



ANTI FRAUD AND CORRUPTION POLICY

1. INTRODUCTION

1.1 PURPOSE

The purpose of this policy is to provide guidance regarding Bega Cheese Limited's ("The Company's") position on fraud and corruption. This policy is part of the Company's commitment to operate ethically, responsibly and with moral integrity.

This Policy applies to all officers, employees, agents and other intermediaries acting on the Company's behalf. Corruption is dishonest activity in which an officer, employee, agent or intermediary of the Company acts contrary to the interests of the business and abuses his or her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity.

Fraud is dishonest activity causing actual or potential financial loss to any person or entity. It includes the deliberate falsification, concealment, destruction or use of falsified documentation or the improper use of information or position.

The framework for our approach to the management of fraud and corruption is based on the Australian Standard for Fraud and Corruption Control (AS 8001- 2008).

1.2 POLICY STATEMENT

The Company will not tolerate any acts or attempted acts of fraud or corruption in any form whether direct or indirect. This includes acts of fraud perpetrated against external stakeholders through their interactions with the business.

2. POLICY REQUIREMENTS

2.1 Prohibited Conduct

In addition to the Code of Conduct and other related company policies such as the Gift and Entertainment Policy, Bega Cheese Limited obtains direction from the Australian Standard for Fraud & Corruption (AS8001:2008) which provides the following as prohibited conduct:

Corrupt Conduct

- 2.1.1 Payment or receipt of secret commissions (bribes), which may be paid in money or in some other form of value to the receiver and may relate to a specific decision or action by the receiver or generally.
- 2.1.2 Release of confidential information for other than a proper business purpose in exchange for some form of non-financial benefit or advantage accruing to the employee releasing the information.
- 2.1.3 Collusive tendering (the act of multiple tenderers for a particular contract colluding in preparation of their bids).
- 2.1.4 Payment or solicitation of donations for an improper political purpose.
- 2.1.5 Serious conflict of interest involving a Director or senior executive of an entity or other entity acting in his or her own self-interest rather than the interests of the entity to which he or she has been appointed.
- 2.1.6 Serious nepotism and cronyism where the appointee is inadequately qualified to perform the role to which he or she has been appointed.

Fraudulent Conduct

- 2.1.7 Theft of plant and equipment by employees.

- 2.1.8 Theft of inventory by employees.
- 2.1.9 False invoicing (involving a staff member of the entity or a person external to the entity creating a fictitious invoice claiming payment for goods or services not delivered or exaggerating the value of goods delivered or services provided).
- 2.1.10 Theft of funds other than by way of false invoicing.
- 2.1.11 Accounts receivable fraud (misappropriation or misdirection of remittances received by an entity from a debtor). Credit card fraud involving the unauthorized use of a credit card or credit card number issued to another person (the most common fraud against the banking sector) or the use of stolen or fraudulently generated credit card numbers by merchants.
- 2.1.12 Theft of intellectual property or other confidential information.
- 2.1.13 Accounts payable fraud (inclusive of the creation of a fictitious vendor or inappropriately redirecting payments to third party bank accounts).
- 2.1.14 Payroll fraud (creation of fictitious employees or the falsification of time and attendance records).

Importantly, incidents of prohibited fraudulent or corrupt conduct that are not included in the above may still meet the definition provided in Section 1.1.

2.2 Business Rules Regarding Fraud and Corruption

- 2.2.1 In the event that an officer or employee is offered a bribe, they must refuse the offer immediately and report the incident as detailed in 2.2.4.
- 2.2.2 Payments to Government Officials must not be made unless authorised by the CFO or CEO. In the event that such payments are urgently made to ensure the health and safety of an employee, full details of the payment should be reported immediately to the CFO or CEO.
- 2.2.3 All Agents must have a written agreement in place in accordance with the Company's Distributor and Agency Policy.
- 2.2.4 All officers, employees, agents and intermediaries of the Company who have reason to believe that an alleged act of fraud or corruption has occurred, or may occur, must promptly report this information to the Whistle Blower Hotline, the CFO or the CEO.
- 2.2.5 The Company Secretary will maintain a register of fraudulent incidents and provide updates to the Audit and Risk Committee on the status of incidents as appropriate.
- 2.2.6 All gifts, donations, travel and entertainment given or received must be in accordance with the Company's Gifts and Entertainment Policy.
- 2.2.7 All management are responsible for putting in place strategies to mitigate risks, develop and review systems and introduce effective controls to limit fraud and corruption including IT controls to mitigate the risk of electronic financial fraud and identity theft both when at Company sites and when travelling.
- 2.2.8 The Company will not facilitate the evasion of duties or tax.

2.3 Breach of Policy

Employees conducting activities identified in Section 2.1 will be subject to disciplinary action, up to and including dismissal. Breaches can also result in prosecution by law enforcement authorities.

2.4 Self Assessments and Compliance Programs

- 2.4.1 An 'International Activities Anti -Corruption Self-Assessment' process is to be undertaken every six months by all managers responsible for international transactions (See Appendix 1). The conduct of these self-assessments will be facilitated by internal audit.
- 2.4.2 The Annual Bega Cheese Limited Internal Audit Plan will include a focus on activities that relate to the sufficiency of controls that mitigate fraud risk.

3. RESPONSIBILITIES

The CFO has overall responsibility for this policy, supported by the Executive team and is responsible for giving advice on the interpretation and application of this policy, supporting training and education, and responding to reported concerns.

All officers, employees, agents and intermediaries are responsible for understanding and complying with the Policy.

4. SUPPORTING POLICIES

- Code of Conduct,
- Gifts and Entertainment Policy,
- Ethics and Compliance Policy

5. TRAINING & INCIDENT REPORTING PROCESS

All members of the leadership team, sales team, procurement team and finance must annually read this Policy. Advice on matters involving fraud and corruption can be sought either via the Company Secretary, the CFO or Internal Audit.

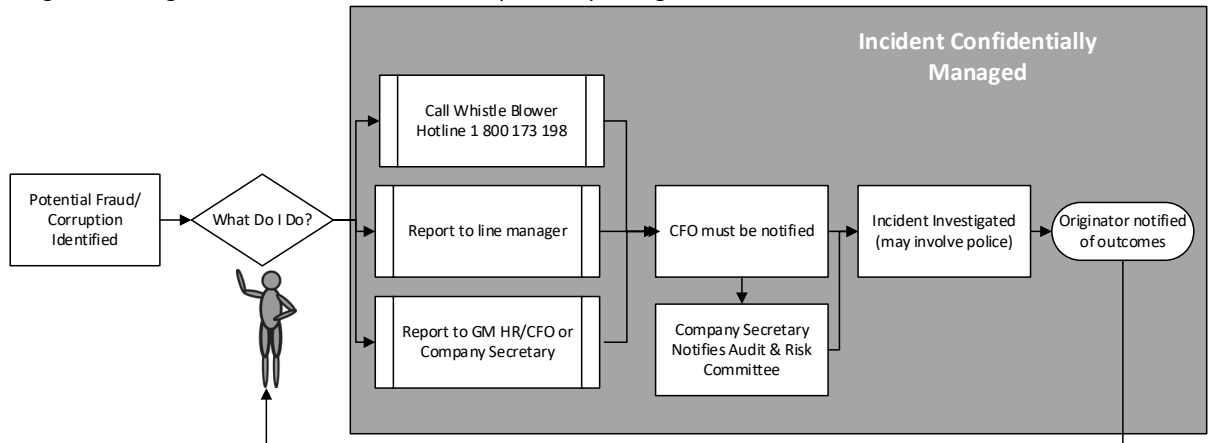
More senior staff and other staff in particular departments such as sales and procurement must attend and participate in an annual refresher workshop.

5.1 Fraud or Corrupt Conduct - Incident Reporting Process

The Company's approach to fraud incident reporting is in ensuring that these matters are managed in a confidential manner protecting the individual who identified the incident.

The below diagram illustrates the circumstances as to how incidents are to be reported and the feedback loop that exists once the issue has been sufficiently investigated.

Diagram 1: Bega Cheese Limited Fraud/Corruption Reporting Process



APPENDIX A

Bega Cheese Internal Control Review Program International Activities Anti-Corruption Profiling

The purpose of this profiling activity is to understand Bega Cheese's corruption risk and is to be completed by managers responsible for international transactions.

Name: _____

Role: _____

Responsible for (international activities only): _____

SECTION 1: Overall Business Activity

As per the Australian Fraud & Corruption Control Standard (AS8001:2008) high-risk corruption activities include:

1. Doing business with a foreign government agency.
2. Sales and marketing resource based internationally.
3. Business with companies within high risk corruption nations (see Appendix B).
4. Employment of foreign officials (or relatives) as employees, contractors or agents.

Does Bega Cheese Limited involve itself with any of the above activities? If so, the business is rated a high risk in terms of its potential exposure to corruption. Elaborate below on the circumstances if the answer is yes to any of the above activities having existed within the last six months trading.

SECTION 2 Anti-Corruption Profiling

The following questions are to be answered yes or no. If yes, please provide additional detail.

1. Are employees who conduct international transactions aware of countries that have a particularly high risk or history of corruption? If so are there any additional practices put in place to mitigate this risk (i.e. what are they)?

2. Does any part of the business under your control conduct any direct business with a foreign government? If so how does Bega Cheese Limited ensure that all payments made or received are appropriate?

3. Are gifts, meals and entertainment either provided or received with those with whom you do business in overseas markets? If yes, how are they controlled in terms of authority, transparency and oversight?

4. Are unusual payments (such as special financial arrangements, one-off payments or high commission structures) made to foreign parties (such as agents, suppliers or customers)? If so how are these payments controlled?

5. Does Bega Cheese Limited have agents operating on behalf of the business in countries with a high risk of corruption (see Appendix B of the Anti-Fraud and Corruption Policy)? If so what are the practices in place to mitigate the risk of corrupt payments or practices made on behalf of Bega Cheese Limited?

6. To your knowledge are any of the following maintained:

- Overseas bank accounts
- Foreign assets or other inventory holdings.
- Expense management systems or company credit card transactions that lack independent visibility with regards to overseas use.

If yes, how are the above managed to mitigate the risk of corruption?

7. In your opinion does the part of the business you are responsible for have a clear understanding as to what permits, certifications and inspections are required in order to conduct business in overseas locations? If yes, how are these records maintained?

Responses to the above seven questions are to be sent to Internal Audit at Port Melbourne Office for review and assessment.

APPENDIX B

High Risk Corruption Nations

(Source Nations Online – 2016 Corruption Perception Index (CPI))

Note the higher the 'corruption' ranking = the lower the CPI score (i.e. most corrupt are at the bottom of the table). The below represents the bottom 30% of all nations in terms of corruption.

<u>Country</u>	<u>CPI</u>	<u>Country</u>	<u>CPI</u>	<u>Country</u>	<u>CPI</u>
Zambia	38	Ecuador	31	Kenya	26
Colombia	37	Malawi	31	Tajikistan	25
Indonesia	37	Azerbaijan	30	Uganda	25
Liberia	37	Djibouti	30	Comoros	24
Benin	36	Honduras	30	Turkmenistan	22
El Salvador	36	Laos	30	Zimbabwe	22
Kosovo	36	Mexico	30	Cambodia	21
Maldives	36	Moldova	30	Democratic Republic of Congo	21
Sri Lanka	36	Paraguay	30	Uzbekistan	21
Gabon	35	Sierra Leone	30	Burundi	20
Niger	35	Iran	29	Central African Republic	20
Peru	35	Kazakhstan	29	Chad	20
Philippines	35	Nepal	29	Haiti	20
Thailand	35	Russia	29	Republic of Congo	20
Algeria	34	Ukraine	29	Angola	18
Côte d'Ivoire	34	Guatemala	28	Iraq	17
Egypt	34	Kyrgyzstan	28	Venezuela	17
Ethiopia	34	Lebanon	28	Guinea-Bissau	16
Guyana	34	Myanmar	28	Afghanistan	15
Armenia	33	Nigeria	28	Libya	14
Bolivia	33	Papua New Guinea	28	Sudan	14
Vietnam	33	Guinea	27	Yemen	14
Mali	32	Mauritania	27	Syria	13
Pakistan	32	Mozambique	27	Korea (North)	12
Tanzania	32	Bangladesh	26	South Sudan	11
Togo	32	Cameroon	26	Somalia	10
Dominican Republic	31	Gambia	26		