
Board Charter and Corporate Governance Policy

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1.0	11/06/2015	Company Secretary	Chairman	Board of Directors

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1. BOARD CHARTER

1.1 Role and Responsibilities

The Board of Directors' primary role is to oversee the business and affairs of Beston Global Food Company Ltd ("BGFC" or the "Company") and its subsidiaries (the "Group") and it is responsible for the overall corporate governance of the Group.

Specifically, the Board of Directors is responsible for the overall governance of the Company and the establishment of the Company's strategic direction and ensuring the sound and prudent management of the Company and the Group. The Board has an overarching responsibility to represent and advance shareholders' interests and protect the interest of all stakeholders.

The Board of Directors' most important functions include:

- ensuring the future of the Company through the promotion of its growth and positive image;
- the adoption and monitoring of a strategic plan for the Company, including general and specific goals. This requires the establishment of goals for Management and monitoring thereof;
- the prudent management of BGFC, its risks and its capital. The Board must ensure that BGFC maintains an adequate level and quality of capital commensurate with the scale, nature and complexity of its business and risk profile, such that it is able to meet its obligations, including sufficient working capital, under a wide range of circumstances;
- approval of the Company's Annual Directors' Report and Financial Report;
- ensuring that the Company's Directors and Senior Management, collectively, have the full range of skills needed for the effective and prudent operation of the Company;
- selecting the Company's CEO and endorsing other senior executives, reviewing performance and if necessary replacing him/her, ensuring adequate plans for succession are in place, and providing guidance on the appointment of the Company's Senior Management;
- selecting new Directors of the Company and making recommendations to the members;
- assessing the fitness and propriety of new Directors of the Company nominated by the Board of Directors or members for election at general meetings;
- conducting self-assessment reviews of the Company's Board of Directors collectively and reviews of each individual Director's effectiveness;
- assessing the performance of the Company's Committees reporting to the Board of Directors;
- the adoption of an Annual Budget for the financial performance of the Company and the monitoring of the results on a regular basis. This includes assessing the quality of financial reporting and ensuring that the records and financial accounts of the Company are audited in accordance with the relevant laws and accounting standards;

- identifying and monitoring opportunities and risks of the Company;
- ensuring the Company has a risk management framework that prudently manages the risks arising for the Company;
- ensuring the Company has adequate internal controls (both operational and financial) to maintain liquidity and solvency;
- ensuring full compliance with financial, regulatory and ethical standards and requirements;
- making required representations to the Auditors regarding the truth and fairness of the financial statements, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and compliance with the law and regulations; and
- reviewing the long term positioning, branding, digital, marketing and communication strategies of the Company.

To give further effect, it is recommended that as a minimum requirement there should be established, as committees of the Board of Directors with a majority of Non Executive Directors:

- a Remuneration and Nomination Committee; and
- a Board Audit and Risk Committee;

To better understand the operations of the Company, the Board of Directors must:

- meet on a regular basis, preferably monthly, to receive reports on the Company's progress and review both the Company's operating performance and strategies. The Board of Directors may meet on other occasions on the request of two members of the Board of Directors or the Chairman;
- ensure that each site is visited by at least one Director (once every 2 years as a minimum);
- provide the Company's External Auditor with the opportunity to raise matters directly with the Board of Directors;
- attend the Company's Annual General Meeting and participate in developing positive relationships with members (in attendance);
- provide the opportunity for the Company's Non Executive Directors to meet on their own at least once annually to review the performance of the Board of Directors¹, the Company and Management and to discuss any other items raised by themselves. Executive Directors and/or Management may be invited to attend part of the meeting but the business of the meeting should be decided in the absence of such persons.

¹ Para 46 of CPS 510 (1 January 2015)

1.2 Board of Directors Composition

To ensure issues are considered with independence and objectivity, the composition of the Company's Board of Directors is to be determined using the following principles:

- the Board of Directors must comprise a majority of Independent Directors;
- a Director is to be assessed against the guidelines in the Conflict of Interest, Related Party Transactions and Independence Policy;
- a majority of Directors must ordinarily reside in Australia;
- all Directors must be continually aware of their fiduciary duties to the Company and its members and must not allow conflicting interests to interfere in the discharge of those duties;
- the terms of a Non Executive Director's appointment as outlined in these guidelines are to be contained in a letter of appointment exchanged between the Non Executive Director and the Company;
- the Board of Directors is to comprise Directors with a broad range of expertise and who provide a diverse range of academic or technical qualifications. The test for a good Director will rest with the competence, expertise and honesty with which they undertake their duties of office.

The composition of the Company's Board of Directors is to be reviewed on an annual basis by the Remuneration and Nomination Committee to ensure that the Board of Directors has the appropriate mix of expertise and experience.

1.3 Independent Professional Advice

Each Director, in the furtherance of his or her duties, has the right to seek independent professional advice at the Company's expense, subject to prior approval by the Chairman, with such approval not to be unreasonably withheld. Each Director must be covered by a Directors' and Officers' Liability Insurance policy effected by the Company

1.4 Internal Control Framework

The Company's Board of Directors is responsible for the overall internal control framework, but it is recognised that no internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, an internal control framework is to be maintained for the Company as follows:

- **Financial Reporting** – a comprehensive budgeting system with an Annual Budget to be approved by the Directors. Monthly actual results are to be reported against budget and revised forecasts for the year are to be prepared regularly;;
- **Investment Appraisal** – establishment of clearly defined guidelines for capital expenditure. These include the Strategic Business Plan, Return on Investment Budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested;
- **Corporate Policies** – establishment of specific guidelines as a code of practice to be followed in situations, such as motor vehicle use, superannuation, annual leave, long service leave, work, health and safety, equal opportunity and sexual harassment, email and internet usage, privacy etc to ensure that a common

approach is achieved in all circumstances. The relevant policies are to be communicated to Management personnel and applicable employees, and written confirmation of compliance with these policies obtained where deemed necessary;

- **Investment Portfolio Performance** – a regular review of the Investment Portfolio performance is to be undertaken; and
- **Risk Management Policies and Procedures** – the Company is to establish and maintain a risk management framework to measure, monitor and manage risk in the areas specified in the legislation, regulations and local standards and also to ensure that the Company operates within the risk appetite as determined by the Board of Directors.

The Company strives to ensure that its products and services are of the highest standard and comply with all relevant legislation.

1.5 Business Risks

The monitoring and reviewing of significant business risks of the Company is to be overseen by the Board Audit and Risk Committee as delegated by the Board of Directors, which must report any findings to the Board of Directors.

The day to day responsibility for identifying potential significant risks of the Company is with the Executive Chairman.

The Board's role in risk oversight includes receiving reports from management and the Audit and Risk Committee on a regular basis regarding material risks faced by Company and applicable mitigation strategies and activities. Those reports detail the effectiveness of the risk management program and identify and address material business risks such as technological, strategic, business, operational, financial, human resources and legal/regulatory risks.

The Board and its committees consider these reports, discuss matters with management and identify and evaluate any potential strategic or operational risks.

On identification of a significant business risks, an action plan must be instigated and the Board of Directors notified. Corrective action is to be taken as soon as practicable and the Board of Directors informed of the action taken.

1.6 Board Renewal

This section sets out the Policy of the Company relating to how the Board of Directors will renew itself to ensure that it remains open to new ideas and independent thinking while retaining adequate expertise

- **Board Composition**

The number of Directors of the Company will initially comprise five Directors, with a majority being Independent Directors. In addition, the Board of Directors must, as a minimum, comprise people with the following skills and experience:

- (a) Audit and/or Risk Management;
- (b) Legal; and

(c) Finance and/or Accounting.

▪ **Eligibility to be a Director**

Rule 11.3 of the Constitution sets out the eligibility requirements to be a Director of the Company including that a Director can only hold the position as Director of the Company if they are assessed as fit and proper under the Company's Fit and Proper Policy.

Directors must retire after each term of three years (Rule 11.8 of the Constitution) or in accordance with the terms of their appointment.

Each year the Remuneration and Nomination Committee undertakes a Director Independence Assessment for each Non Executive Director in accordance with the Conflict of Interest, Related Party Transactions and Independence Policy.

▪ **Board Skills Assessment**

Annually, a Board Skills Assessment will be conducted by the Remuneration and Nomination Committee to ensure that collectively the Board of Directors has the required skills, knowledge and experience to understand the risks of the Company, including its legal and prudential obligations.

On completion of the Skills Assessment, if any gaps are identified in the Assessment, then the Remuneration and Nomination Committee must assess whether or not an additional Director is required to be appointed to the Board of Directors or whether these skills will be supplemented through the use of external consultants and experts.

▪ **Replacing Directors**

If it is assessed that a Director's tenure on the Board of Directors should conclude immediately or at the expiry of their term then the Remuneration and Nomination Committee must commence searching for an appropriate replacement Director taking into account the range of skills required by the Board of Directors, the current composition of the Board of Directors, the need for independence and the strategic direction and progress of the Company.

1.7 **Board Charter Review**

The Board will review its Charter annually.

2. CODE OF CONDUCT

The following section provides an outline for the conduct of Directors and a list of specific requirements imposed on Directors of the Group. These guidelines do not replace the law applying to the conduct of Directors which is imposed by both Common Law and Statute.

2.1 Basic Duties and Responsibilities

Directors have the duties and responsibilities set out below in this clause 2.1.

- Directors have a duty to exercise their powers and discharge their duties with a degree of care and diligence.

The standard of care and due diligence required from a Director is to be that of a reasonable and competent person. Directors must also take reasonable steps to place themselves in a position to guide and monitor the management of the Company/Subsidiary Company. This may involve:

- (a) obtaining a detailed understanding of the Company/Subsidiary Company;
- (b) keeping up to date and informed about the Company/Subsidiary Company's activities;
- (c) monitoring corporate affairs and practices; and
- (d) regularly reviewing the financial statements and reports.

- Directors have a duty to exercise their powers and discharge their duties in good faith, in the best interests of the Company/Subsidiary Company and for proper purpose.

This duty is an overarching responsibility under which other duties and responsibilities reside.

A Director must carry out this duty with honesty and integrity and raise with fellow board members any matters of concern or particular interest.

In considering the best interests of the Company/Subsidiary Company, a Director:

- (a) must consider the interest of members/shareholders and act for their benefit having regard to their future interests as well as their existing interests;
- (b) must balance both short and long term perspectives when considering members'/shareholders' interests;
- (c) should consider the interests of creditors and may also consider the interests of others such as employees, customers and the wider community.

To carry out a duty for a proper purpose, a Director must consider whether or not the relevant power has been exercised for a permitted purpose.

- Directors must not improperly use their position or improperly use information that they have obtained because they are a Director to:

- (a) gain advantage for themselves or someone else; or
- (b) cause detriment to the Company/Subsidiary Company.

Confidential information given to a Director, as a Director, is effectively owned by the Company/Subsidiary Company and a Director cannot make a secret profit when dealing with the Company/Subsidiary Company.

- Conflicts of interest: A Director must bring an independent view and judgement to the Board and must declare all actual or potential conflicts of interest. A Director must not place himself or herself in a position of conflict where personal interest or duty conflicts with his or her duty to the Company/Subsidiary Company. A Director may not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest.
- A Director has a duty to prevent the Company/Subsidiary Company trading:
 - (a) while it is insolvent; or
 - (b) where there are reasonable grounds for suspecting that the Company/Subsidiary Company is insolvent (or will become insolvent if the Company/Subsidiary Company incurs a particular debt).

If the Directors fail to prevent the Company/Subsidiary Company from trading while insolvent they may be held personally liable for the Company's/Subsidiary Company's debt.

- A Director must act in accordance with the Constitution of the Company/Subsidiary Company which is binding on the Director, as a Director and within the authority which has been conferred on the Director by the Board of Directors or the members. If a Director acts outside his or her authority the Director may be personally liable.
- A Director must not engage in conduct likely to bring discredit on the Company/Subsidiary Company.
- A Director must make certain disclosures to the Company/Subsidiary Company of share holdings, other directorships and similar interests.
- Directors must cause the Company/Subsidiary Company to prepare and give to members/shareholders financial statements and hold an Annual General Meeting/Shareholders Meeting (as applicable). Directors must ensure that the Financial Statements are audited (as applicable).
- Directors must convene Member/Shareholder Meetings when required to do so in accordance with the Constitution and the Corporations Act 2001, and ensure that the members are supplied with adequate information concerning the meeting.
- Directors must, at all times, comply with the spirit, as well as the letter of this Code of Conduct.

2.2 Specific Procedures

A Director of the Company/Subsidiary Company must:

- Ensure that the powers granted to the Company/Subsidiary Company by the Constitution of the Company/Subsidiary Company are not exceeded.

- Ensure that the composition, election, appointment, removal and remuneration of the Board of Directors comply with the Constitution of the Company/Subsidiary Company.
- Ensure that proposals to amend the Constitution of the Company/Subsidiary Company are in accordance with the Constitution of that company and the relevant legislation.
- Be provided with notification in writing by the Company Secretary as soon as practicable in advance of the date, place and time of meetings and of the business to be considered at these meetings. However, the accidental failure to provide such notification to a Director will not invalidate any decisions made which would otherwise be valid.
- Agree that a meeting may be convened without prior notice, provided that Directors present are in unanimous agreement that the requirement for prior notice be waived. Where all elected Directors are not present at such meetings, resolutions must be submitted for consideration and ratification by a subsequent meeting of which due notice has been given.
- Agree that a resolution determined without a physical meeting of the Board of Directors, but evidenced in writing and signed by all Directors is as valid as if passed at a meeting duly convened for that purpose.
- Agree that a meeting of the Board of Directors may deal with any business considered appropriate, whether or not written notice of that business has been previously provided.
- Agree that matters of business are decided by a majority of votes of Directors present and voting, and such resolution is to be considered to be a decision of the Board of Directors.
- Agree that resolutions of the Board of Directors be recorded in appropriate detail in minutes of the meeting and once signed by the Chairman of a subsequent meeting, be deemed to represent an accurate record of that meeting.

2.3 Penalties, Offences and Defences

A breach of Directors' duties and responsibilities can result in one or more of a criminal prosecution, a civil penalty, a damages claim and disqualification as a Director. Fines and civil penalties can be substantial and vary according to the duty and the circumstances. Honest mistakes will generally result in lower fines or penalties than deliberate or dishonest ones, and sometimes breaches may be excused by the Court. Often, a Director may have a defence if the Director can show that he or she acted honestly and exercised due care or reasonable diligence.

2.4 Indemnities and Insurance

A Director should be aware that the law permits a Director to be indemnified (or held harmless) by the Company for liabilities incurred to third parties by the Director, acting in good faith in the role as a Director. The Company carries Directors' and Officers' Liability Insurance and a copy of the policy is available for inspection by Directors.

A Director must pay particular attention to the terms of any policy (including policy limits, any "deductible" or "excess" or "exclusions") and the fact that full disclosure

needs to be made when taking out or renewing policies, especially regarding pending claims.

2.5 Compliance Systems, Education and Training

As a Director, understanding your obligations and the Company's/Subsidiary Company's obligations is the first step to fulfilling them. Similarly, ensuring that the Company's/Subsidiary Company's officers and staff understand their legal obligations and those of the Company will avoid most problems before they arise. Directors have an obligation to keep up to date with regulatory and legislative changes.

An important element is ensuring that the Company/Subsidiary Company has appropriate systems, training and resources in place to comply with its obligations, and to run its business properly. Those systems and training do not always need to be formal or highly structured, but a Director should consider whether they are adequate and being complied with. This may help to establish that a Director exercised due care or reasonable diligence in the circumstances.

All Non Executive Directors of the Company are required to comply with the Company's Non Executive Director Training & Development Policy which provides for the ongoing training and professional development of the Non Executive Directors of the Company.

2.6 Directors' Deeds of Access and Indemnity

On appointment to the Company's Board of Directors, and, where applicable, to any Subsidiary Company, each Director and the Company/Subsidiary Company must sign a Directors' Deed of Access and Indemnity, in the form approved by the Board of Directors from time to time.

2.7 Conflicts of Interest, Related Party Transactions and Independence

Directors who have a personal interest in a matter that relates to the affairs of the Company/Subsidiary Company must give the other Directors notice of that interest in accordance with the Conflict of Interest, Related Party Transactions and Independence Policy.

2.8 Shareholder Agreements

The operation and governance of non-wholly owned subsidiaries of the Company may be impacted by the existence of Shareholders Agreements.

If you have any questions regarding this document please contact:

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