



<b>Company</b>	Beston Global Food Company
<b>Code</b>	BFC
<b>Meeting</b>	AGM – Proxy collection
<b>Date</b>	28 November 2019
<b>Venue</b>	Mayfair Hotel, 45 King William St, Adelaide
<b>Monitor</b>	Bob Ritchie & Brad Martin

<b>Number attendees at meeting</b>	71 voters and 29 visitors
<b>Number of holdings represented by ASA</b>	3
<b>Value of proxies</b>	\$2,000
<b>Number of shares represented by ASA</b>	23,700
<b>Market capitalisation</b>	\$40m
<b>Were proxies voted?</b>	Yes, on a poll.
<b>Pre AGM Meeting?</b>	With Chair Dr Roger Sexton

### Unusual arrangement questioned

In a pre-AGM meeting with Dr Sexton three days ahead of the AGM, we confirmed our advice to him of a few days earlier that ASA had been asked for its position on what was called a conflict of interest arising from the company's trading relationship with its asset manager, a body for which the chair and another director, Mr Gerlach were principals and which had been paid under its agreement \$2,383,000 for 1.2% of the portfolio value. Reported book values of \$80 million for net assets and \$140 million for total assets apparently contributed to the question which had been put to ASA. Dr Sexton referred to use of a historical cost convention for financial reporting (page 82 of the annual report) and twice-yearly valuation of the portfolio for determination of management fee stated in the company prospectus (pages 68 & 109). Dr Sexton addressed these matters before he commenced his formal address at the AGM, citing \$199 million as an independent valuation of portfolio assets.

The meeting took an hour. Questions in the consideration of reports and after formal motions, ranged over many issues.

ASA position was delivered in response to the question we had been asked. We noted that we had adopted the following principles (dot points below) to guide our enquiry, had read the prospectus and current annual report and had an hour interview with Dr Sexton.

- Conflict of duty differs from conflict of interest and they are easily confused.
- In either case of conflict, there is an obligation for disclosure.
- There also is a requirement to establish appropriate mechanisms, protocols or practices. A corollary is for those actions to be disclosed to stakeholders.
- And there is a final test of whether some stakeholders are oppressed or damaged.

Cutting to main points, we found there is conflict of duty (a finding with which Dr Sexton disagrees) and appropriate action to deal with that. We found no evidence of conflict of interest or oppression of shareholders of BFC and we noted open disclosure of the management agreement between the company and two foundation directors in the prospectus and annual reports (see pages 34 & 35 of current annual report, pages 68 & 109 of the prospectus).

We recommended that:

- the meetings of independent directors be established formally as a board committee of independent directors, with published responsibilities and meeting attendance statistics to be disclosed along with those of other board committees and the chair of that committee be named as lead independent director.
- senior executives whose photo gallery appears in the annual report of BFC be clearly identified as actually being paid employees of the asset manager.

Voting was by poll and the chairman adopted a most unusual position of refusing to display proxy voting information at the meeting, claiming 'best practice', 'normal practice' and support of legal advice. As we had three times unsuccessfully requested disclosure of the proxy voting, we voted against adoption of the remuneration and re-election of Mr Gerlach on suspicion that something was amiss.

There was a first strike against adoption of the remuneration report, with 64.87% against.

Mr Gerlach was re-elected (65.11% for), as was Mr McPhee (55.21% for).

<https://bestonglobalfoods.com.au/app/uploads/2019/11/2019-AGM-Results.pdf>

There was a fairly large article headed 'Shareholders kept in the dark' on page 67 of *The Advertiser*, Friday 29<sup>th</sup> November, by Cameron England, Business Editor.