. Participation was strong and staff feedback revealed that the Wellbeing Weeks made a real difference to our people by inspiring them to take simple steps to improve their own health.



Case Study: Supporting hunger relief through Foodbank

Foodbank is Australia’s largest hunger relief organisation. Bega Cheese became a National Donor to Foodbank in 2018. In FY2019 we donated 33,178 kilograms of products. Bega Cheese staff volunteer their time to Foodbank to help pack food parcels. Products donated to Foodbank include cheese, dips, dressings and spreads. We also support Foodbank by discounting Vegemite for inclusion in various school breakfast programs and other hampers across Australia.

In 2018, Foodbank sourced 42.8 million kilograms of food and groceries which equated to 77 million meals, or 210,000 meals a day to over 2,600 charities and 2,000 schools. Foodbank accounts for 74% of all the food received by charities from organisations that rescue food from the food industry. Over 40% of all food and groceries distributed by Foodbank nationally goes to regional and rural communities.

Foodbank works with the entire Australian food and grocery industry including farmers, wholesalers, manufacturers and retailers. Donations include stock that is out of specification, close to expiry or excess to requirements. Companies also make donations as part of a commitment to social responsibility or a cause-related marketing campaign. In addition, to ensure Foodbank warehouses always have key staples in stock, Foodbank collaborates with suppliers, manufacturers and transporters in programs to proactively source key staple foods that don’t come in sufficient quantities via rescue channels. In 2018, Foodbank sourced 5.4 million kilograms of food this way.

Above and beyond working to relieve hunger in Australia, Foodbank’s food and grocery rescue operations save 81 million kilograms of CO2 emissions every year.

Environment

We are committed to minimising our environmental impact across our operations and continue to manage this across our entire value chain. This ranges from the sourcing of raw materials, to manufacturing, distribution and packaging.

As a major Australian food producer with an increasing presence globally, many of our environmental impacts are in our supply chain and on farms.

The environmental impacts of our manufacturing sites across Australia include energy consumption, water consumption, solid waste generation, wastewater management, air emissions and local noise and odour.

In FY2019, the highlights from our actions to reduce environmental impacts and address material customer, community and sustainability issues were as follows:

-  • completed energy mapping and commenced installing submeters
-  • established group wide Continuous Improvement function incorporating sustainability improvements
-  • no infringements or notices
-  • commenced diversion of manufacturing byproducts from landfill to reuse options such as soil conditioning, compost or stockfeed
-  • 38% of water in our manufacturing operations was reused

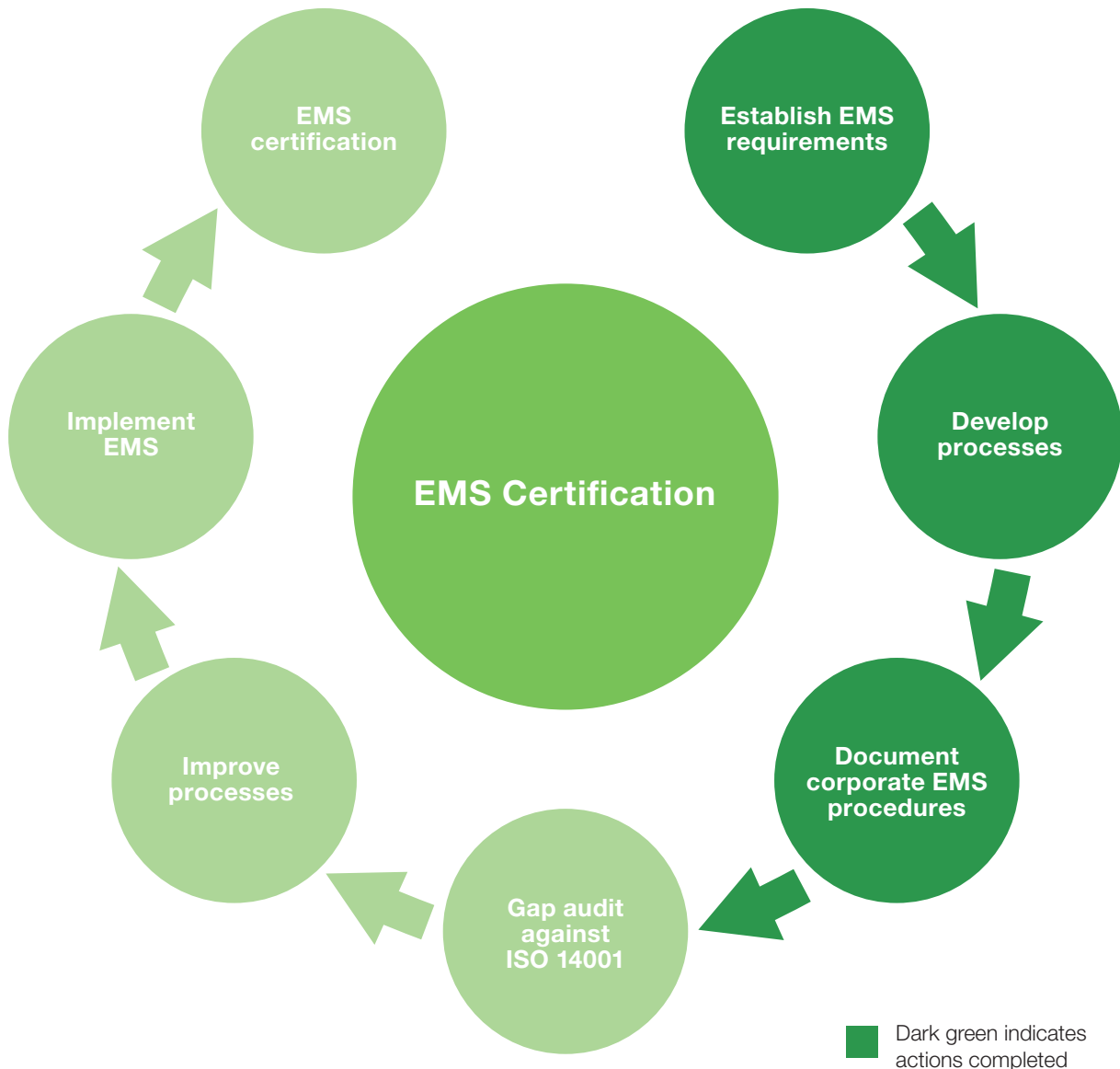
Managing environmental impacts

The approach we take to managing environmental impacts is informed by our Environmental Policy. This outlines our commitment to reducing our environmental impacts, protecting the environment and reducing pollution.

A number of our sites are subject to state-wide EPA licence conditions, which also informs our approach and the content of our environmental management system (EMS). We are working towards establishing a corporate-wide EMS aligned to ISO 14001 and continue to make progress with this.

In FY2020 we aim to engage a third party to conduct an external AS/NZS 14001 gap audit, to enable the business to develop a pathway to certification.

Managing environmental impacts



Continuous improvement

In FY2019 we expanded our Continuous Improvement (CI) function to become group-wide, with a new CI Manager role appointed for our Strathmerton site in Victoria and another appointed for our PCA sites in Queensland. A newly created Group Continuous Improvement Manager role was also established to oversee the program and ensure the streamlining of processes across our business.

Actions are implemented through site-based CI teams who work cross-functionally to identify and implement ideas for improvement.

Initiatives and learnings are then shared across the group so that they can be quickly adopted to accelerate delivery of the benefits.

Performance against objectives is reviewed by the site leadership team, the Group Safety and Sustainability Manager and other senior group managers. Recommendations are used to inform the next cycle of managing environmental impacts at each site. Controls are implemented through operational methods such as automation, process control systems and documented procedures.

Environmental compliance

Bega Cheese Group is subject to Federal and State Environmental Acts and Regulations. These include reporting requirements under the National Greenhouse and Energy Reporting Act 2007 (Cth), the Environment Protection Act 1970 (Vic), the Protection of the Environment Act 1997 (NSW), the Environmental Protection Act 1994 (Qld) and the Clean Energy Act 2011 (Cth).

Our manufacturing sites are licensed under their respective State Environment Protection Regulations. The licences stipulate performance standards as well as specific monitoring requirements for emissions such as noise, air, odour and wastewater.

We are pleased to report there were no infringements or notices received in FY2019.



Case Study: Reusing manufacturing byproducts as compost

In FY2019 our Koroit site in Victoria reached an environmentally friendly reuse agreement to enable a stockpile of manufacturing byproduct to be beneficially reused as compost.

The manufacturing byproduct of biosolids or 'sludge' is made up of fat, protein and milk solids resulting from the processing and washing activities on site. Sludge is nutrient rich, which makes it a good foundation for compost. This needs to be combined with additional carbon (such as in the form of wood chips or hay) to enable the correct microbiological activity of compost.

At the Koroit site, the sludge was mixed with pine sawdust to generate compost. This was stockpiled while an agreement was sought with a customer who could make beneficial reuse of the product. The customer will now add it to their end products, ensuring the correct nutrient composition and carbon/nitrogen ratios are achieved. This process will ensure that the finished compost is then ready for application domestically and internationally. The finished compost will go to an approved EPA licensed site.

This project will see a significant reduction in the compost stored at the wastewater treatment plant and reduces the safety and environmental risks posed from stockpiling. The key success of this project is that rather than this product going to a prescribed waste landfill site for disposal, it will now begin a second life adding value to soils.

Energy

We rely on energy for our manufacturing operations. Energy management is a material issue to our business due to the financial cost and the environmental impact of greenhouse gas emissions and energy resource consumption.

Our product energy intensity target for FY2019 was 6.10 gigajoules per tonne of product (GJ/t) and performance this year was 7.39 GJ/t. Performance was affected by reduced product volume through Tatura's most efficient whey dryer, our new acquisitions and our changing product portfolio. Reducing energy intensity remains an ongoing challenge to the business as we continue to grow through recent acquisitions. For example, the Koroit dairy manufacturing facility, acquired in August 2018, has a higher energy intensity due to its relatively lower production volumes compared to its installed capacity.

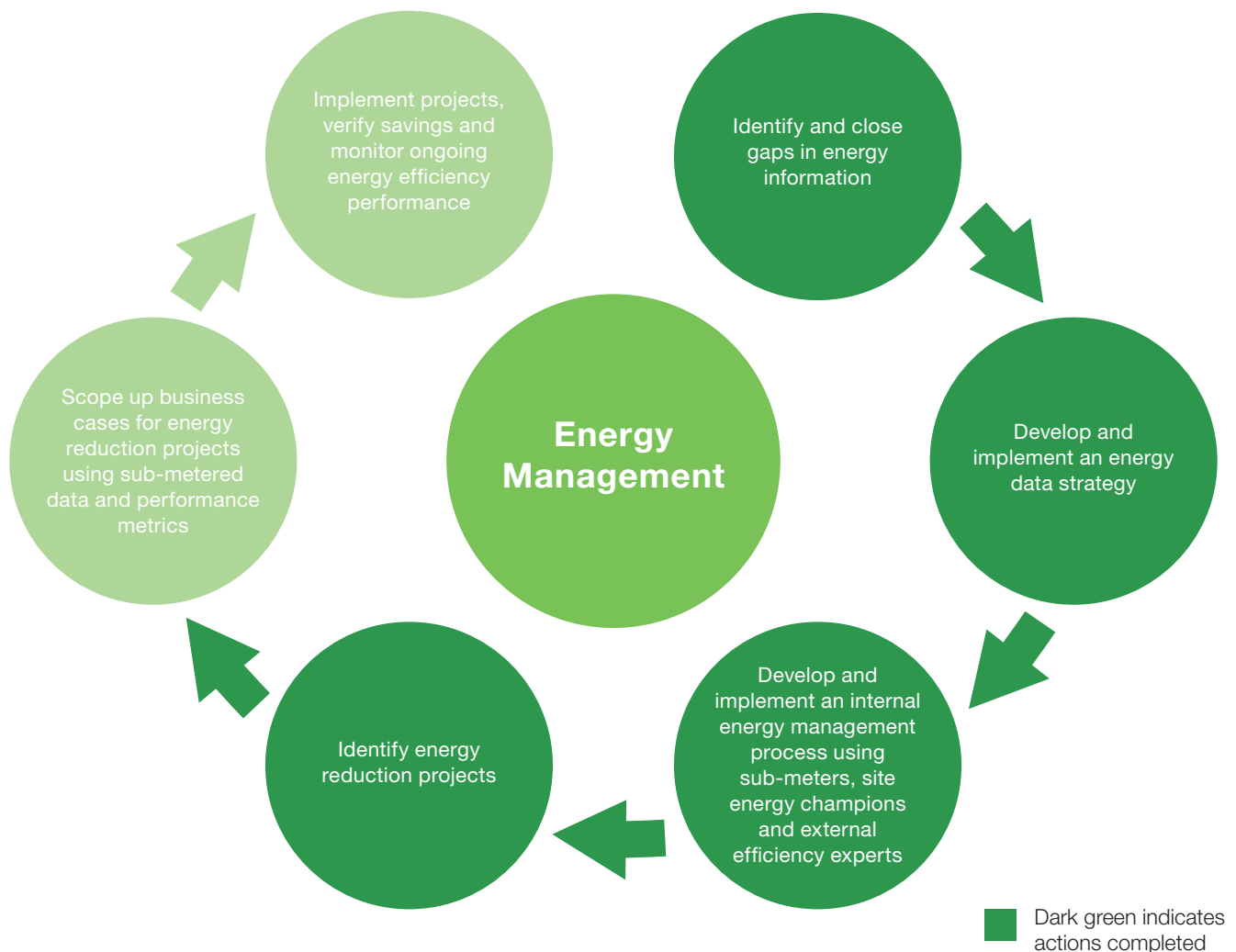
We continued the rollout of our Energy Roadmap in FY2019, which aims to realise a 20% reduction in energy use over four years. The roadmap aims to improve energy performance within manufacturing operations, with a focus on initiatives to improve processes that consume energy and provide additional sub-metering and systems to enable better energy management. It also focuses on evaluating

new and emerging energy technologies, sustainable energy options and reducing our exposure to energy price fluctuations.

The Energy Management Capability (EMC) project is in its first year of implementation and delivers on the objectives of the Energy Roadmap. During the year, energy use and energy information was mapped at six sites and a network of energy meters was designed to measure and facilitate the analysis of energy use. An energy data management strategy was developed for collecting, storing and analysing energy information. Energy saving projects were scoped with energy savings, cost and paybacks estimated. At close of FY2019, the EMC project is at the stage of installing meters, with a view to investment in energy saving projects for implementation in FY2020.

Scoping studies are also planned for FY2020 and these will progress into energy saving projects for implementation in FY2021 and FY2022. Bega Cheese is developing greenhouse gas reduction goals supported by the Energy Roadmap and EMC project.

The goals for FY2020 are to improve energy efficiency in manufacturing to 6.03 GJ/t and to implement a water, energy and greenhouse gas policy.



Total energy consumed by source

| Energy source | FY2019 energy consumption (GJ) |
|------------------|--------------------------------|
| Natural Gas | 1,470,243 |
| Electricity | 447,255 |
| Wood | 253,365 |
| Stationary LPG | 59,375 |
| Transport diesel | 2,659 |
| Transport petrol | 1,134 |
| Total | 2,234,031 |

PLANS FOR **FY2020** 

- Improve energy efficiency in manufacturing and achieve an energy intensity target of 6.03 GJ/t
- Continue to implement the Energy Roadmap by developing site specific energy management plans and explore sustainable energy options
- Implement a company-wide water, energy and greenhouse gas policy

Energy intensity by financial year

| | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 |
|---------------------------------|---|---|---|---|--|
| Energy in gigajoules per tonne* | 6.79 | 6.24 | 6.03 | 6.19 | 7.39 |
| | Ridge, Lagoon, Tatura, Strathmerton, Coburg, Derrimut | Ridge, Lagoon, Tatura, Strathmerton, Coburg, Derrimut | Ridge, Lagoon, Tatura, Strathmerton, Coburg, Derrimut | Ridge, Lagoon, Tatura, Strathmerton, Coburg, Bega Foods from Jul 2017, plus PCA from Jan 2018 | Ridge, Lagoon, Tatura, Strathmerton, Coburg (until February 2019), Koroit (from August 2018), Vegemite Way, Tolga, Kingaroy and depots at Inverlaw and Gayndah |

* In the FY2017 report, the unit of measure was incorrect (GJ/kg) and this has been corrected for this cycle (GJ/t).

† This is a restatement based on a revision of the LPG energy figures post publication of the FY2017 Report.

Energy data is sourced from utility bills.

Case Study: Major upgrade to wood-fired boiler at our Lagoon Street site in Bega

A \$1.2 million capital investment was made by Bega Cheese in FY2019 to address community concerns around the smoke emissions of the boiler at our Lagoon Street site. A comprehensive engineering review of the boiler’s performance identified a range of improvements which were implemented between July and December 2018.

After extensive consultation with the boiler’s manufacturer, a staged solution was designed to decrease emissions, recover heat and improve efficiency. Annual benefits achieved include a 44% reduction in the TPM (Total Particulate Matter) emissions, a 10% reduction in fuel used per tonne of steam generated, plus an energy saving of 0.48 GJ/t.

The works included a review of the boiler performance, as well as a series of trials using different forms of sawdust. Softwood, hardwood, blends of both, as well as different moisture contents were trialled. The emission levels associated with each were assessed.

This project has improved combustion efficiency and aided in the recovery of waste heat, resulting in improved environmental outcomes plus a reduction in the operating costs for the site.



- **Energy savings**
 - 0.48 GJ/t per year
- **Additional benefits**
 - 44% reduction in TPM (Total Particulate Matter) emissions
 - 10% reduction of fuel used, per tonne of steam generated
- **Cost savings**
 - \$90,000 annually

Case Study: Upgrades to air conditioners at Koroit site save energy

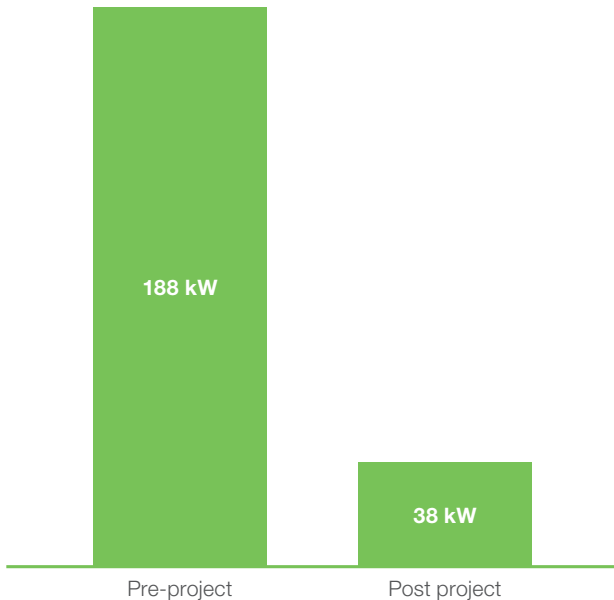
In FY2019, the team at our Koroit site in Victoria implemented upgrades to air conditioner units in the facility’s nutritional dryers, bringing about an annual energy saving of over 1.45 million kilowatt hours and an annual cost saving of \$265,000.


Air conditioner units in the nutritional dryer rooms rely on the supply of chilled water to maintain the required temperatures in the rooms. These units were ageing, having been installed in 2001. A number of inefficiencies were also identified around the chilled water process. After conducting energy monitoring, the team determined that the majority of the energy load used by air conditioning units was being consumed by the cooling required in the chilled water process.

A site maintenance engineer suggested replacing the old air conditioning units with new reverse cycle air conditioner units. This involved a capital cost of \$110,000 and would have a payback period of only six months.

Once implemented, this initiative eliminated the need for the refrigeration plant that was previously required for the chilled water. This plant was then shut down, saving an additional \$25,000 annually and a further 87,600 kilowatt hours per year.

Air conditioner energy benefit





- **Energy savings**
 - over 1.45 million kilowatt hours, or 150 kilowatts per hour annually
- **Cost savings**
 - \$265,000 annually


Case Study: Upgrade to dryer air heater reduces gas use at Tatura

Another continuous improvement initiative from Tatura Milk this financial year involved an upgrade to a dryer air heater, resulting in ongoing reduced energy consumption. Three Tatura milk dryers were assessed to ascertain the costs and benefits of upgrading the existing air heater control systems to more modern and efficient controls. This assessment revealed that upgrading one particular dryer, the ‘CD2’ air heater, would provide the best return on investment. At the end of FY2019, the upgrade had delivered gas savings of \$42,000, which on an annualised basis equates to \$51,000 saved each year.

The existing ‘CD2’ air heater and control system was the original equipment fitted 20 years ago. This project set about upgrading this air heater to install an improved ‘fuel to air management system’, resulting in more reliable and consistent temperature control in the dryer, therefore reducing the gas usage per tonne of production.

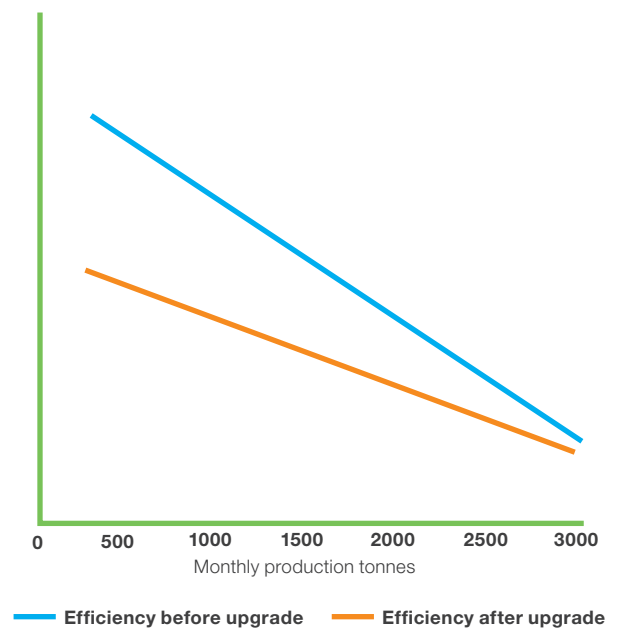
In July 2018, Tatura Milk invested just under \$60,000 to install the upgraded burner control systems on the CD2 air heater, with a payback of just over one year.

The graph below shows the efficiency gain at the various monthly production volumes, showing the burner is more efficient especially at lower production volumes.



- **Energy savings**
 - 5,220 GJ per year
- **Cost savings**
 - \$51,000 annually

Gas efficiency of burner (GJ/t)



Greenhouse gas emissions

Climate change has already had observable effects on the environment. Scientists are confident that global temperatures will continue to rise for decades to come, largely due to greenhouse gases (GHG) produced by human activities.⁹

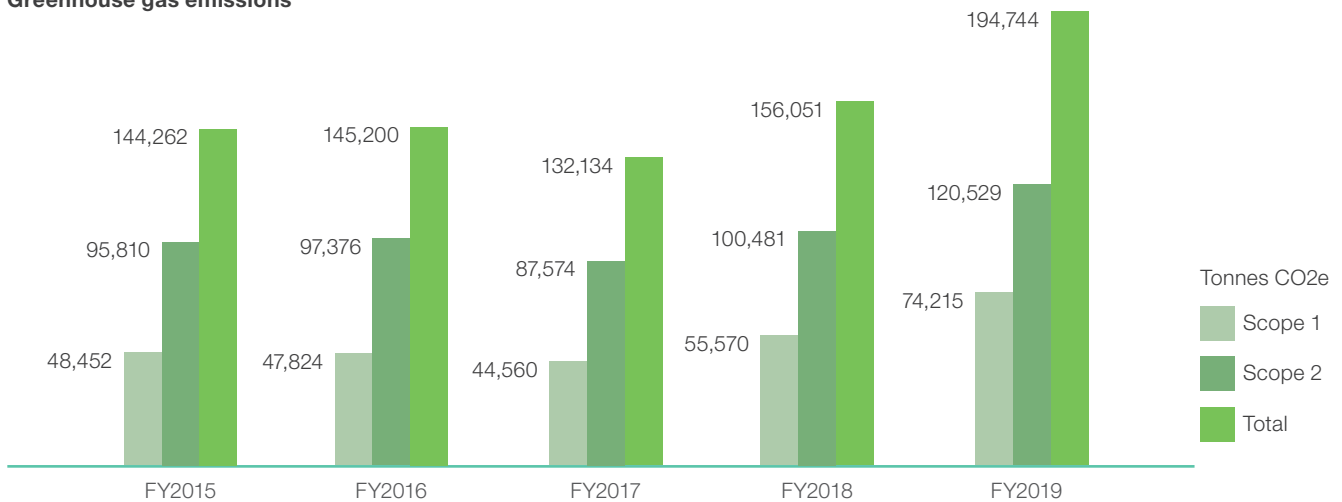
Our business understands the science of climate change and recognises the global consensus of the Paris Agreement, which commits to hold the increase in the global average temperature to below 2°C relative to the pre-industrial period.

Reducing greenhouse gas emissions from energy consumption is important to Bega Cheese, as climate change affects our supply chain through water security, weather events, food security, prices and farming viability. While our immediate focus is on energy efficiency, we will review our overall approach to climate change in coming reporting cycles.

Bega Cheese reports emissions under the National Greenhouse and Energy Reporting (NGER) scheme, established by the National Greenhouse and Energy Reporting Act 2007 (NGER Act). Under the scheme, we report on our greenhouse gas emissions, energy production and energy consumption. Information on greenhouse gas emissions has been calculated according to the National Greenhouse and Energy Reporting (Measurement) Determination 2008.

Our greenhouse gas emissions intensity for FY2019 was 0.64 tonnes of carbon dioxide equivalent per tonne of product (tCO₂e/t). This is an increase on our FY2018 performance of 0.57 tCO₂e/t and is associated with increased energy consumption per tonne of product manufactured, over the same period. Performance was affected by reduced product volume through Tatura’s most efficient whey dryer and new acquisitions. For example, the Koroit dairy manufacturing facility, acquired in August 2018, has a higher greenhouse gas intensity due to its relatively lower production volumes compared to its installed capacity.

Greenhouse gas emissions



Scope 1: Direct GHG emissions – GHG emissions from sources that are owned or controlled by an organisation.

Scope 2: Energy indirect GHG emissions – GHG emissions that result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by an organisation.

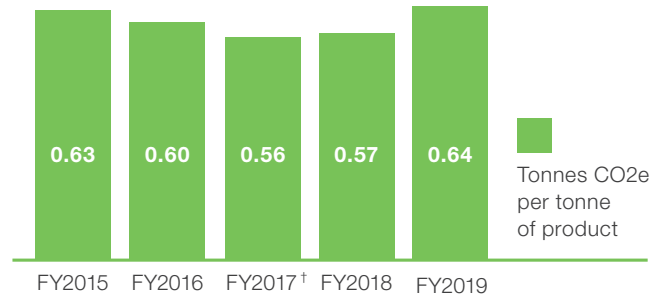
⁹ <https://climate.nasa.gov/effects/>

PLANS FOR FY2020

A range of energy saving projects were proposed at the end of FY2019 which aim to reduce greenhouse gas emissions by 2,884 tonnes. Business cases will be developed and successful projects will be implemented in FY2020.

- Continue to develop our CSR plan, which includes developing a policy and framework for managing GHG emissions
- Targets and benchmarking to be established for 2020, 2023, 2025 and 2030 around GHG footprint, sourcing, cleaner technology, GHG efficiency, renewable energy and stewardship
- Complete a Carbon Disclosure Project gap analysis in 2020

Greenhouse gas emissions intensity



[†] This is a restatement based on a revision of the LPG energy figures post publication of the FY2017 Report

Water management

Much of Australia is prone to drought and water shortages, placing enormous stress on farms. As a regionally focused business, we know that it is often in regional communities where drought has the most impact.

It is essential that we understand the impact Australia’s drought conditions have on our suppliers and farming communities.

The sustainable use of water has always been a key issue for us, as demonstrated by our past targets in water intensity reduction, dairy and peanut on-farm water management programs, and the ongoing work of our Continuous Improvement teams in reducing water consumption in manufacturing.

For our business, water is a key manufacturing resource used for processing, cleaning, heating and cooling. Our target for FY2019 was to reduce potable water intensity to 7.8 kilolitres per tonne of product (kL/t). Our actual water intensity of 7.53 kL/t was under target, despite new acquisitions. Approximately 38% of water used in our manufacturing was reused in FY2019.

In FY2019 our wastewater per tonne of product decreased from 8.32 kL/t to 7.89 kL/t.

Waste water data excludes the sites at Lorimer Street and Tolga.

PLANS FOR
FY2020

- Achieve a water intensity target of 5.54 kL/t
- Implement a company water policy
- Commence water mapping

Bega Cheese needs to manage both the water consumption associated with our direct operations and the water security associated with our supply chain through our dairy and peanut farmers.

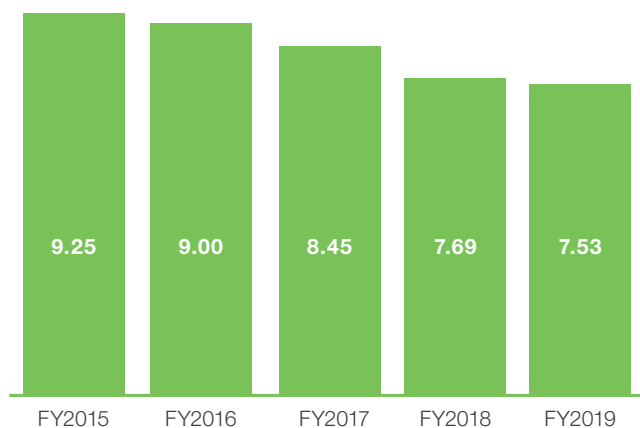
In our direct operations, we have set a target for potable water intensity of 5.54 kL/t for FY2020. The work towards meeting this target is actioned by our Continuous Improvement teams who identify ideas for improvement and implement priority projects to reduce water consumption, food loss and waste.

The table shows water withdrawn from ground water and municipal water sources for manufacturing over time. Total water withdrawal increased in FY2019 due to new acquisitions. The amount of reused water also increased.

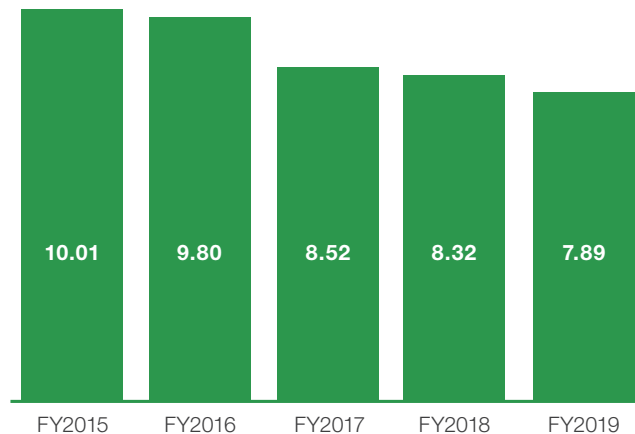
| Water withdrawal by source [#] (ML) | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 |
|--|--------|--------|--------|--------|--------|
| Ground water | 348 | 340 | 330 | 331 | 325 |
| Municipal water | 1,661 | 1,906 | 1,730 | 1,691 | 1,952 |
| Total withdrawal | 2,009 | 2,246 | 2,060 | 2,022 | 2,277 |
| Reused water | 618 | 656 | 570 | 569 | 874 |

[#] Bega Cheese does not use surface water, collected rainwater or waste water from other organisations.

Potable water intensity (kL/t of product)



Wastewater intensity (kL/t of product)



Case Study: Water monitoring at Koroit site saves 50 ML

A new water monitoring system has been installed at our Koroit site in Victoria, saving 50 megalitres (ML) of water annually and reducing the cost of town water use by \$120,000 a year.

As part of the site's Continuous Improvement program, environmental monitoring was conducted in FY2019 to identify any excessive water usage. The environmental and maintenance departments identified that there was unusually excessive water consumption on one of the town water lines in the plant. Further investigation found that the water softener valve was not operating properly and consuming excessive volumes of town water. This was discovered through a process of deduction, as the site relied on manual meter data collection making it difficult to identify issues such as faulty valves.

To prevent this from happening in future, the team installed an improved water monitoring system. The "supervisory control and

data acquisition" (SCADA) system is a computerised system that can track individual valves, vessels flows and maintenance needs.

This improved technology now enables the site to quickly pinpoint any issues so they can be resolved immediately, reducing water use. Any unusual overconsumption on water lines will be more readily identified in future through more specific and computerised real-time monitoring.



- **Water savings**
 - 50 ML per year
- **Cost savings**
 - reducing the cost of town water use by \$120,000 annually

Case Study: Water savings achieved at Tatura by reusing condensate in cooling tower

In FY2019 Tatura Milk implemented an initiative to reuse condensate (a byproduct created in the milk evaporation process) as clean water to supply their main cooling tower. This reduces condensate discharged from the site by approximately 54 ML per year.

A further benefit of reusing condensate is significant water savings through reduced consumption of town water. Approximately 63 ML of town water is saved annually. This was the volume of town water the main cooling tower had previously used each year, now instead supplied by reusing condensate.

Condensate produced by the six milk evaporators at Tatura Milk is reused in various ways such as in the manufacturing process, as wash water and as boiler feed water. However, there is still more condensate produced than the site is able to reuse. Each year approximately 200 ML is discharged, with EPA approval, to the local Cussen Park wetland.

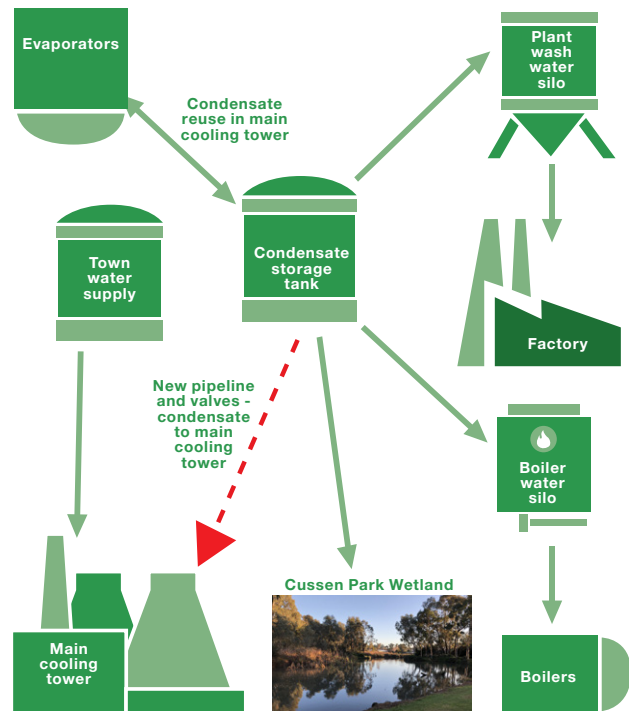
Trials conducted by the team showed that the condensate produced by two of the six evaporators was of a high enough water quality and suitable temperature for use in the main cooling tower (condensate produced by the other four was not suitable, being hotter and containing higher levels of organics).

This project involved installation of additional pipework, valves, flow meters and programming, at a cost of \$76,000. These works were completed in March 2019 and costs associated will be recouped in less than two years. Apart from the great environmental benefits, the project represents an annual saving of approximately \$47,000.

This initiative was identified as part of the Continuous Improvement program. Site-based Continuous Improvement teams are instrumental in generating innovative ideas which are carefully assessed based on merits to identify priority projects for implementation.



- **Wastewater discharge reduction**
 - 54 ML per year
- **Water savings**
 - 63 ML of potable water per year
- **Cost savings**
 - saving \$47,000 annually



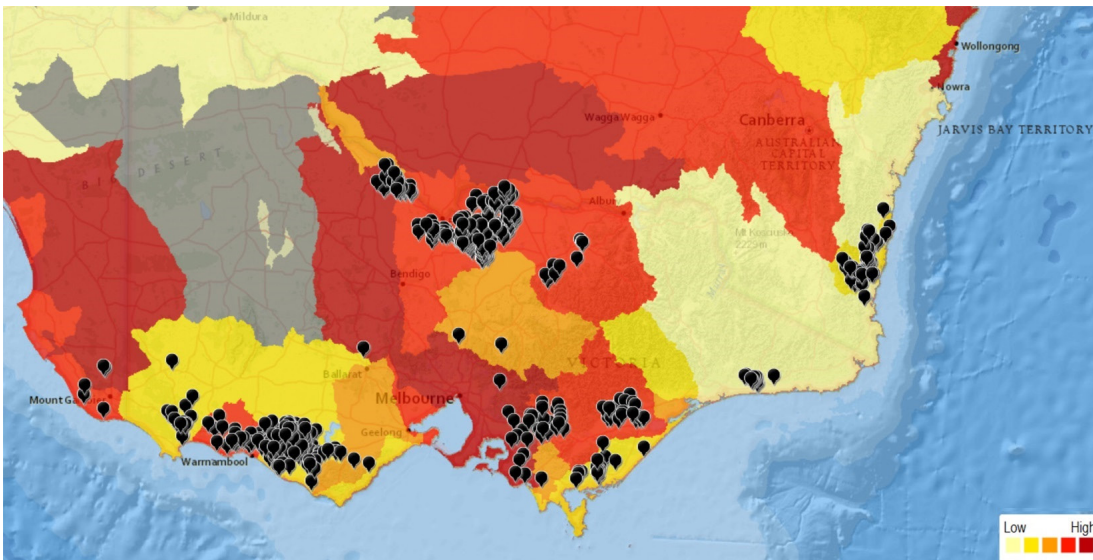
Case Study: Analysing water security in our value chain

Bega Cheese is reviewing its approach to water management, with the long-term intent of incorporating a more formal approach to water stewardship measures into our water management plan. Completing a water security analysis was an important first step in this review.

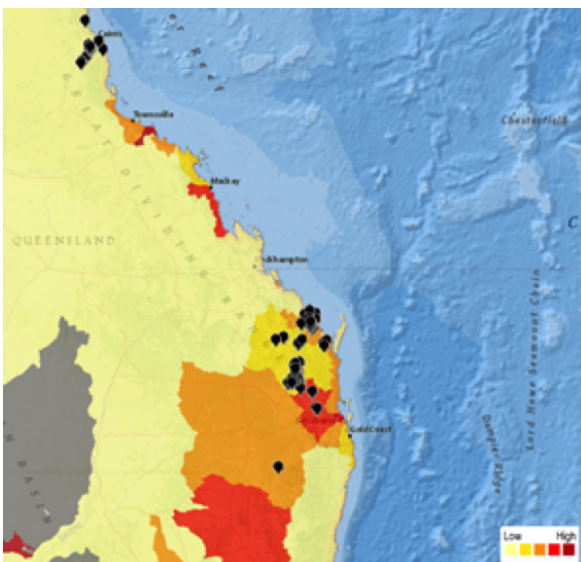
In FY2019 we conducted an analysis on water security in our value chain, using the World Resources Institute’s AQUEDUCT Water Risk Atlas and tool. This enabled a clearer understanding of the exposure our business has to water risk, in particular water stress. Findings revealed that, although not all of our business is subject to high levels of water stress, around 50% of our dairy farmer suppliers operate in high water-stressed areas. Only 16% of our peanut growers were exposed to water stress.

Data was sourced from across Queensland, New South Wales and Victoria. Mapping took place for a number of areas, including our manufacturing sites, and locations of farmers and growers. This enabled a clearer examination of water security in both our direct operations and our supply chain. The analysis will directly inform the development of a long-term action plan to consider water risk and respond as a business to how it impacts our operations.

This ongoing work is a key part of our effort in contributing to Australia’s role in the United Nation’s global sustainable development agenda, set to 2030 and formally supported by the dairy industry globally. Bega Cheese is now better placed to progress an informed long-term response to address water stress, improve water efficiency and secure the supply of raw materials in Australia.



50% of our dairy farmer suppliers operate in high water stress areas



16% of our peanut growers operate in high water stress areas

Packaging and solid waste

This year Bega Cheese Group’s landfill intensity was 8.62 kilograms per tonne of product which is over the target of 7.70 kg/t for the year. Our diversion rate from landfill was 52% and below our target of 62%. Performance was mainly affected by reduced product volume through a whey dryer at Tatura, new acquisitions and our changing product portfolio. Similar challenges are expected in FY2020 and are reflected in our targets. Performance over time is shown in the graphs below.

Bega Cheese is an active member of The Australian Packaging Covenant Organisation (APCO) which is a co-regulatory, not-for-profit organisation that partners with government and industry to reduce the harmful impact of packaging on the Australian environment.

Overall, in FY2019 Bega Cheese achieved level 3 (advanced) for the core criteria of the APCO Packaging Sustainability Framework, which is an improvement on our achievement of level 2 (Good Progress) in FY2018. We achieved an ‘advanced’ performance level for the packaging design and procurement criteria, as well as ‘leadership’ performance levels for the post-consumer recovery, consumer labelling and on-site waste diversion criteria.

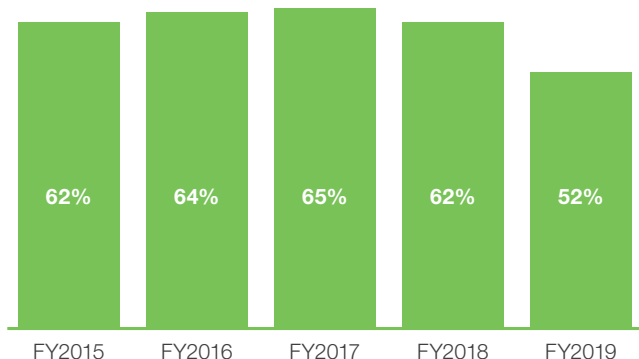
Our Packaging Technical Expert undertook a structured review of packaging to identify continuous improvement opportunities.

We explored a number of opportunities to improve the sustainability of packaging, including investigating use of flexible packaging in place of metal cans for certain markets, changing clamshell material from PVC to recyclable PET and increasing the recycled content of corrugated board boxes to 100% recycled board wherever possible.

We are also investigating use of the Australasian Recycling Label program (ARL). The ARL is an evidence-based system that provides clear and consistent on-packaging recycling information to inform consumers of the correct disposal method.

Finally, Bega is an active participant in Dairy Australia’s packaging sustainability working group. The working group was established in

Solid waste diverted from landfill (% recycled)



Solid waste FY2019

| Waste type | Weight of waste (t) |
|---------------------|---------------------|
| Non hazardous waste | 5,445 |
| Reuse | 22,108 |
| Recycling | 2,837 |
| Landfill | 2,608 |

PLANS FOR FY2020



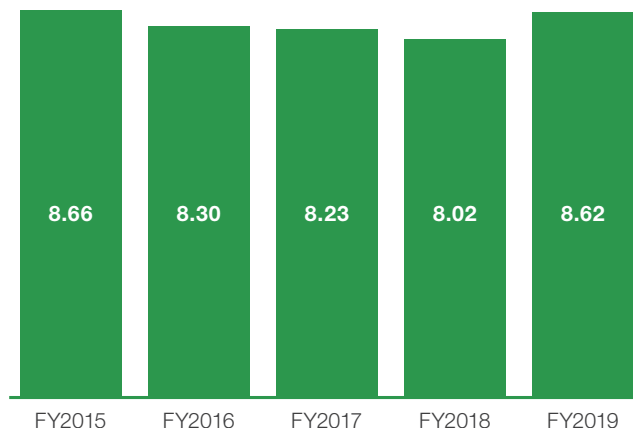
- Achieve a 2020 landfill intensity target of 9.69 kg/t, and a 54% diversion from landfill rate, due to acquisitions and changing product portfolio
- Transition up to 20% of cheese slice ‘clamshell’ packaging to 100% recycled PET
- Partner with APCO, in conjunction with Planet Ark, to launch the application of the Australasian Recycling Label

October 2018 and facilitates a co-operative dairy manufacturing industry approach to meeting Australian Federal Government’s 2025 packaging sustainability targets.

We are currently developing our own sustainable packaging goals, consistent with the national targets and these are focused on:

- single use packaging – Bega Cheese is developing short and long term goals to eliminate single use packaging between our manufacturing sites through reuse or recycling
- on-site packaging diversion – we are developing short and long term plans to divert packaging from landfill by working with existing recycling streams or creating new streams so that packaging is recyclable, reusable or compostable
- packaging material efficiency – we are developing short and long term plans to reduce the weight to volume ratio of packaging
- recycled and renewable materials – we will incorporate or optimise recycled and/or renewable content by working with suppliers to develop and substitute lower impact materials.

Waste-to-landfill intensity (kg/t)



Waste to landfill intensity data for 2018 is re-stated here due to revisions and improvements in record keeping at a key operating site, post publication. This represents an increase of approximately 4% to the overall Group figure for 2018.

Waste data from Lorimer Street is excluded. Waste data is sourced from waste contractor reports.

Case Study: North Bega's new sewer line now operational

We have previously reported on contributing funds to Bega Valley Shire Council towards extending the municipal sewer line, mitigating the risk of contaminants being irrigated onto land. In FY2019 the new sewer line built at North Bega commenced operations, servicing both our manufacturing sites in Bega NSW, along with many other businesses in the area.

The \$2.33 million project was jointly funded by Bega Valley Shire Council, Bega Cheese Limited and a grant from the Commonwealth Department of Infrastructure and Regional Development's National Stronger Regions Fund (we contributed \$956,000 to the project in FY2017).

North Bega's extended sewer line will allow other businesses in the area to connect to system, encouraging social and economic growth close to town. The upgrade means North Bega residents will have options other than septic tanks, bringing the region's amenities in line with other parts of Australia.

The project involved the construction of a sewer pumping station, 3.9 kilometres of rising sewer mains and 900 metres of transfer mains. Construction of the system took place over three years commencing in 2015. Site segregation (segregating sewerage from wastewater) began in September 2018 and was completed in March 2019. Our sites were connected to the new system, involving a further \$600,000 capital investment in FY2019 for those works.

The improved system represents an investment in the region, as well as a vastly improved waste management solution. The benefits extend far beyond our business, improving amenities for the local business community and residents.



Case Study: Customer feedback improves Vegemite packaging

A great example of how we listen to our stakeholders and strive to reduce our packaging's impact on the environment came about as a result of a customer letter in January 2019.

A customer expressed concern that the top of Vegemite jars included a ring of plastic that could find its way into the environment, presenting a potential hazard to wildlife. This ring of plastic is known as a tamper band, which acts as a tamper warning at time of purchase. If the seal between the ring and the jar lid is broken it is an indication the jar has been opened. While the current tamper band design used on Bega products was developed five years ago, break band technology has been used on our products for over 30 years. This feature has always allowed the consumer to remove the cap with the reassurance of a quality product. It was a concern to hear that the band could be easily removed from the jar once it was opened.

Through the great work of one of our Aspire leadership projects, we discovered that the manufacturing tooling used to create the jars wears over time, causing the problem.

The solution was to implement further quality checks to ensure the ring and jar are always made within the correct specifications. Our jar supplier has now incorporated extra checks which regularly measure the tamper band retention ring, so as to trigger them to replace the moulds before we have defective jars in circulation.

To understand the issues, research options and develop a final recommendation, the project team engaged with teams in packaging and operations, and with our suppliers. They explored a number of different options, looking for a solution that would have minimal cost impact and could be implemented with existing manufacturing processes. Research was also conducted on consumer awareness of the importance of recycling and how to recycle Vegemite jars and caps.

The outcome was a win for our customer, our business and the environment. The additional checks will indicate when manufacturing tooling may be starting to wear and need replacement, helping us ensure that no tamper bands can be removed from jars or make their way into our environment. Importantly, we are also able to reassure our customers about our progressive stance on protecting our land and wildlife by keeping the tamper band intact so it is returned to recycling.

Glossary

TERMS

ADISF

Australian Dairy Industry Sustainability Framework

APCO

Australian Packaging Covenant Organisation

EMS

Environmental Management System

EBITDA

Earnings before interest, taxes, depreciation and amortisation

DPI Water IPART NSW

Department of Primary Industries Water Independent Pricing and Regulatory Tribunal

GHG

Greenhouse Gases

GRI

Global Reporting Initiative

HACCP

Hazard analysis and critical control points

KPI

Key Performance Indicator

TMI

Tatura Milk Industries, a wholly owned subsidiary of Bega Cheese

Scope 1

Greenhouse gas emissions that result directly from onsite activities such as the combustion of fossil fuels

Scope 2

Greenhouse gas emissions that result indirectly from the consumption of electricity generated off-site

UNITS

CO₂e

Carbon dioxide equivalent, a standard unit for measuring carbon. The amount of a greenhouse gas that a business emits is measured as an equivalent amount of carbon dioxide which has a global warming potential of one.

tCO₂e

Tonnes of carbon dioxide equivalent gas

GJ

Gigajoule, unit of energy equal to one billion (10⁹) joules of energy

GJ/t

Gigajoules per tonne of product

kg

Kilogram, unit of mass equal to 1000 grams

kg/t

Kilograms per tonne of product

kL

Kilolitre, a unit of volume equivalent to 1,000 litres

kL/t

Kilolitre per tonne of product

kWh

Kilowatt hour, unit of energy equivalent to 3.6 megajoules

LTIFR

Lost Time Injury Frequency Rate calculated as the number of lost-time injuries relative to the total number of hours worked during the reporting period

ML

Megalitre, a unit of volume equivalent to 1 million litres

MJ

Megajoule, unit of energy equal to one million (10⁶) joules of energy

t

Tonnes, unit of mass equal to 1,000 kilograms

TRIFR

Total Recordable Injury Rate calculated as injuries relative to the number of hours worked during the reporting period

GRI content index

| GRI STANDARD | DISCLOSURE ¹⁰ | PAGE NUMBER(S) | |
|--|---|--|---------------------|
| GRI 101: Foundation 2016 | | | |
| GRI 102: General Disclosures 2016 | | | |
| GRI 102: General Disclosures 2016 | 102-1 | Name of the organisation | Page 2 |
| | 102-2 | Primary brands, products, and services | Page 11 |
| | 102-3 | Location of the organisation's headquarters | Page 10 |
| | 102-4 | Number of countries where the organisation operates | Pages 10-11 |
| | 102-5 | Nature of ownership and legal form | Page 7 |
| | 102-6 | Markets served: geographic locations, sectors served, types of customers and beneficiaries | Page 11 |
| | 102-7 | Scale of the organisation | Pages 7, 11, 25, 31 |
| | 102-8 | Total number of employees by employment contract (permanent and temporary), by gender | Page 31 |
| | 102-9 | A description of the organisation's supply chain | Page 25 |
| | 102-10 | Significant changes to the organisation's size, structure, ownership, or supply chain | Pages 3-5, 7, 9 |
| | 102-11 | Whether and how the organisation applies the Precautionary Principle or approach | Pages 23-24 |
| | 102-12 | A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes, or which it endorses | Pages 23-24 |
| | 102-13 | A list of the main memberships of industry or other associations, and national or international advocacy organisations | Page 24 |
| | 102-14 | A statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and its strategy for addressing sustainability | Pages 3-5 |
| | 102-15 | A description of key impacts, risks, and opportunities | Pages 15-16, 58-59 |
| 102-16 | A description of the organisation's values, principles, standards, and norms of behaviour | Page 8 | |
| 102-18 | Governance structure of the organisation | Page 24 | |
| 102-40 | A list of stakeholder groups engaged by the organisation | Page 60 | |
| 102-41 | Percentage of total employees covered by collective bargaining agreements | Page 31 | |
| 102-42 | The basis for identifying and selecting stakeholders with whom to engage | Page 60 | |

¹⁰ Disclosure descriptions have been summarised. For detailed descriptions refer to the GRI Standards <https://www.globalreporting.org/standards>

| GRI STANDARD | DISCLOSURE ¹¹ | PAGE NUMBER(S) |
|--|---|---------------------|
| GRI 102: General Disclosures 2016 | | |
| | 102-43 The organisation’s approach to stakeholder engagement | Page 60 |
| | 102-44 Key topics and concerns raised | Page 60 |
| | 102-45 Entities included in the consolidated financial statements | Page 2 |
| | 102-46 Defining report content and topic boundaries | Pages 58-59 |
| | 102-47 A list of material topics | Pages 58-59 |
| | 102-48 Restatements of information | Page 3 |
| | 102-49 Changes in reporting | Pages 3-5, 7, 58-59 |
| | 102-50 Reporting period | Page 2 |
| | 102-51 Date of most recent report | Page 2 |
| | 102-52 Reporting cycle | Page 2 |
| | 102-53 Contact point for questions regarding the report | Page 2 |
| | 102-54 Claims of reporting in accordance with the GRI Standards | Page 2 |
| | 102-55 GRI content index | Pages 54-57 |
| | 102-56 External assurance | Page 2 |

| GRI STANDARD | DISCLOSURE ¹² | PAGE NUMBER(S) |
|--|---|-----------------|
| Material Topic – Customer Health and Safety | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its boundaries | Page 37 |
| | 103-2 The management approach and its components | Page 37 |
| | 103-3 Explanation of how the organisation evaluates the management approach | Page 37 |
| GRI 416 Customer Health and Safety 2016 | 416-2 Incidents of non-compliance concerning the health & safety impacts of products and services | Page 37 |
| Material Topic – Water | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its boundaries | Page 48 |
| | 103-2 The management approach and its components | Pages 41-42, 48 |
| | 103-3 Explanation of how the organisation evaluates the management approach | Pages 41-42, 48 |
| GRI 303 Water 2016 | 303-1 Water withdrawal by source | Page 48 |
| GRI 303 Water 2016 | 303-3 Water recycled and reused | Page 48 |

¹¹ - ¹² Disclosure descriptions have been summarised. For detailed descriptions refer to the GRI Standards <https://www.globalreporting.org/standards>

| GRI STANDARD | DISCLOSURE ¹³ | PAGE NUMBER(S) | |
|---|--------------------------|--|---------------------|
| Material Topic – Supplier Environmental Assessment | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its boundaries | Pages 25-28 |
| | 103-2 | The management approach and its components | Pages 25-28 |
| | 103-3 | Explanation of how the organisation evaluates the management approach | Pages 25-28 |
| GRI 308 Supplier Environmental Assessment 2016 | 308-1 | New suppliers that were screened using environmental criteria (Data is limited to dairy suppliers) | Page 27 |
| Material Topic – Environmental compliance | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its boundaries | Pages 41-42 |
| | 103-2 | The management approach and its components | Pages 41-42 |
| | 103-3 | Explanation of how the organisation evaluates the management approach | Pages 41-42 |
| GRI 307 Environmental Compliance 2016 | 307-1 | Non-compliance with environmental laws and regulations | Page 43 |
| Material Topic – Energy | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its boundaries | Page 44 |
| | 103-2 | The management approach and its components | Pages 41-42, 44 |
| | 103-3 | Explanation of how the organisation evaluates the management approach | Page 44 |
| GRI 302 Energy 2016 | 302-1 | Energy consumption within the organisation | Page 45 |
| GRI 302 Energy 2016 | 302-3 | Energy intensity | Page 45 |
| Material Topic – Emissions | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its boundaries | Page 47 |
| | 103-2 | The management approach and its components | Pages 41-42, 47 |
| | 103-3 | Explanation of how the organisation evaluates the management approach | Pages 41-42, 44, 47 |
| GRI 305 Emissions 2016 | 305-1 | Direct (Scope 1) GHG emissions | Page 47 |
| GRI 305 Emissions 2016 | 305-2 | Energy indirect (Scope 2) GHG emissions | Page 47 |
| GRI 305 Emissions 2016 | 305-4 | GHG emissions intensity | Page 47 |

¹³ Disclosure descriptions have been summarised. For detailed descriptions refer to the GRI Standards <https://www.globalreporting.org/standards>

| GRI STANDARD | DISCLOSURE ¹⁴ | PAGE NUMBER(S) | |
|--|--------------------------|--|-----------------|
| Material Topic – Waste | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its boundaries | Page 51 |
| | 103-2 | The management approach and its components | Pages 41-42, 51 |
| | 103-3 | Explanation of how the organisation evaluates the management approach | Pages 41-42, 51 |
| GRI 306 Effluents and waste 2016 | 306-2 | Waste by type and disposal method | Page 51 |
| Material Topic – Occupational Health and Safety | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its boundaries | Pages 34-35 |
| | 103-2 | The management approach and its components | Pages 34-35 |
| | 103-3 | Explanation of how the organisation evaluates the management approach | Page 35 |
| GRI 403 Occupational Health and Safety 2016 | 403-2 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities (Data does not include breakdowns by region or gender) | Page 36 |
| Material Topic – Animal Welfare | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its boundaries | Pages 28-29 |
| | 103-2 | The management approach and its components | Pages 28-29 |
| | 103-3 | Explanation of how the organisation evaluates the management approach | Pages 28-29 |

¹⁴ Disclosure descriptions have been summarised. For detailed descriptions refer to the GRI Standards <https://www.globalreporting.org/standards>

Appendix

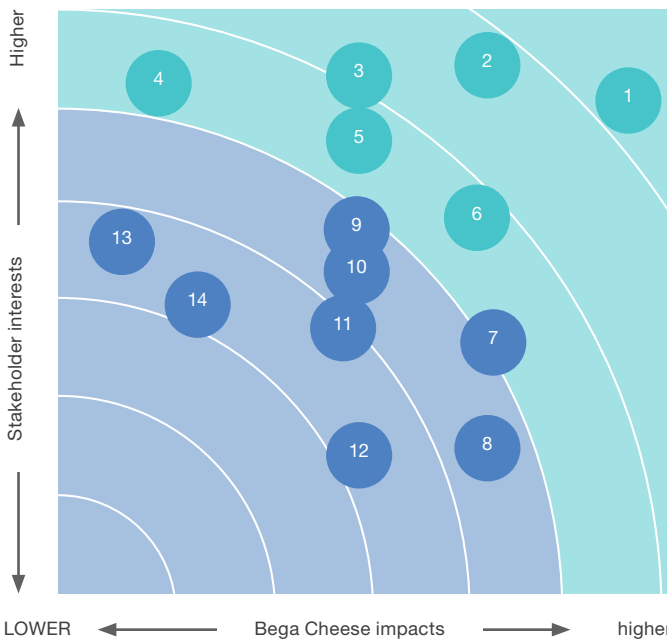
Materiality matrix (2017)

We used a four-phase assessment process: identify, prioritise, validate and review. This is detailed in our FY2017 sustainability report, available on our website.

We continue to report on the material issues arising from that assessment and will update this work ahead of the next reporting cycle.

The issues are prioritised in the materiality matrix below. The scope of the issues, their boundaries and alignment is presented in the table that follows. We did not conduct a materiality assessment or dedicated stakeholder engagement for the development of the FY2019 sustainability report.

Materiality matrix



- 1 Food safety
- 2 Water
- 3 Environmental compliance
- 4 Energy
- 5 Animal welfare
- 6 Sustainable sourcing
- 7 Safety
- 8 Food and nutrition
- 9 Governance
- 10 Community contribution
- 11 Greenhouse gas emissions
- 12 Waste and packaging
- 13 Ethical sourcing
- 14 People capability

This informs the priorities set in our 2021 strategic plan, as well as the content of our sustainability report.

Our material issues

Materiality index

| MATERIAL ISSUE | SCOPE | WHERE IMPACT OCCURS |
|--------------------------|---|---|
| Food safety | All aspects of food safety including policy, compliance, complaints, feedback and recalls | Customers (large and small) and consumers |
| Water | Approach to water security and water management including consumption, intensity, recycling and effluent management in manufacturing but also farm water security | Suppliers (milk in particular) and manufacturing suppliers |
| Sustainable sourcing | Local spending on suppliers, support to farmers for practice improvement, access to capital and environmental performance Sustainable sourcing of non-dairy inputs | Milk suppliers Vegetable oil suppliers |
| Environmental compliance | Compliance with environmental licences, local complaints and responses | Local communities |
| Energy | Energy security and costs, energy consumption and intensity and use of renewable energy | Manufacturing sites |
| Animal welfare | Policy, performance and transparency at farm level on performance against animal welfare standards | Milk suppliers |
| Food and nutrition | Ingredient reviews, position on human health and nutrition opportunities | Customers, consumers and regulators |
| Safety | Health and safety of workers at manufacturing sites, on-farm safety practices and chain of compliance for transport related activities | Manufacturing sites |
| Greenhouse gas emissions | Scope 1 and 2 greenhouse gas emissions from manufacturing and approach to Scope 3 emissions | Manufacturing sites and milk suppliers |
| Governance | Internal mechanisms for identifying, managing and responding to sustainability. Board membership and responsibility for sustainability risks | All Bega Cheese Group entities, subsidiaries and joint ventures |
| Community contribution | Contribution to local communities including local employment, local sourcing where practical, tax transparency and charitable giving | Local communities and suppliers |
| Waste and packaging | Waste generation, types of packaging, recycled content and rates of recycling | Manufacturing sites |
| Ethical sourcing | Performance of suppliers in areas such as fair work practices on farms and human rights such as anti-discrimination and child or forced labour | Milk suppliers |
| People capability | Training, education and development of staff | All manufacturing sites |

* United Nations Sustainable Development Goal

Involving stakeholders

We work with a range of stakeholders and build relationships with people who are interested in and impacted by our business activities.

Bega Cheese Group proactively engages with stakeholders to ensure they have opportunities to participate in key processes and discussions in relation to our sustainability activities. We share a mutual dependency with our stakeholders. This includes our current business operations, our legal and contractual responsibilities, our

impacts, stakeholder influence on activities and our engagement objectives.

Engagement with our community and partners occurs at key milestones – for example, during contract renewals and negotiation of supply and services agreements, and when advising the community of significant activities at operating sites. We did not undertake any dedicated stakeholder engagement in developing this report.

| STAKEHOLDERS | INTERESTS | HOW WE ENGAGED IN FY2019 |
|--|---|--|
| Other suppliers and business partners | <ul style="list-style-type: none"> • Developing and maintaining relationships | <ul style="list-style-type: none"> • Meetings and regular reviews • Supplier visits and audits • Issue management support and troubleshooting |
| Shareholder Institutional and retail shareholder | <ul style="list-style-type: none"> • Return on investment • Acquisition integration • Growth and strategy • New product development | <ul style="list-style-type: none"> • Result presentations • ASX announcements and press releases • Annual General Meeting • Road shows • Return on investment ESG investment surveys |
| Customer and consumers | <ul style="list-style-type: none"> • Compliance with specifications • Food safety and quality • Profitability | <ul style="list-style-type: none"> • Responses to questionnaires • Customer visits and audit • Meetings and review • Monthly report |
| Governments and regulators | <ul style="list-style-type: none"> • Regulatory compliance | <ul style="list-style-type: none"> • Input to request for information • Participation in system audits • Strategic meetings with regulator • Dairy Export Industry Consultative Committee • Statutory reporting • Site inspection and audits |
| Industry associations | <ul style="list-style-type: none"> • Knowledge sharing • Lobbying • Benchmarking | <ul style="list-style-type: none"> • Dairy Manufacturers Sustainability Council • Australian Dairy Products Federation • Australian Dairy Industry Council • Infant Nutritional Council Board and standing committees • Work group on specific items and issues • General information days |
| Certification bodies and NGOs | <ul style="list-style-type: none"> • Compliance with regulations and management systems | <ul style="list-style-type: none"> • Meeting and regular reviews • Units • Australian Packaging Covenant |

Locations

BEGA HEAD OFFICE PROCESS, CUT AND PACKAGING

23-45 Ridge Street
North Bega
NSW 2550

BEGA – CHEESE DAIRY PRODUCTS

11-13 Lagoon Street
Bega
NSW 2550

DERRIMUT – CANNING FACILITY

11 Benn Court
Derrimut
VIC 3030

KINGAROY – PEANUT PROCESSING

133 Haly Street
Kingaroy
QLD 4610

KOROIT – DAIRY PROCESSING

41 Commercial Road
Koroit
VIC 3282

PORT MELBOURNE – COMMERCIAL OFFICE

664 Lorimer Street
Port Melbourne
VIC 3207

PORT MELBOURNE – VEGEMITE WAY

1 Vegemite Way
Port Melbourne
VIC 3207

STRATHMERTON – PROCESS, CUT AND PACKAGING

Murray Valley Highway
Strathmerton
VIC 3641

TATURA – DAIRY PROCESSING

236 Hogan Street
Tatura
VIC 3616

TOLGA – PEANUT PROCESSING

12 Tostevin Street
Tolga
QLD 4882



Bega