

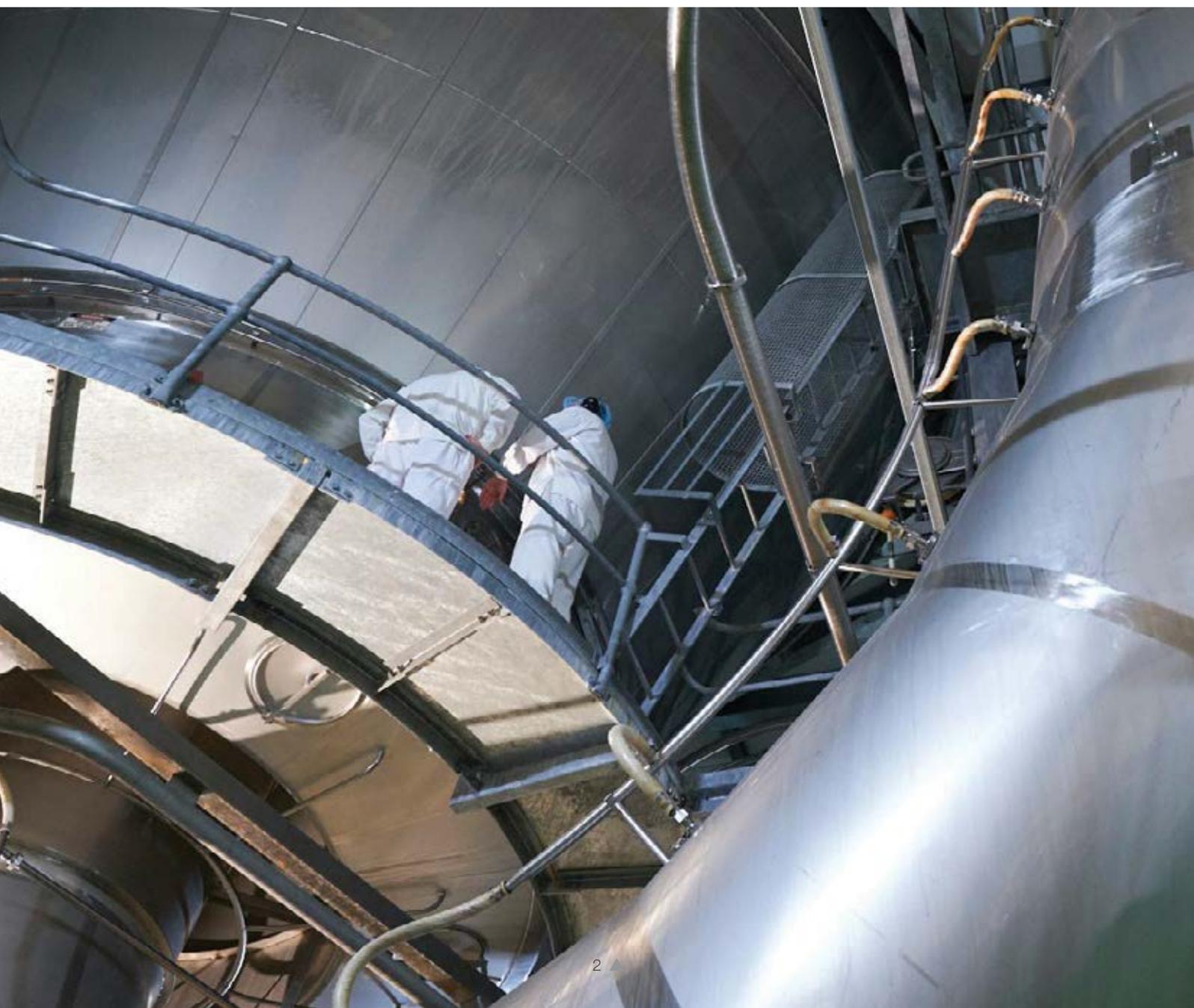
BEGA CHEESE LIMITED

Bega Modern Slavery Statement 2020



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1. Introduction

Modern slavery is a global issue that is estimated to affect over 40 million people¹. It can take various forms, including the trafficking of people, forced labour, servitude and slavery. The outcome is profound, affecting individuals, families and communities, depriving victims of their freedom. Its impact is global, and no country is immune. Australia is estimated to have 15,000 people living in conditions of modern slavery².

We are opposed to slavery in all of its forms. Respect for human rights is integral to our Bega values, and our vision to be the Great Australian Food Company.

Often the crimes of modern slavery are not easily visible. Successfully tackling the challenges of modern slavery requires strong management, collaboration and openness within our business and supply chain - as well as through our interactions with our customers, community and key stakeholders. We realise that there is always a risk that we may have unknowingly contributed to modern slavery. We are committed to continually improving our approach to reduce slavery-related risks in our operations and supply chain. The elimination of modern slavery is critical to effective human rights protection and sustainable development.

This is our first modern slavery statement and it outlines the steps taken by Bega Cheese Limited (Bega) during the financial year ending 30 June 2020 to identify and mitigate the risk of modern slavery occurring in our business operations and our supply chain.

Specifically, it explains our approach and ongoing efforts to:

- detect the risk of modern slavery and human trafficking across our business and supply chain
- ensure we have in place the most appropriate responses to identified risks.

This document content meets the requirements of section 13 of the Modern Slavery Act 2018 (Cth) and section 24 of the Modern Slavery Act 2018 (NSW).



¹ International Labour Office (ILO) & Walk Free Foundation 2017, Methodology of the global estimates of modern slavery: Forced labour and forced marriage, ILO. Available from: http://www.ilo.org/global/topics/forced-labour/publications/WCMS_586127/lang-en/index.htm. [7 February 2018].

² Global Slavery Index 2018 Australian estimate

Bega has several subsidiaries and joint ventures. Bega Cheese Limited submits this statement on behalf of those entities where we have a controlling interest which are listed as Subsidiaries.

Bega Cheese Limited ABN 81 008 358 503

Subsidiary

Tatura Milk Industries Pty Ltd
ABN 66 006 603 970
Ownership 100%

Bega Cheese Investments Pty Ltd
ABN 62 124 626 633
Ownership 100%

Peanut Company of Australia Pty Ltd
ABN 34 057 251 091
Ownership 100%

180 Nutrition Pty Ltd
ABN 78 154 169 089
Ownership 60%

Joint Operation

Bemore Partnership
ABN 62 772 037 056
Wound up 24 Feb 2020

Joint Venture

Capitol Chilled Foods (Australia) Pty Ltd
ABN 14 074 590 757
Ownership 25%

Associate

Hummingbird Superfoods Pty Ltd
ABN 90 611 992 057
Ownership 20%

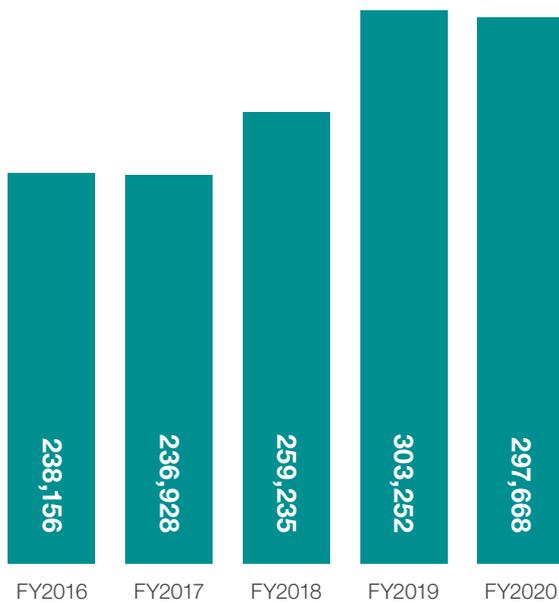


2. Company overview

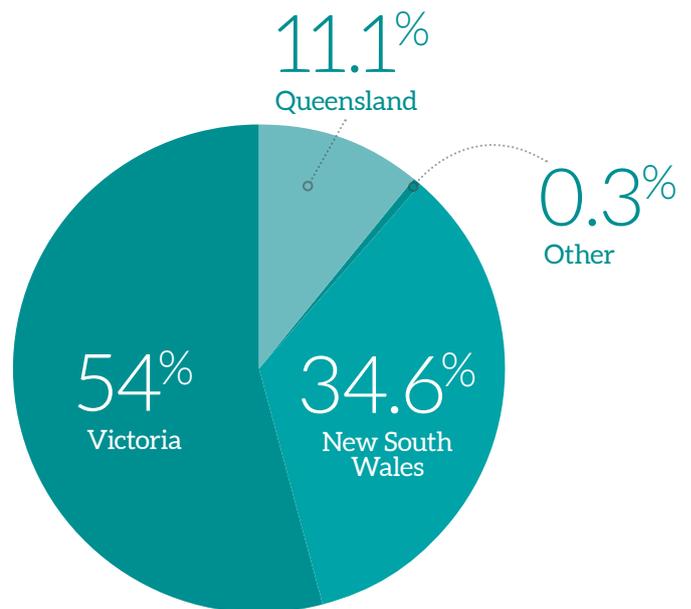
2.1 Our operations

Our business was founded in 1899 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. Bega has grown into a \$1.49 billion corporate entity employing over 1,800 permanent staff.

Year-by-year production volume (tonnes)



Percentage of employees by state



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 700 dairy farms (owned by more than 500 dairy suppliers) and 150 peanut farms (owned more than 120 peanut growers).

We continue to focus on our strategy to be the Great Australian Food Company - building a 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 recent acquisitions include:

- Mondelez International's Australian and New Zealand grocery business in July 2017
- the Peanut Company of Australia Pty Ltd (PCA) in January 2018
- one of Murray Goulburn's former dairy manufacturing facilities in Koroit, Western Victoria, in August 2018
- a majority shareholding in 180 Nutrition Pty Ltd in February 2019.

We have also expanded our spreads offering in FY2020 to include a honey range. B honey is made from 100% pure Australian honey. Through our Purple Hive project, we are helping support the future of the Australian honey industry.



2.2 Our sites

There are eight manufacturing sites across Australia, employing over 1,800 permanent people



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

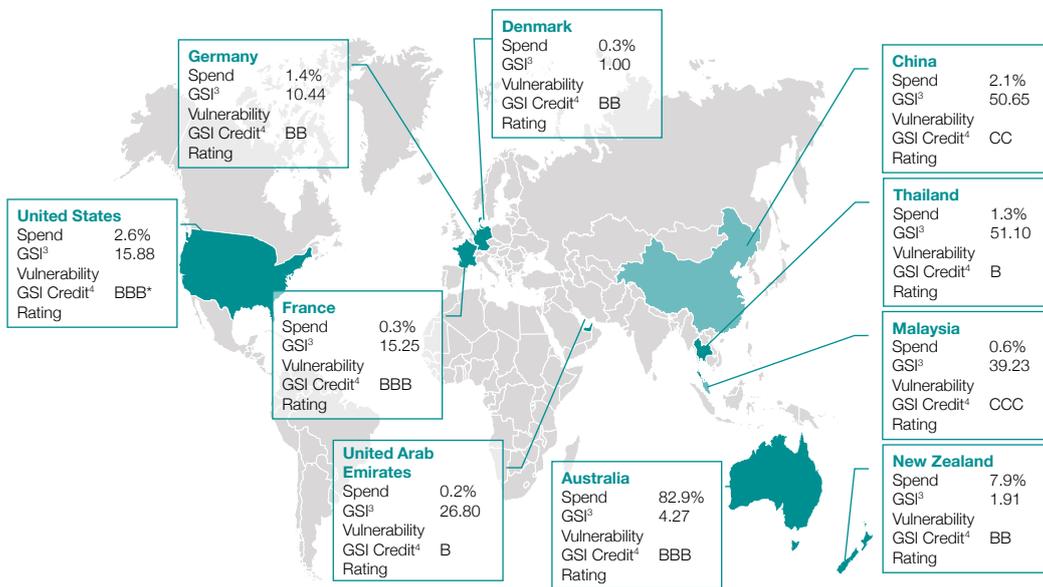
2.3 Our supply chain

Bega's supply chain depends on people's dedication to grow, milk, harvest and process raw food ingredients. Our business breadth means we source significant quantities of raw materials, good and services, including milk, peanuts, packaging, machinery and equipment, consumables, transport and logistics services.

Bega Cheese supply chain expenditure



Bega works with over 2,100 suppliers and service providers globally (excluding our dairy farms and peanut growers), with the majority of our annual \$850m supplier spend occurring with our Tier 1 suppliers located in Australia (83%), followed by suppliers from the United States, New Zealand and China. Less than 5% of our Tier 1 suppliers are in other locations. The map below highlights the modern slavery risk ratings and credit ratings for these countries utilising the Global Slavery Index (GSI) rating system. The GSI provides a ranking by country of the number of people in modern slavery, it also reviews the actions taken by governments to respond, and the factors that make people vulnerable.



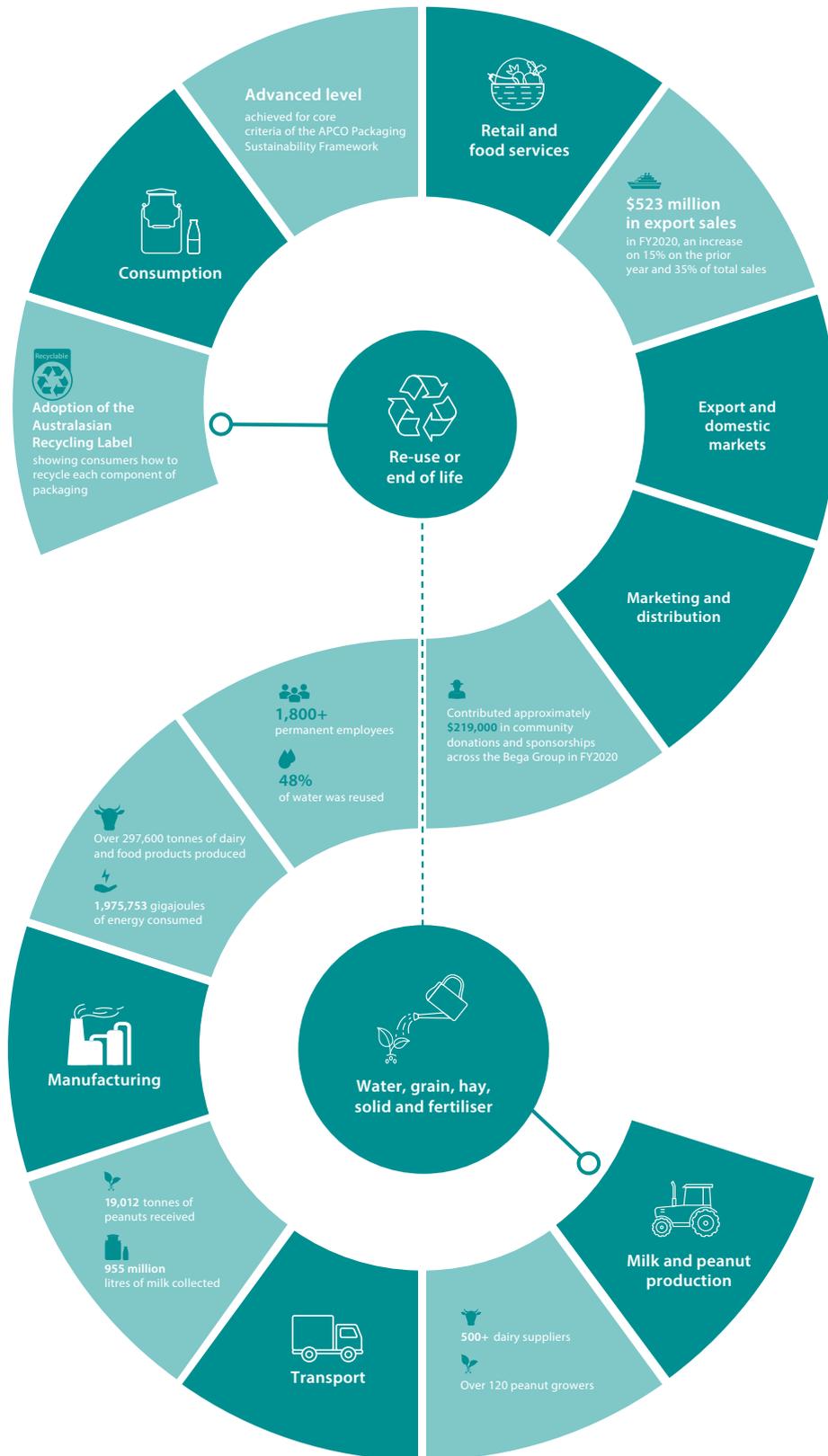
Bega procures raw materials direct from dairy farmers and peanut growers and this represents more than 70% of our supply chain expenditure. In FY2020, we collected:

- 955 million litres of milk from over 500 dairy farmers across Victoria, South Australia and Southern NSW⁵
- 8,600 tonnes of peanuts from more than 120 peanut growers across Queensland.

We have dedicated teams that work closely with our dairy farmers and our peanut growers, to ensure our requirements meet customer and consumer expectations.

³ GSI Country vulnerability score: <https://www.globallslaveryindex.org/>
⁴ GSI Country Credit Rating: <https://www.globallslaveryindex.org/>
⁵ <https://www.begacheese.com.au/farm-services/milk-supply-agreements/>

2.4 Our value chain



3. Our modern slavery risks

Bega convened an internal working group in 2019 to examine and respond to our obligations under the Modern Slavery Act 2018 (Cth) and section 24 of the Modern Slavery Act 2018 (NSW). Our Modern Slavery Working Group engaged an independent consultant to complete an assessment of modern slavery risks in our operations and supply chain, and to evaluate our policies and processes to address them.

The assessment project included:

- a review of types of material purchased by, or services provided to, Bega
- a review of Bega's policies and procedures
- analysis of Bega's spend profile for modern slavery risks
- internal interviews to help identify modern slavery risks and the effectiveness of existing responses.

There are different forms of modern slavery. The areas of focus that require further investigation by our business are the forms of modern slavery that have the greatest potential to exist in our business activities and supply chain.

Potential modern slavery risk areas



The initial assessment did not find examples of modern slavery within the Bega supply chain and did not find any major gaps in our existing policy and process framework. However, the assessment did identify several areas where improvements are required to address modern slavery risks more effectively. The findings have been used to develop a Modern Slavery Action Plan, which will be implemented by our internal Modern Slavery Working Group.



3.1 Operations

The review of our operations in 2020 found a relatively low risk of our direct operations causing modern slavery practices. Approximately 69% of our staff operate under collective bargaining agreements and we conduct our own recruitment. To improve our existing controls and mitigation activities, it was recommended that Bega:

- Bega conducts its own recruitment, to directly reference modern slavery risks and human rights
- addresses modern slavery risks in alignment with Bega’s broader enterprise risk management framework
- conducts staff training on salient human rights, to improve our business understanding of human rights impacts and modern slavery risks and responses
- establish appropriate key performance indicators to monitor our progress.

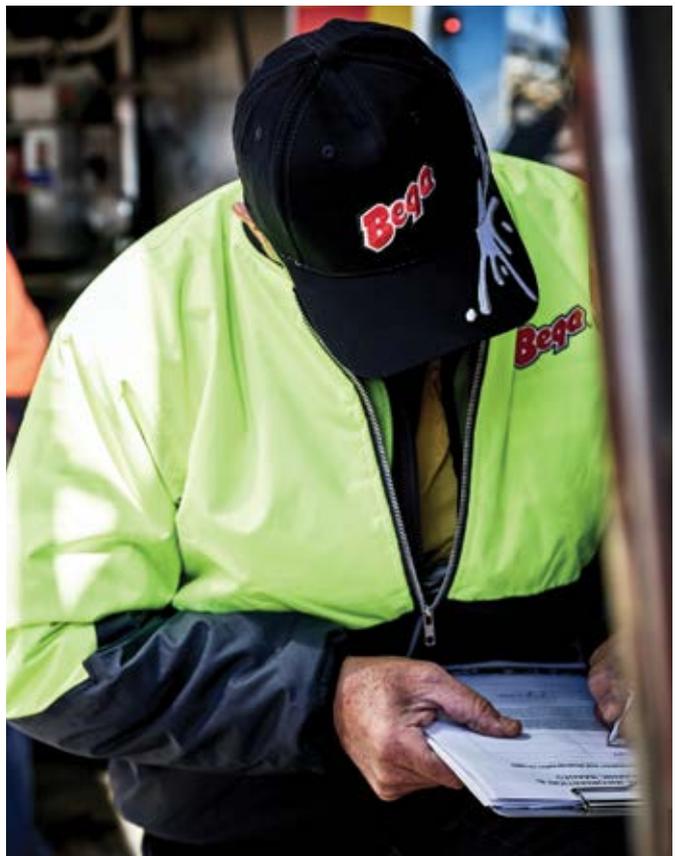
3.2 Supply chain

Bega acknowledges that the agriculture sector, on which we depend, is also a source of significant modern slavery risk. The Global Slavery Index⁶ states that "In Australia, forced labour of migrant workers from the Pacific islands has been identified in the agricultural industry. Cases of forced labour in Australia have also been found in construction, domestic work, meat processing, cleaning, hospitality, and food services."

As a major Australian food company, we operate across different sections of the Australian agricultural sector. The risk assessment has found that our direct suppliers in the domestic dairy and peanut supply chains present a low risk of modern slavery. We manage our relationships with domestic peanut growers and dairy farmers through regular site visits, monitoring compliance with our supplier agreements and working with farmer representative bodies, such as Dairy Australia.

We also have a long history of commercial relationships with our suppliers and service providers, which has helped build trust and reduce potential risks. While this approach to managing our suppliers helps mitigate potential risks, it does not guarantee the elimination of these risks altogether. The following areas have been identified as risks where we may be causing, contributing or linking to modern slavery practices through our supply chain. These risks represent potential gaps in our work with suppliers that we need to investigate further in the coming years.

Potential risks caused by Bega	Temporary and seasonal workers: Bega employs additional workers during specific seasons. This requires further review of current practices.
Potential risks contributed to by Bega	Specific higher risk commodities: We have identified a small number of commodities in our supply chain which, while small in terms of spend and volume, represent higher risk of modern slavery practices due to the nature of the commodity and origin. Such commodities include fish oils, alginates, cocoa, almonds, cashews, palm oil and peanuts grown offshore.
Potential risks linked to Bega	Bega has a number of commercial relationships with other companies related to merchandising and the licencing of some of our products and brands. This has been identified as a source of potential risk and will be reviewed in future reporting cycles.



⁶<https://www.globalslaveryindex.org/>

4. Our approach

The findings of the modern slavery assessment conducted by an independent consultant were presented to the Board along with the Modern Slavery Action Plan. The Modern Slavery Working Group reports on progress to the Audit and Risk Committee and the full Board.



The Modern Slavery Working Group consists of a cross section of managers with responsibility for Bega's operations and supply chain. The members include:

- Executive General Manager Human Resources
- General Manager - Supply Chain
- Group General Counsel
- Group Manager - Internal Audit
- Company Secretary
- Manager - Ethical Sourcing

The Modern Slavery Working Group's role is to develop and implement Bega's Modern Slavery Action Plan, which involves monitoring supplier performance and reviewing regulations, policies and industry trends related to modern slavery. The Modern Slavery Working Group's objective is to eliminate any instances of modern slavery in our own operations and supply chain, and implement robust processes to identify and address any risks of modern slavery.

4.1 Policies and procedures

Procurement policies	We are committed to conducting procurement activities in a fair, objective and transparent manner that satisfies all of our legal and regulatory requirements and our corporate and social responsibility commitments including but not limited to Bega's Quality, Environment and Sustainability, Ethical Sourcing, Compliance and Integrity, and Chain of Responsibility Policy policies.
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Human resources policies	Our Code of Conduct outlines to our people what is acceptable behaviour as an employee of Bega. We have zero tolerance for any threat of physical or sexual violence, harassment or intimidation of employees and their families or close associates. Our policies are clearly defined and communicated to all employees.
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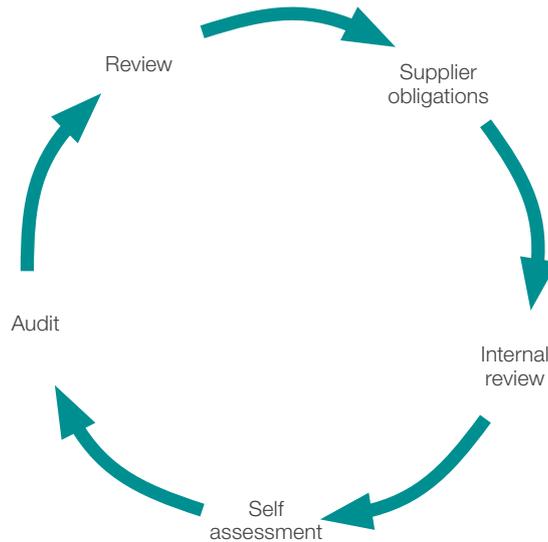
Our Diversity and Inclusion Policy ensures our employees are treated fairly and equally. We have set targets to increase the representation of women in management positions to 32% (currently 22%) to match the overall proportion of women employed by the Group.

Recruitment policies	Our approach to recruitment is "inside first", but when looking outside of the business for new staff, the organisation only uses reputable employment agencies to source workers and always verifies the practices of any new agency it is using before accepting workers from that agency.
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Our values	Our company values to grow our people, have passion for the customer, invest in our future, and support each other, highlight the actions and behaviours we expect of our employees as representatives of our business. We strive to maintain the highest standards of employee conduct and ethical behaviour when operating and managing our supply chain.
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4.2 Due diligence and remediation

Ethical sourcing program Bega's due diligence process for engaging suppliers is initiated prior to awarding contracts and during annual performance reviews. Bega's Ethical Sourcing Manager conducts the assessment of new suppliers, and reviews existing suppliers. The process includes the following steps:



Supplier obligations

Bega requires its suppliers to acknowledge and accept the Ethical Sourcing Policy and other business requirements.

Internal review

Bega has developed a rating system to determine the level of risk. Each supplier, as a minimum, will be assessed once every 12 months. The supplier is rated based on:

- location
- spend category/sector
- annual spend.

These risk ratings were developed using publicly available sources including (but not limited to): the Global Slavery Index⁷, Verisk Maplecroft Human Rights Indices⁸ and US Department of Labour International Child Labour & Forced Labour Report⁹. These sources are regularly reviewed and ratings adjusted when appropriate.

Self assessment

Suppliers are required to register with Supplier Ethical Data Exchange¹⁰ (SEDEX), a globally recognised ethical trade information platform, and complete the Supplier Assessment Questionnaire (SAQ). The answers and scores are used to determine the supplier's suitability and if the supplier requires an audit.

Audit

Audits will be completed for suppliers that are deemed to be high risk. The outcomes of the audits inform Bega's decision to continue to work with the supplier.

Suppliers can and will be removed if they are deemed as not meeting Bega's standards within a defined time period.

Staff training Bega staff are required to complete training modules on Bega's Code of Conduct¹¹ and Compliance and Integrity¹² policies during induction, as well as undertake annual refresher training.

⁷ <https://www.globallslaveryindex.org/>

⁸ <https://www.maplecroft.com/risk-indices/human-rights-risk/>

⁹ <https://www.dol.gov/agencies/ilab/resources/reports/child-labor>

¹⁰ <https://www.sedex.com/>

¹¹ <https://www.begacheese.com.au/wp-content/uploads/2020/02/Bega-Code-of-Conduct-February-2020.pdf>

¹² <https://www.begacheese.com.au/wp-content/uploads/2012/10/Compliance-and-Integrity.pdf>

Whistleblower policy

Bega's confidential whistleblower program is available to all of our people (and their families) as well as contractors/suppliers (and their workers). The program allows concerned parties to bring allegations of inappropriate behaviour and other issues to the attention of the executive team. Reports received through the whistleblower scheme can be on any topic where there is suspected or actual illegal activity, or to report breaches of Company Policy, including our Code of Conduct and Compliance and Integrity Policy.

Employees and third parties can access the externally operated whistleblower system by phone or email. Each whistleblower disclosure received is investigated and reported to the executive team. The instances and outcomes of the whistleblower investigations are reported to the Board.

Monitoring

We monitor our progress using the following metrics:

Informing	The percentage completion rate of employees finishing their annual mandatory refresher compliance training. The topics include the Code of Conduct, ethical behaviour, modern slavery, anti-bribery and anti-corruption, as well as health and safety standards.
Supplier risk	The percentage of high and medium risk suppliers assessed for modern slavery.
Third party social compliance audits	The number of high-risk suppliers that have been audited with open non-conformances, as a percentage of total high-risk suppliers.
Modern slavery occurrences	The number of incidences found in our operations and supply chain.



5. Progress to date

Bega's Modern Slavery Action Plan has been developed to address gaps and opportunities for improvement. This work is being led by the Ethical Sourcing Manager and is overseen by the Modern Slavery Working Group which reports to the Audit and Risk Committee and Bega Board.

Ethical sourcing manager	Bega appointed an Ethical Sourcing Manager to manage our commitments and the implementation of our Modern Slavery Action Plan.
Ethical sourcing policy	In January 2020, the Board approved and released the Bega Ethical Sourcing Policy ¹³ . The Ethical Sourcing Policy covers a range of Environmental, Social and Governance (ESG) human rights obligations including workers' rights, employment conditions and prevention of forced and child labour which suppliers are required to abide by.
Ethical sourcing program	Bega introduced an Ethical Sourcing program to assess existing and potential suppliers against the Ethical Sourcing Policy requirements. SEDEX, a globally recognised ethical data exchange platform, is used to facilitate monitoring and investigation of all medium and high-risk suppliers.
Reporting	KPIs have been developed to measure and report on the effectiveness of our policies and program. These will be provided to the Board and reported in future Modern Slavery Statements.

6. Stakeholder engagement and collaboration

Our consultative process involves seeking feedback and perspectives from a broad mix of internal stakeholders, external stakeholders and partners. This ensures our responses take into account all relevant information and that we work collaboratively across the supply chain.

Sedex	We are an A/B member of Sedex, one of the world's leading ethical trade service providers. We utilise Sedex to assess and manage our suppliers within our Ethical Sourcing Program. Once onboarded, we request that our suppliers share information via the Sedex platform, allowing us and their other customers to review their responses against an internationally recognised audit and compliance program.
Australian Dairy Industry Sustainability Framework (ADISF) ¹⁴	We are an active member of the Steering Committee for ADISF. ADISF has committed to ensuring all sectors of the dairy industry fulfil their responsibilities consistent with the UN Guiding Principles on Business and Human Rights.
Sustainable Palm Oil	In FY2020 we became associate members of the Roundtable on Responsible Palm Oil (RSPO). The RSPO is a not-for-profit body that develops and implements global standards for sustainable palm oil, to help minimise the negative impact of palm oil cultivation on the environment and communities in palm oil-producing regions.
Peanut Growers Advisory Group	Our Grower Advisory Group includes grower representation from each of our major regions. This helps us to maintain two-way communication and build sustainable longer-term relationships with peanut growers.
National Association of Women in Operations	We are a Gold Corporate level member of the National Association of Women in Operations (NAWO). NAWO is the peak body championing women in operations and their vision is 'to inspire and support women to reach their full potential and achieve their chosen career goals'.

For more information on how Bega engages its stakeholders, refer to the 2020 Sustainability Report on the company's website.

¹³ <https://www.begacheese.com.au/wp-content/uploads/2020/01/Ethical-and-Sustainable-Sourcing-Policy-signed-January-2020.pdf>

¹⁴ <https://www.sustainabledairyoz.com.au/>

7. COVID-19 impact

As the coronavirus (COVID-19) pandemic developed across the globe, our response closely followed the Australian government health advice and regulations as they evolved throughout the crisis. During this challenging period, we have been guided by our Bega values. In particular, our value of supporting each other has come to the fore, helping our employees to successfully navigate this challenging period.

Our priority is to ensure the safety and wellbeing of our employees, customers and communities, whilst minimising disruption to our business. We have closely monitored the situation and actively reviewed our approach to ensure a calm and balanced response. Our controls have been effective. Keeping our people safe and maintaining business continuity, with all sites remaining operational. For those employees required to work from home, there are regular check-ins with their manager and employees are required to complete the Working Remotely Checklist every three months.

We have a strong working relationship with our suppliers and service providers, which assisted with maintaining and promoting open communication to ensure business continuity. We were able to maintain contracts and commitments despite the challenging business environment caused by COVID-19.

Our ability to collaborate, learn and adapt in this rapidly changing situation, as well as our ongoing communication with our people, customers, suppliers and the communities in which we operate, all remain core to our response. The executive-led crisis team at Bega Cheese continues to meet, monitor, and update the company's response. More on our response to the COVID-19 pandemic can be found in our 2020 Sustainability Report.¹⁵

8. Future commitment

Modern slavery risk management requires ongoing and sustained commitment to review and collaborate within our business and with our customers, suppliers and industry.

Our priorities and our commitments for FY21 are outlined below.

High-risk commodities	We will continue to monitor and assess suppliers for modern slavery risk. For suppliers of high-risk commodities, we will be analysing the risk through the supply chain to item source. This involves: a) Using existing, recognised certifications and standards where such certifications exist (e.g. RSPO for palm oil, Fair Trade for nuts and coffee beans) b) Where no recognised certification exists, we will target these supply chains for more detailed investigation, utilising third-party auditors if necessary.
Informing	Deliver modern slavery training to all managers, procurement staff, and those in contact with suppliers of goods and services, to increase capability and ensure they can assist suppliers in building their capabilities.
Policy review	Review the current policy framework to ensure it meets best practice, including but not limited to the Code of Conduct, Whistleblower and Ethical Sourcing policies
Industry review	Bega will benchmark our performance against peers, large customers and industry best practice. We will also review the Modern Slavery Statements of our high-risk suppliers required to submit statements and follow them up on their action plans and commitments.

¹⁵ Bega 2020 Sustainability Report <https://www.begacheese.com.au/sustainability/>

9. The process of consultation with entities owned and/or controlled

In preparing this statement, relevant employees of all the Bega Group were consulted and provided with an opportunity to review the statement. This statement has been made on behalf of the Bega Group as well as all other controlled subsidiaries. It has been reviewed and approved by the Executive Team and the Bega Board of Directors. All subsidiaries within the Bega Group are covered by the same company policies, procedures, and systems, including those relating to supply chain management, ethical sourcing, employment, and human resource management. Our approach to tackling modern slavery is applied to the whole of the Bega Group.

Statement approval

This Modern Slavery Statement is approved by Barry Irvin, Executive Chairman, and Paul van Heerwaarden, Chief Executive Officer, Bega Cheese Limited.



Barry Irvin
Executive Chairman
February 2021



Paul van Heerwaarden
Chief Executive Officer
February 2021

10. Meeting requirements of the acts

The following table outlines how Bega has met the requirements of the section 13 of the Modern Slavery Act 2018 (Cth) and section 24 of the Modern Slavery Act 2018 (NSW)

Modern slavery statement requirements

Australian Modern Slavery Act mandatory reporting criteria	Covered in
Identify the reporting entity.	Section 2
Describe the reporting entity's structure, operations and supply chains.	Section 2
Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls.	Section 3
Describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediation processes.	Section 4 and Section 5
Describe how the reporting entity assesses the effectiveness of such actions.	Section 4
Describe the process of consultation with (i) any entities the reporting entity owns or controls; and (ii) for a reporting entity covered by a joint statement, the entity giving the statement.	Section 9
Include any other information that the reporting entity, or the entity giving the statement, considers relevant.	Section 6

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