



## Corporate Governance Statement

Farm Pride Foods Ltd's corporate governance is the framework of rules, relationships and systems by which the Company is directed and managed. It influences how the objectives of the Company are set and achieved, how risk is monitored and assessed and how performance is optimised. It also encompasses the mechanisms by which the Directors and Management are held to account.

Directors and Management of Farm Pride Foods Ltd are committed to high standards of corporate governance. The Board of Directors oversee the consolidated entity and performs its functions on behalf of shareholders. The goals of good corporate governance adopted by the Directors and Management of Farm Pride Foods Ltd are to ensure the alignment of Directors interests with those of shareholders.

The Company complies with the ASX Corporate Governance Council's (CGC's) recommendations other than as detailed in the following paragraphs.

### Board of Directors

The Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction and financial objectives, establishing goals for management and monitoring the attainment of these goals.

### Role of the Board

The role of the Board is to direct management with the view to optimising Company performance and to increase shareholder wealth. The responsibility for the operation and administration of the Group is delegated, by the Board, to the Managing Director and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has procedures in place to assess the performance of the Managing Director and the executive management team.

The Board fulfils this role by exercising the following responsibilities:

- provide input and final approval of strategic direction and performance objectives;
- to approve and monitor the financial performance against corporate budgets;
- ensure that the Company acts legally and responsibly on all matters and ensure high ethical standards and codes of conduct;
- oversee the integrity of risk management strategies and controls.

Other functions reserved to the Board include:

- appointing and removing the Managing Director or equivalent;
- approval of annual and half yearly financial reports;
- approval of capital expenditure, capital management and acquisitions and divestitures;
- effective corporate governance;
- reporting to shareholders.

To assist in the effective execution of its responsibilities, the Board has an established Audit Committee, the role and responsibility of this committee is discussed separately within this corporate governance statement.

## **Composition of the Board**

ASX recommends that the Board of Directors is to be constituted with a majority of individuals who qualify as unrelated or independent directors and so ensure that the board can bring and be perceived to bring, quality, objective and independent judgements to all issues. Due to the nature and the size of the business and the demands of the industry within which it operates the Company has not been able to adopt all of the ASX recommendations.

However the Board recognises that all directors, whether independent or not, should bring an independent judgement to bear on Board decisions.

To add value to the Company, the Board of Farm Pride Foods Ltd has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties in the best interests of the Company as a whole. The Board currently consists of one executive and three non executive directors. One of the three non-executive directors, Mr. Darren Lurie, is a non-egg industry director. Mr Lurie is also the Chairman of the Board. Directors of Farm Pride Foods Ltd are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the Group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Group's activities and operations.

The names and details of the skills, experience, expertise, qualifications, term of office, and attendance at Board and committee meetings of each Director of the Company are tabled within this annual report.

Ultimate responsibility for management and control of the Company business and affairs is vested in the Directors. The Board of Directors adopts appropriate structures and procedures to ensure that the board functions objectively and independent of management.

The composition of the Board is set having regard to factors including:

- the Constitution provides that until otherwise determined, the number of Directors must not be less than 3 or greater than 15;
- the Board should comprise of Directors with a broad range of expertise and knowledge relevant to the demands of the industry sectors within which the Company operates.

## **Performance**

The Chairman periodically oversees the evaluation of the Board and key executives against measurable and qualitative indicators. In the case of Executive Directors, performance evaluation is primarily related to meeting budget and other strategic and operational objectives.

Directors and key executives whose performance is unsatisfactory may be asked to retire.

## **Directors Rights**

The Directors of Farm Pride Foods Ltd have the right in furtherance of their duties to seek independent professional advice at the expense of the Company.

This procedure requires prior consultation with, and approval by, the Chairman and assurances as to the qualification and reasonableness of the fees of the relevant expert.

If at any time the Chairman does not provide approval, the matter shall be submitted to the full Board for consideration.

## **Conflict of Interest and Related Party Transactions**

Directors must disclose to the Board actual or potential conflicts that may or might reasonably be thought to exist between the interests of the Director and the interests of the Company.

Directors are also expected to indicate to the Chairman any actual or potential conflict of interest situation as soon as it arises.

The Board can request a Director to take reasonable steps to remove the conflict of interest. If a Director cannot remove a conflict of interest the Director must absent himself or herself from the room when discussion and voting occur on matters to which the conflict relates. The entry and exit of the Director concerned will be minuted by the Company Secretary.

The Board has endorsed a separate Code of Conduct in relation to Managing Material Personal Interests and Conflicts of Interest.

### *Related Party Transactions*

Related party transactions include any financial transaction between a Director or officer and the Company.

To assist the Board in showing that a financial benefit, such as the awarding of a contract to a company in which a Director is a partner, is given on arm's length terms, a review is conducted of similar provisions or services from a non-related entity to Farm Pride Foods Ltd to ensure value to Farm Pride Foods Ltd and its' shareholders. The Board has also resolved that where applications are made by a related party to a Director or officer of the Company then the Director or officer shall exclude him / her from the approval process.

Related party for this process means:

- (a) a spouse or de facto spouse of the Director or officer; or
- (b) a parent, son or daughter of the Director or officer or their spouse or de facto spouse; or
- (c) an entity over which the Director or officer or a related party defined in (a) or (b) has a controlling interest.

## **Guidelines for dealing in securities by directors and employees**

In addition to the provisions of the Corporations Act, which apply to all Farm Pride Foods Ltd employees, the Company has developed specific written guidelines that prohibit Directors and executives (and their respective associates) from acquiring, selling or otherwise trading in the Company's shares if they possess material price sensitive information which is not in the public domain. These guidelines are available by request.

Having regard to the legal prohibitions commonly referred to as Insider Trading Laws, Directors and executive officers and all other employees of Farm Pride Foods Ltd are aware that by virtue of their respective positions they will qualify as insiders when they are, from time to time, in possession of inside information. In those circumstances Directors, executive officers and all other employees of Farm Pride Foods Ltd must observe these insider trading laws.

All Directors, executive officers, and other relevant employees of Farm Pride Foods Ltd are required to notify in writing the Company Secretary in advance of all proposed dealings in securities in Farm Pride Foods Ltd. Any such proposed dealings that are completed are then required to be notified in writing to the Company Secretary within 3 working days of completion.

Directors will only be permitted to deal in securities of Farm Pride Foods Ltd outside the following periods of time with the prior approval of the Chairman and where the market is aware of all price sensitive information:

- a period of 30 days following the announcement of Farm Pride Foods Ltd annual and half yearly financial results to the ASX;
- a period of 30 days following the date of Farm Pride Foods Ltd's annual general meeting.

The Board has endorsed a policy statement for all Farm Pride Foods Ltd Directors relating to the sale and purchase of Company securities.

### **Nomination Committee**

When a Board vacancy exists or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will act as a Nomination Committee. In this role the Board will follow the Charter of the Nomination which is outlined below.

The committee identifies potential candidates with the appropriate expertise and experience and recommends to the board the most suitable candidate. The committee may engage the services of external professional advisors to assist with the selection.

Prior to appointment, each Director is provided with a letter of appointment, which includes:

- terms of appointment;
- the Company's Constitution;
- Statement of Corporate Governance;
- the expectations of the Board in respect to a proposed appointee to the board, their contribution to the performance of the Company, attending and preparation for all board meetings;
- policy on dealing in Company securities;
- their remuneration and the manner in which it is determined;
- the term of their appointment subject to shareholder approval
- ASX Principles of Good Corporate Governance;
- the requirement to disclose Directors interests and any matters which affect the Directors independence ;
- Confidentiality and rights of access to corporate information;
- Indemnity and insurance arrangements.

A Director retiring at an Annual General Meeting who is not disqualified by law from being re-appointed is eligible for re-election.

### **Safeguard Integrity in Financial Reporting**

#### External Audit

Farm Pride Foods Ltd has a structure in place to independently verify and safeguard the integrity of the Company's financial reporting.

#### Audit Committee

The role of the Audit Committee is documented in a Charter approved by the Board.

The Audit committee consists of three members. The members at the date of this report are Messrs. Darren Lurie (Chairman), Zelko Lendich and Malcolm Ward.

Given the size and structure of the Company the Audit Committee:

- does not consist only of non-executive directors,
- does not have majority of independent directors,
- is not chaired by an independent chair, and
- is not chaired by someone other than the chair of the Board.

Members of the Audit Committee have unrestricted access to management and the Auditor. The Committee also has access to the auditor without management being present. The committee also retains the right to, by invitation and board approval, engage additional independent advisors.

Responsibilities of the Audit Committee include:

- reporting to the Board on all relevant matters within its charter, and formally tabling minutes of the intervening committee meetings;
- liaison with the external auditor to ensure that the annual and half yearly statutory audits are conducted in an effective manner;
- reviewing the integrity of the Company's financial statements before submission to the Board and recommends their approval;
- monitoring the procedures in place to ensure compliance with the Corporations Law, Stock Exchange Listing Rules and any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and Australian Stock Exchange;
- review of internal controls and risk management recommending enhancements;
- reviewing significant transactions which are not part of the Company's business and contracts, arrangements and undertakings that may involve related parties;
- monitoring the establishment of appropriate ethical standards;
- the selection and appointment of the Auditor and rotation of the audit partner, via a tender process. After 5 years, the lead partner of the external auditor must rotate off the Farm Pride Foods Ltd audit team;
- Assessment of the performance and independence of the external auditor.

The Audit Committee meets with the external auditor from time to time during the year. The audit plan is formulated and any significant issues and proposed changes in accounting policies are tabled.

For details on the number of meetings of the audit committee held during the year, and the attendees at those meetings, refer to the directors' report.

#### Financial Report Accountability

The Managing Director and Chief Financial Officer (or equivalent) have stated in writing to the Board that:

- the Company's financial reports present a true and fair view in all material respects of the Company's operational results and are in accordance with relevant accounting standards;
- this statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating effectively in all material respects in relation to the financial reporting risks.

#### Remuneration Committee

The ASX Principles of Good Corporate Governance recommend a minimum of three members to form the composition of the remuneration committee and the majority of members be independent and the committee chaired by an independent director.

The Board considers that due to the nature and scope of the Company's activities, the non-executive directors should recommend policy to the whole Board who should undertake this responsibility. The Company does not operate a separate remuneration committee in name.

The Board of Farm Pride Foods Ltd is responsible for reviewing the remuneration policies and practices of the Company including but not limited to:

- the Company's remuneration, recruitment, retention and termination policies for key management personnel;
- key management personnel remuneration and incentives including employee share and option plans;
- fees of non-executive members of the Board;
- occupational health and safety;
- anti discrimination policy;
- sexual harassment policy;
- award and conditions compliance, including enterprise bargaining agreements;
- incentive plans;
- fringe benefit policy.

The Board obtains independent professional advice on the appropriateness of remuneration packages where circumstances require it.

### **Shareholder Communication Policy**

The Company is committed to giving all shareholders timely and balanced disclosure on all matters concerning the Company by ensuring that:

- all investors have equal and timely access to material information concerning the Company;
- Company announcements are factual and are presented in a clear and balanced way.

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX.

The Company also has an objective of honest and open disclosure of information to stakeholders, subject to appropriate commercial considerations associated with competitive and sensitive information.

The Company ensures the fulfilment of its obligations to shareholders and the broader market for continuous disclosure. Market announcements are released to the ASX, this includes annual reports, notices of Annual General Meetings and media releases. Disclosure is provided in electronic and written formats.

### **The Rights of Shareholders**

The Company respects the rights of its shareholders and will ensure that they can exercise those rights in respect of the Company at all times.

The Company is committed to the provision of timely, accurate, balanced and understandable information, General Meetings will normally be conducted in major cities to ensure easy access by shareholders.

Shareholder meetings are conducted in such a way as to facilitate shareholder participation.

The Company also uses its website to complement the official release of material information to the market.

## **Business Risk Management**

The Board has in place a number of arrangements and internal controls intended to identify and manage areas of material business risk. These include the maintenance of:

- Board committees;
- Detailed and regular budgetary and financial management reporting;
- Established organisational structure;
- Procedures and policies;
- Audit;
- Insurance evaluations;
- The retention of specialised staff and external advisors.

The policies require management to establish and implement a risk management framework which identifies, assesses and manages the Company's risks – including material financial risks, operational risks, strategic risks and compliance risks. In addition management is required to report to the Board on the management and oversight of these material risks.

## **Ethical Standards and Code of Conduct**

The Company maintains a Policy of Ethical Standards and a Board Governance Code of Conduct setting out for employees and Directors what standards of conduct are expected of them. All Farm Pride Foods Ltd employees and Directors are expected to act with the highest possible standard of ethics and personal integrity when carrying out their duties.

The policy deals with matters including:

- Shareholders and the community;
- Dealing with customers and consumers;
- Trade practices;
- Relations with suppliers;
- Employment practices;
- Responsibilities to the community;
- Personal conduct;
- Conflict of interest.

Policies are incorporated in the individual letters of engagement, including provisions relating to conflicts of interest, confidentiality and restrictions against use and dissemination of information, use of Company assets, prerequisites, tender processes, benefits and contact with suppliers, employment practices, privacy and OH&S.

The Board of Farm Pride Foods Ltd believes the above corporate governance practices, which are reviewed regularly comply with those as outlined with the ASX Principles of Good Corporate Governance.

## **Publicly accessible information**

For further information on corporate governance policies adopted by Farm Pride Foods Ltd refer to our website:

[www.farmpride.com.au](http://www.farmpride.com.au)