

Bellamy's Australia Limited

Corporate Governance Statement

Bellamy's Australia Limited ACN 124 272 108 (**Company**) and its associated entities are committed to the highest standards of corporate governance. The Company has adopted corporate governance policies and practices which are designed to support and promote the responsible management and conduct of the Company and that follow the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**).

For the year ended 30 June 2016, the Company's governance arrangements were consistent with the ASX Recommendations.

This corporate governance statement sets out the key features of the Company's governance framework and practices. This statement is current at 18 August 2016 and has been approved by the Company's Board.

The Company's Board and Committee charters, Code of Conduct and various policies referred to in this corporate governance statement are available on the [Corporate Governance](#) section of the Company's website.

1 Board of directors

1.1 The role of the Board

The Board recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of the Company's shareholders as well as its employees, customers and the community. Under the constitution, the Board is vested with accountability to shareholders for the management of the Group.

The Board has delegated responsibility for operation and administration of the Company and Group to the Managing Director/CEO and executive management. Responsibilities are delineated by formal authority delegations. Senior executives reporting to the Managing Director/CEO have their roles and responsibilities defined in position descriptions.

The Board's role, responsibilities, powers, duties and functions and the matters specifically reserved to the Board or its Committees are detailed in the Board Charter. A copy of the [Board Charter](#) is available from the Company's website.

1.2 Board composition

The Board currently consists of five independent, non-executive directors and one executive director.

Details of each director, including the skills, experience, relevant expertise and period of office, are disclosed on pages 30 to 31 of the Company's 2016 Annual Report.

The Board considers that individually and collectively the directors bring a level of skill, knowledge, experience and diversity that enables the Board to discharge its

responsibilities effectively. The following table summarises the key skills and experience of the directors:

International Business
Industrial / Manufacturing
Accounting / Finance / Banking
Transport & Logistics
Legal and Compliance
Governance
Human Resource Management
OH&S
Marketing
Retail FMCG
IT & Digital Technology & Social Media

The Board, with the assistance of the Remuneration and Nominations Committee, periodically reviews the mix of skills, expertise and experience of the Board and considers whether the composition and membership is appropriate to meet the Board's objectives. On the recommendation of the Remuneration and Nominations Committee, the Board has determined that together, the directors possess a comprehensive mix of skills, expertise and experience along with an appropriate level of diversity to discharge its responsibilities.

1.3 Director independence

The Board is composed of a majority of independent directors, and the Chair is an independent director. It is the intention of the Board that this be maintained.

Director	Role	Independence
1 Rob Woolley	Chair, Non-executive Director	Independent
2 Laura McBain	Managing Director/CEO	Not independent
3 Launa Inman	Non-executive Director	Independent
4 Michael Wadley	Non-executive Director	Independent
5 Patria Mann	Non-executive Director	Independent
6 Charles Sitch	Non-executive Director	Independent

Further detail is contained in the [Board Charter](#).

1.4 Director selection, nomination and appointment

The Company's process for the selection, nomination and appointment of directors involves a formal selection process undertaken by the Board, with the assistance of the Remuneration and Nomination Committee.

The Board, on the advice of the Remuneration and Nomination Committee, establishes criteria about the general qualifications and experience, as well as the specific qualifications that a candidate should possess.

An executive search firm is generally engaged to assist selecting directors. Appropriate checks on any potential candidates are conducted before a person is appointed by the Board, or put forward to shareholders as a candidate for election as a director.

The Company provides formal letters to all new directors and senior executives setting out the key terms and conditions of their appointment.

Shareholders are provided with all material information in the Company's possession that is relevant to a decision on whether to elect or re-elect a director in the notice of annual general meeting (AGM).

Further detail is contained in the [Remuneration and Nomination Committee Charter](#)

1.5 Induction and ongoing professional development

The Remuneration and Nomination Committee is responsible for formulating the induction process in respect of new directors and the review of the same, alongside the development of any programs, or identification of any opportunities necessary to ensure the directors develop and maintain the skills and knowledge they require to fulfil their roles effectively.

Further detail is contained in the [Remuneration and Nomination Committee Charter](#)

1.6 Performance evaluation

Board

The Board Charter requires that each year the Board will conduct an evaluation of its effectiveness and performance that evaluates:

- its own performance, including against the requirements of its Charter;
- the performance of its committees; and
- the performance of individual Directors,

against both measurable and qualitative indicators.

A performance evaluation of the Board, the Committees and each Director was conducted in FY16.

Senior executives

The Remuneration and Nomination Committee monitors and advises on the periodic performance of senior executives. The Managing Director/CEO initiates performance reviews of the executive whereby the individual is assessed against agreed goals and objectives.

Performance evaluations of senior executives have been undertaken during the current financial year in accordance with that process. The outcomes of the review, and the link to individual remuneration levels, are discussed in the Remuneration Report on pages 37 to 49 of the Company's [2016 Annual Report \(2016 Remuneration Report\)](#).

1.7 Remuneration

Disclosure regarding the remuneration of the Company's non-executive directors, the Managing Director/CEO, CFO and COO are set out in the 2016 Remuneration Report. See [2016 Annual Report](#) pages 37 to 49.

The Managing Director/CEO and each senior executive have a written contract with the Company. The Remuneration Report sets out details of each written contract of members of the Company's key management personnel.

1.8 Company Secretary

The Company Secretary is accountable to the Board through the Chair, and all directors have access to the Company Secretary.

The Company Secretary's role in respect of matters relating to the proper functioning of the Board includes advising the Board and its Committees on governance matters, monitoring that Board and Committee policies and procedures are followed, coordinating all Board business (including agendas, board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings) and providing a point of reference for dealings between the Board and employees.

Further detail is contained in the [Board and Committee Charters](#)

2 Board Committees

The following Committees assist the Board in carrying out its responsibilities:

- Audit and Risk Committee; and
- Remuneration and Nomination Committee.

An overview of the role and responsibilities, composition, and membership as at [30 June 2016] of each Committee is provided below.

	Audit and Risk Committee	Remuneration and Nomination Committee
Roles and responsibilities	The primary purpose of the Audit and Risk Committee is to monitor and advise the Board on: <ul style="list-style-type: none">• financial reporting;• external audit;• risk management; and• internal control structure.	The primary roles of the Remuneration and Nomination Committee are to assist the Board: <ul style="list-style-type: none">• to attract and retain suitable directors and senior executives;• to ensure that directors and executives are fairly and responsibly remunerated;• to evaluate the performance of directors and executives; and• to ensure that there are appropriate succession plans.
Members as at 30 June 2016	<ul style="list-style-type: none">• Patria Mann (Chair)• Robert Woolley• Michael Wadley	<ul style="list-style-type: none">• Lorna Inman (Chair)• Robert Woolley• Charles Sitch

	Each of these directors, including the Chair, are considered by the Board to be independent. The Chair of the Audit and Risk Committee is not the Chair of the Board.	Each of these directors, including the Chair, are considered by the Board to be independent. The Chair of the Remuneration and Nomination Committee is not the Chair of the Board.
Composition	<p>The Committee must comprise of:</p> <ul style="list-style-type: none"> • a minimum of 3 members of the Board; • only Non-executive Directors; • a majority of independent Directors; and • an independent Director who is nominated by the Board as Chair, who is not Chair of the Board. <p>Our Audit and Risk Committee structure complies with the ASX Listing Rules.</p>	<p>The Committee must comprise of:</p> <ul style="list-style-type: none"> • a minimum of 3 members of the Board; • only Non-executive Directors; • a majority of independent Directors; and • an independent Director who is nominated by the Board as Chair, who is not Chair of the Board. <p>Our Remuneration and Nomination Committee structure complies with the ASX Listing Rules.</p>

See [Audit and Risk Committee Charter](#) and [Remuneration and Nomination Committee Charter](#) for further information.

Details of the number of meetings held by the Board and its Committees during FY16, and attendance by Board members, are disclosed on pages 33 to 34 of the 2016 Annual Report.

Details of each Committee member, including the skills, experience, relevant expertise, independence and period of office, are disclosed on pages 30 to 31 of the Company's 2016 Annual Report.

3 Risk framework

3.1 Risk management and identification

The Company has employed ongoing risk management processes. The Company maintains a risk register that identifies the key risks facing the business, and the status of initiatives implemented to manage them. This risk register is reviewed and updated on a regular basis.

The Audit and Risk Committee have responsibility for monitoring and reporting to the Board on the Company's risk management framework including:

- identifying, assessing, monitoring and managing risk; and
- any material change to the group's risk profile.

The Company undertakes annual reviews of the risk management framework to ensure that it continues to be sound. The Company has undertaken a review of its risk management process in FY16.

The Board ensures that adequate external insurance cover is in place appropriate to the Company's size and risk profile.

The Company also regularly considers its material exposure to economic, environmental and social sustainability risks. Details of the Company's exposure to these risks and how they are managed can be found on page 29 of the [2016 Annual Report](#).

3.2 Internal audit

The Company does not have an internal audit function.

Due to the Company's size and business structure, the Company has not had an internal audit function. Under the Audit and Risk Committee Charter, the Audit and Risk Committee is responsible for providing an independent and objective assessment to the Board regarding the adequacy, effectiveness and efficiency of the Company's risk management and internal control processes. The Committee has full and complete access to the Company's executives, external auditor and to external advisers.

With the recent growth in the Company, the Board considers it is now time to appoint an internal auditor and plans to do so in the near future.

3.3 External auditor

The external auditor attended the Company's 2015 AGM and was available to answer questions.

The Company requires that its external auditor attend the Company's 2016 AGM and be available to answer questions.

4 CEO and CFO declaration

A decision by the Board to approve the Company's financial statements for a financial period is subject to receipt from its CEO and CFO of 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.

Such declarations were received by the Board in respect of both the half-year and full-year financial statements for 2016.

5 Governance policies

5.1 Code of Conduct

The Company has a comprehensive [Code of Conduct](#) that applies to its directors, senior executives and employees. The code addresses (amongst other things):

- Compliance with laws and regulations;
- Fair trading and dealing;
- Conflicts of interest;
- Improper use of Bellamy assets or intellectual property;
- Privacy;
- Employment practices;

- Community engagement; and
- Public communications and disclosures.

5.2 Securities Trading Policy

The Company's Long Term Incentive Scheme does not allow participants to enter into transactions (whether through the use of derivatives or otherwise) that limit economic risk of participating in the scheme.

This is supported by the Company's [Securities Trading Policy](#) under which employees are prohibited from entering into transactions using financial products that operate to limit the economic risk associated with holding vested and unvested Company securities. Further, all employees are prohibited from entering into margin loan arrangements to fund the acquisition of any of the Company's securities.

6 Diversity

The Board is committed to workplace diversity and is proud of the focus and current level of gender diversity in place throughout the organisation. To further enhance these achievements the Board, together with the Remuneration and Nomination Committee, establish measureable objectives for achieving gender diversity.

The measurable objectives, and Bellamy's progress towards achieving them, will be assessed annually by the Board (on recommendation of the Remuneration and Nomination Committee), and will be reported on in the Annual Report each year. The achievement of these outcomes is included in the Managing Director/CEO's objectives and the charter of the Board also reflects these accountabilities.

Since the date of the last corporate governance statement dated 1 September 2015, the percentage of women employed by the Company and those in senior executive roles has increased as follows:

	26 September 2015	18 August 2016	Board Measurable Objective
Board	40%	50%	40%
Senior Executive*	17%	33%	50%
All employees	79%	67%	50%

* defined as management who report directly to the CEO

7 Continuous Disclosure

The Company has adopted a [Continuous Disclosure Policy](#) which establishes processes and procedures designed to ensure that directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information. Under the policy, the Board will be responsible for managing the Company's compliance with its continuous disclosure obligations.

8 Communicating with shareholders

The Board has established the [Shareholder Communications Policy](#), which is designed to promote effective two-way communication with shareholders.

The Board ensures that shareholders are informed of all material information relating to the Company by communicating via:

- continuous disclosure to the ASX;
- media releases and publication of information on the Company's website; and
- through its annual and half year reports.

The Company provides shareholders with the option of communicating with the Company and the Company's share registry (Link Market Services Ltd.) electronically.

Shareholder's communication preferences can be updated at any time by the member at share registry's website.

At the Company's AGM the Board encourages the effective participation of shareholders in accordance with the Company's Shareholder Communications Policy. At the AGM the Chair will provide time for questions and comments from security holders.