

## BOARD AUDIT AND RISK COMMITTEE CHARTER

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## 1 Purpose

1.1. The Board of Directors of Beston Global Food Company Limited ("**Company**") has constituted the Board Audit and Risk Committee ("**BAC**") to assist the Board in fulfilling its oversight responsibilities especially in respect of financial reporting, internal control and risk management.

The BAC will provide a source of assurance and advice to the Board on the financial reporting process, the system of internal control and the management of business and financial risks, including the process and coverage of the external audit.

In performing its duties, the BAC will maintain effective working relationships with the Board, Management, and the external auditors.

1.2. This Charter sets out the responsibilities of the BAC, its membership and the manner in which its activities should be conducted. In this context, it is important to note that the BAC is not a substitute for the Company's maintenance of effective management controls and accountabilities.

## 2. Scope and Authority

The Board authorises the BAC, within the scope of its responsibilities to:

- a) Recommend new policies and procedures or amendments to existing policies and procedures, in respect of financial reporting and internal corporate control;
- b) Assess the framework and systems for the recognition, management and mitigation of risks and, if appropriate, make recommendations for improvements in the frameworks and systems.
- c) Review procedures for dealing with concerns of employees regarding accounting, internal control or auditing matters;
- d) Review procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
- e) Recommend to the Board the appointment, compensation, retention and oversight of the work of the external auditor;
- f) Approve all audit engagement fees and terms as well as reviewing policies for the provision on non-audit services by the external auditor and when required the framework for pre-approval of such services to ensure the auditor remains independent;
- g) Require the attendance of the Company's officers at meetings as appropriate;
- h) Have unrestricted access to members of Management, employees and relevant information;
- i) Engage independent legal advice and other advisors, as it deems necessary, to carry out its duties and such engagements should be in accordance with the Company's procedures pertaining to the engagement of external legal and professional services;

The BAC has no executive power nor does its work relieve the Board from any of its responsibilities. The BAC will interact with and seek advice and clarification from other Board committees as appropriate.

### **3. Membership**

- 3.1. The BAC will comprise a majority of independent Directors including, where possible, at least one member who has formal financial qualifications. Each member should have the requisite skills and experience appropriate to the Company's business.
- 3.2. A quorum of any meeting will be two members.
- 3.3. The Chairman of the BAC will be an independent Director who is not the Chairman of the Board. The Chairman of the Board may however be a member of the BAC.
- 3.4. The Chairman of the BAC reserves the right to exclude a member or other invited attendee from attending a BAC meeting, on the basis that the BAC may deal with a sensitive matter which could relate to that particular member/attendee, or a matter concerning that member/attendee where there may be an actual or perceived conflict.

### **4. Attendance at Meetings**

- 4.1. All Directors are entitled to attend meetings. The BAC may invite such other persons to its meetings, as it deems necessary.
- 4.2. The external auditors should be invited to make presentations to the BAC as appropriate.
- 4.3. Meetings shall be held not less than four times a year and should correspond with the Company's financial reporting cycle to ensure a consistent program of compliance oversight is applied.
- 4.4. Special meetings may be convened as required. The Secretary will convene a meeting on receipt of a request by the external auditor, with the approval of the BAC Chairman.
- 4.5. Meetings may be held by the members communicating with each other through any means by which they can participate in discussion even though they may not be physically present in the same place.
- 4.6. The BAC may pass or approve resolutions by circular resolution as required.
- 4.7. The Secretary of the BAC will be the Company's Company Secretary, unless the Board or the BAC determine otherwise, who will take minutes of all meetings and keep records of all meetings held, papers submitted to meetings and recommendations made by the BAC.
- 4.8. Any dissenting member of the BAC shall be entitled to have his/her opinion recorded in the minutes.
- 4.9. The Chairman of the BAC will communicate the proceedings of the BAC to the Board after each meeting. Copies of the minutes of meetings of the BAC will be made available to all Board members after their preliminary approval by the BAC.
- 4.10. A meeting with the Company's legal advisors should be held if it is deemed necessary.
- 4.11. The BAC will meet with the external auditor at least twice per year without Management present.
- 4.12. The BAC will meet with the Company's taxation advisor at least once per year.

## 5. Responsibilities

The principal responsibilities of the BAC are to review the Company's financial statements and reporting and to evaluate the overall effectiveness of internal control and consider whether internal control recommendations made by internal and external auditors have been implemented by Management. Attention should also be paid to the following specific activities and their impact on the Company's financial position and system of internal control:

- a) New business;
- b) New products and services;
- c) Restructuring;
- d) Joint ventures and partnerships;
- e) Management estimates, budgets and forecasts;
- f) Regulatory compliance
- g) Processes employed in the preparation of the half year and annual financial accounts; and
- h) Exposure to fraud, including reviewing reports from Management and on any major defalcations and actions taken to prevent any reoccurrence.

The BAC's responsibilities and oversight function include the following:-

### 5.1. Reporting to the Board

- a) Regularly update the Board about BAC activities and make appropriate recommendations.
- b) Ensure the Board is aware of matters which may significantly impact the financial condition of affairs of the business.
- c) Prepare any reports required by law or ASX Listing Rules or requested by the Board, for example, a report on the BAC activities and duties to be included in the section on corporate governance in the annual report.

### 5.2. Internal Control

- a) Understand the internal control systems implemented by Management for the approval of transactions and the recording and processing of financial data.
- b) Understand and review the effectiveness of the controls and processes implemented by Management to provide assurance that financial statements derive from the underlying financial systems, comply with relevant standards and requirements, and are subject to appropriate Management review.
- c) Consider how Management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown or to protect against computer fraud or misuse.
- d) Evaluate whether Management is setting the appropriate "control culture" by communicating the importance of internal control and ensuring that all employees have an understanding of their roles and responsibilities.
- e) The Chair of the BAC will review all significant correspondence relevant to financial reporting and the preparation of the financial statements received by the Chair, the Company Secretary, and the other senior officers of the Company about which Directors should be aware.

- f) Oversee the development of and review and approve at least annually, appropriate credit and treasury policies including delegation limits and parameters to manage Group credit and treasury risks.
- g) Monitor Management's compliance with the Company's credit and treasury policies and review reports from management of any non-compliance including actions taken to remedy instances of non-compliance.
- h) Receive reports periodically from Management concerning credit, treasury liquidity, foreign exchange and derivative risks and assess their alignment with the financial risk appetite of the Board.
- i) Review at least annually the Delegation of Authority Policy and approve changes to delegations of Authority.

### 5.3. Financial Reporting

- a) Gain an understanding of the current areas of greatest financial risk and how these risks are being managed, including appropriate interaction with the Business Risk Committee in its oversight of operational, strategic and trading risk management.
- b) Consider with the external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues.
- c) Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- d) Receive reports from Management and the external auditors about significant financial risks and exposures and the plans to minimise such risks.
- e) Review and recommend to the Board, the Group's accounting policies and principles, and any changes to them.

### 5.4. Financial Statements

- a) Review the half year and annual financial statements and determine whether they are complete and consistent with the information known to BAC members and receive assurance that the financial statements reflect the Company's accounting policies and principles.
- b) Pay particular attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures.
- c) Review and recommend for acceptance by the Board significant estimates and judgements in the financial reports, for example those involving valuation of assets and liabilities; warranty, product or environmental liability; litigation reserves; and other commitments and contingencies, and the processes used to derive them.
- d) Ensure that significant adjustments, unadjusted differences, disagreements with Management and critical accounting policies and practice are discussed with the external auditor.
- e) Meet with Management and the external auditor to review the financial statements, the principal accounting policies and judgments, and the results of the half year review or full year audit.
- f) Review any legal matters which could significantly impact the financial statements.

- g) Recommend for adoption by the Board the Company's half year and annual financial statements and reports.

#### 5.5. Compliance with Laws and Regulations

- a) Obtain regular updates from Management regarding compliance matters that have a material impact on the Company's financial statements or compliance policies.
- b) Be satisfied that all financial reporting regulatory compliance matters have been considered in the preparation of the financial statements.

#### 5.6. Release of information and announcements

- a) Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with BAC members' knowledge about the Company and its operations and lacks bias.
- b) Oversee the periodic financial reporting process implemented by Management and review the interim financial statements, annual financial statements and preliminary announcements prior to their release.
- c) Review Management's process for ensuring that information contained in analyst briefings and media announcements is consistent with published financial information, balanced and transparent.

#### 5.7. Working with Auditors

- a) Review the external auditor's proposed audit scope, approach, plan, fees, expertise and resources for the current year in light of the Company's present circumstances and changes in regulatory and other requirements.
- b) Discuss with the external auditor the appropriateness of the accounting policies applied in the Company's financial reports and whether they are considered aggressive, balanced or conservative.
- c) Discuss with the external auditor any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information.
- d) Ensure that significant findings and recommendations made by the external auditor are received, discussed and appropriately acted upon by Management, as agreed, on a timely basis. The BAC must be advised if Management does not agree with any external audit recommendations.
- e) Review the professional qualifications of the auditor (including the experience of the lead audit partner and auditing personnel).
- f) Review on an annual basis the performance of the external auditor and make recommendations to the Board for the appointment, reappointment or termination of the appointment of the external auditor, having regard to the requirement that no individual may be the external audit partner for the Company for more than five consecutive years.
- g) Consider and regularly review the independence of the external auditor, including reviewing the range of services provided in the context of all consulting services bought by the Company and any biannual report prepared by the Chief Financial Officer in accordance with the Company's Auditor Independence Policy, which is attached as Appendix I.
- h) Ensure the Company has appropriate policies regarding the hiring of audit firm personnel for senior positions after they have left the firm.

**5.8. Risk oversight responsibilities of the BAC**

- a) Review the Company's risk framework for identifying, monitoring and managing significant business risk and consider whether the internal risk framework and internal controls effectively identify areas of material risks.
- b) To consider the level of risk mitigation implemented by Management.

**6. Evaluating Performance and Revision**

- a) The BAC will evaluate its performance on an annual basis
- b) The BAC shall review its Charter annually and recommend any required or desired changes to the Board for approval.

# APPENDIX I - EXTERNAL AUDITOR INDEPENDENCE POLICY

## 1. Purpose and Scope

This Auditor Independence Policy ("**Policy**") provides guidance on the provision of external audit services to Beston Global Food Company (BGFC) and its related bodies corporate and subsidiaries (the "Group"). This policy is to be read in conjunction with the Board Audit Committee's charter, which outlines the responsibilities of the Board Audit and Risk Committee ("**BAC**").

## 2. Appointment and Removal of the External Auditor

The BAC is responsible for overseeing the external audit of the Group. Its duties and responsibilities include, but are not limited to, the following:

- a) recommending to the Board the appointment and removal of the external auditor. This may include periodic reviews of the external auditor and tenders may be called to assist in deciding which external auditor should be recommended;
- b) monitoring the effectiveness, objectivity and independence of the external auditor; and
- c) complying with the overall policy and specific procedures prior to the appointment of the external auditor for the provision of non-audit services.

## 3. Independence of the External Auditor

To assist it in monitoring the independence of the external auditor, the BAC has adopted the following policy:

- a) the external auditor must remain independent of the Group at all times;  
the external auditor must comply with the audit independence requirements of the Corporations Act 2001 (Cth) ("Act") and APES 110: "Code of Ethics for Professional Accountants" ("APES 110");
- b) the external auditor must monitor its independence and report to the Board every six months that it has remained independent and complete the auditor's independence declaration;
- c) the external auditor must comply with APES 110 and with the Act's requirements pertaining to employment relationships;
- d) any former audit partner or employee on the audit of the Group is prohibited from becoming a Director or officer in a senior audit facing role until the 'cooling off' period as specified in the Code of Ethics for Professional Accountants has elapsed, and after the relevant 'cooling off' period can have no continuing financial relationship with the audit firm;
- e) the external auditor is not to provide non-audit services under which the auditor assumes the role of Management, becomes an



- advocate for the Group, or audits its own professional expertise;
- f) significant permissible non-audit assignments awarded to external auditors must be approved in advance by the BAC or, between BAC meetings, the Chairman of the BAC;
  - g) any fee arrangement between the Group and the external auditor must not contain any contingent or success fee element;
  - h) all non-audit assignments are to be reported to the BAC every six months; and
  - i) the external audit engagement partner and review partner must be rotated every five years unless otherwise extended under transitional provisions.

#### **4. Review of Independence**

The BAC will review the independence of the external auditor annually. In evaluating auditor independence, it is important that the auditor is independent not only in fact, but also in appearance, such that a reasonable third party, having knowledge of all relevant information, would reasonably conclude that the auditor's independence had not been compromised.

The external auditor is precluded from providing services that might threaten its independence or conflict with its assurance and compliance role. Specifically, any firm providing audit services to the Group will need to satisfy the BAC that:

- a) no services will be provided that will result in a conflict of interest or give rise to a "self review threat" (as defined in APES 110);
  - b) no partner, professional member of staff or superannuation fund of the external auditing firm ("firm") holds any shares or options, either directly or indirectly, in the Group;
  - c) no funds have been received by the firm by way of a loan or other form of capital from the Group;
  - d) any services provided by the firm additional to that of the audit function involving non-- audit services traditionally performed by accounting firms, would not have a material bearing on the audit and would not involve the firm auditing itself;
  - e) the firm has an appropriate and agreed audit personnel rotation policy including lead and signing partners;
  - f) no partner or member of staff or spouse or close relative of an audit partner or member of the audit staff holds a position as a Director or executive of the Group; and
  - g) there will be no situations where the auditor assumes the role of Management or where the auditor is placed in the role of advocate for the Group.
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