

## Corporate Governance Statement 31 August 2020

Australian Dairy Nutritionals Group (**AHF or the Group**) is a stapled security comprised of Australian Dairy Nutritionals Limited (**ADNL**) and the Australian Dairy Farms Trust (**ADFT**). The responsible entity for ADFT is Dairy Fund Management Limited (**DFML**), a wholly owned subsidiary of the Group. The directors of DFML are also directors of the Company. DFML and the Company cooperate to facilitate the operation of the Group as a single economic entity for the benefit of stapled securities holders.

A reference to the Board in this Corporate Governance Statement is a reference to the board of DFML and the board of the Company. This Corporate Governance Statement is reported against the 4th edition of the *ASX Limited Corporate Governance Principles and Recommendations* and has been approved by the Board.

The Corporate Governance Statement can be accessed at the Group's website ([www.adfl.com.au](http://www.adfl.com.au)) (**Website**) and by clicking on the Corporate Governance link: <http://adfl.com.au/corporate-governance/>.

PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
1.1	<p>A listed entity should have and disclose a board charter setting out:</p> <ul style="list-style-type: none"> <li>(a) the respective roles and responsibilities of its board and management; and</li> <li>(b) those matters expressly reserved to the board and those delegated to management.</li> </ul>	<p>The Group's Board Charter sets out the specific responsibilities of the Boards, matters expressly reserved to the Boards and those delegated to management.</p> <p>The Board Charter is available on the Corporate Governance section of the Website.</p>
1.2	<p>A listed entity should:</p> <ul style="list-style-type: none"> <li>(a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and</li> <li>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</li> </ul>	<p>Prior to appointing any new directors, the Group will undertake appropriate checks which may include checks such as the person's character, qualifications, experience, education, criminal record and bankruptcy history.</p> <p>A profile of each director is included in the annual report of the Group and on the Group's Website. Any notice of meeting where a director is standing for election or re-election will include material information in the Group's possession relevant to a decision on whether or not to elect or re-elect a director.</p>
1.3	<p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>The Group has in place written agreements with each director and key management personnel setting out the terms of their appointment.</p>
1.4	<p>The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>The Company Secretary of the Group has a direct line of communication with the Chairman and all directors, and is responsible for supporting the proper functioning of the Boards which includes, but is not limited to, providing advice on governance and procedural issues, and the preparation of detailed Board papers and minutes.</p>

<p>1.5 A listed entity should:</p> <ul style="list-style-type: none"> <li>(a) have and disclose a diversity policy;</li> <li>(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and</li> <li>(c) disclose in relation to each reporting period: <ul style="list-style-type: none"> <li>(1) the measurable objectives set for that period to achieve gender diversity;</li> <li>(2) the entity’s progress towards achieving those objectives; and</li> <li>(3) either: <ul style="list-style-type: none"> <li>(A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined “senior executive” for these purposes); or</li> <li>(B) if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act.</li> </ul> </li> </ul> </li> </ul> <p>If the entity was in the S&amp;P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.</p>	<p>In view of the size of the Group and the nature of its activities, the Board has not yet established a diversity policy. However, the Group supports diversity and aims to employ both women and people from diverse cultural and ethnic backgrounds particularly in management roles. The Group will develop a diversity policy and measurable objectives when its size and activities warrant such a structure.</p>
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1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>	<p>The Chairman is responsible for evaluation of the performance of the Board, its committees (if applicable) and individual directors. The Chairman and the Board regularly discuss the performance and composition of the Board, considering issues or concerns as they arise. This ongoing process was conducted in-house and on an informal basis throughout the reporting period.</p> <p>Following the July 2019 Board review, it was determined that an additional Board member be appointed to bolster the skills and experience of the Board including knowledge and experience in international trade and business. After a formal search process, Martin Bryant was appointed to the Board in November 2019 and took over the Chairman role on 23 December 2019.</p> <p>Through September 2020, the Chairman will undertake, in conjunction with the other directors, a formal evaluation of the Board’s performance through the reporting period as well as the Board composition and skills matrix.</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and</p> <p>(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>	<p>During the reporting period, the Chairman was responsible for evaluation of the performance of the CEO and the CEO was responsible for evaluation of the performance of senior executives. During the reporting period this process was done on an informal basis through regular discussions between the Chairman and CEO and, CEO and members of senior management. Annual performance targets and associated incentives are agreed with senior management in line with the Group’s strategic objectives and budget.</p>

**PRINCIPLE 2 - STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE**

<p>2.1</p>	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ol style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, and disclose:</li> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>The Board did not have a nomination committee during the reporting period. The Board considers the selection and appointment of directors an important task that is the responsibility of all Board members. As the AHF Board consists of only five directors, this is considered best practice at this stage in the Group’s development.</p> <p>The Board employs the following processes to address board succession issues and to ensure that the Board has the appropriate skill, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <ul style="list-style-type: none"> <li>• the Board periodically reviews and considers the structure and balance of the Board regarding appointments, retirements and terms of office of Directors;</li> <li>• the Board has adopted a skills matrix and periodically reviews the matrix in line with the Group’s operations and strategies to ensure it appropriately reflects the desirable competencies for Board members, and guides recommendations of potential candidates;</li> <li>• where appropriate, the Board engages independent consultants to identify possible new candidates for the Board;</li> <li>• the Board will assess and consider the time required to be committed by a non-executive Director to properly fulfil their duty to the Group and advise the Board;</li> <li>• the Board will consider and recommend candidates for election or re-election to the Board at each annual securityholders’ meeting;</li> <li>• the Board will review directorships in other public companies held by or offered to Directors and senior executives of the Group;</li> <li>• the Board will make recommendations on the appropriate size and composition of the Board.</li> <li>• the Board will make recommendations on the terms and conditions of appointment to the Board.</li> </ul>
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2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.	The Board Skills Matrix can be found on the Group's Website under the Corporate Governance section.
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, affiliation or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	Details of the Group's independent directors, details of why a director is not considered independent and the length of service of each director, are set out in the 2020 Annual Report and the Board Skills Matrix and below in section 2.4.
2.4	A majority of the board of a listed entity should be independent directors.	<p>At the date of this statement, two (2) of the five directors of AHF, Martin Bryant and Adrian Rowley are independent according to the ASX Corporate Governance Council's indicators of independence.</p> <p>Michael Hackett is not considered independent given the aggregate of his individual security holding and that of the entities which he is associated with. Peter Skene, as Chief Executive Officer/Director, is not considered-independent given his executive position. Although Paul Morrell is no longer a director of a substantial holder of the Group's securities he is not considered independent as this change only occurred in May 2020.</p> <p>In view of the size of the Group and the nature of its activities the Boards consider that the current Board composition represents a practical method of directing and managing the Group. However, note the comment in Item 1.6 that at the July 2019 Board meeting the Board determined to review the composition of the Board and the Board skill matrix.</p>

2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	On 23 December 2019, the Board appointed Martin Bryant as Chairman of the Group, replacing Michael Hackett. Mr Bryant is an independent director and brings a wealth of operational and strategic expertise to the Group, with a particular focus on Asia. Mr Bryant's role is independent of the CEO and executive management personnel.
2.6	A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	The Group has an induction program comprised of formal training in relation to the operations of the Group, the dairy industry and compliance training as well as site visits and meetings with other directors and key management personnel. Compliance training and professional development opportunities are provided to Board members as appropriate to develop and maintain the skills and knowledge needed to perform their role effectively.
<b>PRINCIPLE 3 - INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY</b>		
3.1	A listed entity should articulate and disclose its values.	The Group does not currently have a formal document outlining its values however its expectations in relation to the conduct of its business and its personnel are set out in the Code of Conduct.
3.2	A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code by a director or senior executive; and (2) any other material breaches of that code that call into question the culture of the organisation.	A copy of the Code of Conduct is disclosed on the Website. The Company Secretary is responsible for reporting material breaches of the Code to the Board.
3.3	A listed entity should: (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	A copy of the whistleblower policy is disclosed on the Website. The Board is informed of any material incident report under that policy in accordance with the policy.

3.4	<p>A listed entity should:</p> <p>(a) have and disclose an anti-bribery and corruption policy; and</p> <p>(b) ensure that the board or committee of the board is informed of any material breaches of that policy.</p>	<p>Given nature of the Group's operations and the close oversight and interaction of the Board with senior management and other personnel, the Board does not think it is necessary at this stage for the Group to have an anti-bribery and corruption policy. This position is periodically reviewed by the Board, particularly as the Group's business expands into international markets.</p>
<b>PRINCIPLE 4 - SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS</b>		
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>The role of the audit committee has been assumed by the Board. The size and nature of the Group's activities does not justify the establishment of such a committee at this time, however, the Group's finance function was restructured in the second half of FY20. This position is subject to review post the FY20 audit, including whether to combine the audit and risk management functions of the Board through the formation of a committee.</p> <p>To independently verify and safeguard the integrity of its corporate reporting the Board:</p> <ul style="list-style-type: none"> <li>• Manages the selection and appointment of the external auditor and the rotation of external audit engagement partners through the Group's service contract obligations and in-house compliance program;</li> <li>• Reviews the appropriateness of the accounting principles adopted by management in the financial reports and the integrity of the Group's financial reporting;</li> <li>• Oversees the financial reports and the results of the external audits of those reports;</li> <li>• Assesses whether external reporting is adequate for security holder needs;</li> <li>• Assesses management processes supporting external reporting;</li> <li>• Establishes procedures for treatment of accounting complaints;</li> <li>• Reviews the impact of any proposed changes in accounting policies on the financial statements;</li> <li>• Reviews the quarterly, half yearly and annual results and consults with the Group's auditors in relation to both the half year and annual audits as well as any other issues which the Board or the auditor wishes to discuss or review.</li> </ul>

4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	The Group's CEO and CFO provide the Board with the appropriate assurances in relation to full year and half-year statutory financial reports. The Group's external auditor attends Board relevant meetings and provides the Board with an overview of the audit or review undertaken and any materials issues arising out of them. The Board members are afforded the opportunity to ask questions of the external auditor or seek clarifications in relation to the reviewed or audited reports at these meetings.
4.3	A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	The Board reviews all periodic corporate reports which it is required to release to the market that is not audited or reviewed by an external auditor. The Board are afforded the opportunity to ask questions and provide comments to the CFO as part of this review. The Board approves the final report and any associated commentary prior to lodgement on the ASX Market Announcement Platform.
<b>PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE</b>		
5.1	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	The Group has a market disclosure policy to ensure compliance with ASX Listing Rules disclosure requirements and the corporate governance standards applied by the Group in its market communications.  The continuous disclosure policy is available on the Website.
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	The Board reviews drafts of material market announcements and approves their lodgement on the ASX Market Announcements platform. A copy of all material market announcements are provided to all directors promptly after lodgement.
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	A copy of new and substantive investor or analyst presentations are lodged on the ASX Market Announcements platform prior to presentation.

PRINCIPLE 6 - RESPECT THE RIGHTS OF SECURITY HOLDERS		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Information about the Group its operations, products and governance can be found on the Website as well as the websites of the Group's operating subsidiaries including Camperdown Dairy Company ( <a href="http://www.camperdowndairy.com.au">www.camperdowndairy.com.au</a> ). The Group's corporate governance practises can be found at the following link: <a href="http://www.adfl.com.au/corporate-governance/">www.adfl.com.au/corporate-governance/</a> . ASX announcements, Group reports and presentations are uploaded to the Website following release to the ASX.
6.2	A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	The Group does not have a formal investor relations program however security holders are able to make contact with the Group through a dedicated email and phone contact. The Board determines investor relations activities undertaken by the Group and only the CEO and Chairman are authorised to speak to the media without permission of the Board.
6.3	A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	The Group's strategy to promote communication with security holders and encourage effective participation at general meetings is set out in its Securityholder Communication Policy which can be found on the Website. The Group's external auditor also attends the Group's annual general meeting and is available to answer questions of securityholders.
6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	The Group's practise is for resolutions put to security holders to be decided by poll rather than show of hands.
6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The Group gives security holders the option to receive communications from, and send communications to, the Group and its security registry electronically. These options are accessible via the Group's security registrar.

<b>PRINCIPLE 7 - RECOGNISE AND MANAGE RISK</b>		
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ul style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, and disclose:</li> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>During the reporting period, the Group did not have a risk committee but rather the Board as a whole considered the major risks affecting the Group. This was considered appropriate due to the size and nature of the operations of the Group.</p> <p>The Group has a risk management system to identify and manage risks to the Group achieving its strategic objectives. This risk management system encompasses financial, operational, reputational, regulatory (including food safety and financial services licence compliance) and compliance controls and risk management. The framework is subject to regular review in light of the changing nature of the Group's operations and prevailing and emerging macroeconomic factors.</p> <p>The Board will give consideration to whether a combined audit and risk committee of the Board is now appropriate following the FY20 audit process.</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>The Group's risk management framework is currently under review to ensure that it is appropriate to the prevailing circumstances of the Group and that processes and procedures are in place to adequately monitor and evaluate the management of risk by the Group.</p>

7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.</p>	<p>The Group does not have an internal audit function. The Board oversees the effectiveness of risk management and internal control processes which is considered appropriate at present given the size of the Group and its operations.</p> <p>Management are charged with resourcing, operating and monitoring the system of internal control, incorporating risk responses in the form of controls into its management systems, and reporting results on balanced assessments regarding the effectiveness of internal controls to the Board.</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.</p>	<p>As an agribusiness, the Group has material exposure to environmental and social risks including the impact of climate change on the Group's operations including weather events, water availability, acts of God and animal welfare consideration.</p> <p>Environmental and social risks which the Group is exposed are an important part of the Group's risk management framework and managed in accordance with the Group's risk management framework. The Directors Report on page # of the FY20 Annual Report includes a list of the key environmental and social risks facing the Group.</p>

**PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY**

<p>8.1</p>	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, and disclose:</li> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>The Board did not have a remuneration committee during the reporting period. The Board has the responsibility for ensuring that the Group:</p> <ul style="list-style-type: none"> <li>• has coherent remuneration policies and practices to attract and retain executives and directors who will create value to security holders;</li> <li>• observes those remuneration policies and practices; and</li> <li>• fairly and responsibly rewards executives having regard to the performance of the Group, the performance of the executives and the general pay environment.</li> </ul> <p>The Board employ the following processes for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <ul style="list-style-type: none"> <li>• No director is involved in setting their own remuneration (excluding directors' fees) or terms and conditions and in such a case, relevant directors are required to be absent.</li> <li>• The Board may receive external assistance and advice to assist it in determining appropriate levels of remuneration for the directors of the Group.</li> <li>• The Group has structured its remuneration policy for the purpose of motivating senior executives to pursue the long-term growth and success of the Group; and demonstrate a clear relationship between senior executives' performance and remuneration.</li> <li>• The Board will balance the Group's competing interests of attracting and retaining senior executives and directors; and not paying excessive remuneration.</li> <li>• Executive directors' remuneration will be structured to reflect short and long-term performance objectives appropriate to the Group's circumstances and goals.</li> <li>• Executive directors' and senior executives' remuneration packages will involve a balance between fixed and incentive-based pay, reflecting short and long-term performance objectives appropriate to the Group's circumstances and goals.</li> </ul>
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8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>Non-executive directors' remuneration is formulated with regard to the following guidelines:</p> <ul style="list-style-type: none"> <li>• non-executive directors should be remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or equity, usually without participating in schemes designed for the remuneration of executives; and</li> <li>• non-executive directors should not be provided with retirement benefits other than superannuation.</li> </ul> <p>Executive directors' and senior executives' remuneration packages should involve a balance between fixed and incentive-based pay, reflecting short and long-term performance objectives appropriate to the Group's circumstances and goals.</p> <p>Directors' fees are paid separately to all directors. The different types of remuneration including fringe benefits, superannuation, consulting fees and director fees are clearly outlined in the annual report.</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>The Group has a long-term incentive plan which was lodged with ASX on 27 October 2014 which was updated and approved by securityholders on 12 February 2018. A summary of the plan and the amendments made at this time are set out in the Notice of Extraordinary General Meeting dated 12 January 2018. Participants cannot enter into transactions which limit the economic risk of participating in the scheme.</p>