



Company	Beston Global Food Company
Code	BFC
Meeting	AGM
Adjourned AGM date	Friday 29 January 2021
Venue	Online
Monitor	Brad Martin assisted by Des Moriarty

Number attendees at meeting	39
Number of holdings represented by ASA	3
Value of proxies	\$11,000
Number of shares represented by ASA	160,000
Market capitalisation	\$40 million
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Exchange of correspondence

Board Spill motion put but not passed

This company has not made a profit and paid a dividend only in its first year.

Reports by the chair and CEO were published the day prior to the original AGM date. Oral reports were given at this adjourned meeting.

The remuneration report caused a spill motion when it failed to gain 75% approval after receiving a first strike for the AGM held during 2019: 55.7% for and 44.3% against. The spill motion failed: 44.23% for and 55.77% against.

ASA did not vote against the remuneration report because there is no direct remuneration to senior employees. The chairman explained this situation in his report to the meeting, 'Investment Manager, Beston Pacific Asset Management (BPAM), is responsible for the remuneration and related costs of the key executives of Beston and, as such, the Company does not directly pay the remuneration disclosed in the remuneration report.

For both the 2019 and 2020 AGMs, voting against adoption of the remuneration report appears to have been an expression of dissatisfaction by a large portion of shareholders. The triggering of a spill motion seems to have been intended as the spill motion and the vote against the

remuneration report both gained over 44% of the votes cast (64.87% against in the previous year).

On the business of re-election of directors, ASA's voting intentions statement stated ASA has concerns about the independence of mind of all the directors classified by the board as independent. We unsuccessfully sought a pre-AGM meeting with candidates standing for re-election and unsuccessfully repeated this request prior to the adjourned meeting.

When the business item for re-election of Petrina Coventry was introduced, we submitted the following question as the chairman began his introduction of the candidate and well before she spoke to her own candidacy. 'Please explain why you should be regarded as exercising independence of mind in regard to the decision to offer over \$5 million for break of remaining years of contract with BPAM when the Board Chairman at 2019 AGM asserted BPAM operated at a loss each year.'

The chairman told the meeting that there had been no question received on the matter of re-electing Petrina Coventry but nevertheless added that some questions received were 'Off topic' and would be answered in writing after the meeting.

ASA received a written response a week later, accompanied by an explanation that it had not been received when the meeting was in progress. The company's answer is reproduced here, as shareholders may find it informative. Although it came from the company, it was not informative about the independence of mind of the director standing for re-election.

The Investment Management Agreement (IMA) was put in place for many reasons, as were set out in the IPO Prospectus and have been explained on many occasions in numerous communications to shareholders since that time. One of the reasons, was that the Investment Manager, BPAM incurred substantial costs in establishing Beston and acquiring assets over the period 2012-2015 which were not reimbursed at the time of the public listing, as would typically occur in this situation.

The Lead Managers for the IPO determined that these costs should be reimbursed from the termination fee provided in the IMA, and not "up front" from the proceeds of the IPO, which would normally be the case. These pre-IPO costs incurred by BPAM in establishing the asset base of Beston, exceed the amount of the Termination Fee agreed between Beston and BPAM.

In reviewing the IMA during 2020, the Independent Directors obtained two independent valuations of Beston and an independent report from international investment firm, Moelis Australia. The IMA incorporates performance fee arrangements which are common in most Investment Management Agreements and the terms of which were set out in the Prospectus.

In its report to the Independent Directors, Moelis Australia determined that the Performance Fees payable to BPAM over the next five years could potentially be at least five times and as much as twenty times the amount of the annual management fee payable to BPAM under different scenarios. Accordingly the Independent Directors determined that it was in the best interest of shareholders to terminate the Agreement before the Performance Fees became payable. (BPAM voluntarily forfeited a performance fee which was payable in 2016 but is obviously not bound to do so).

The Termination Agreement which has been signed with BPAM is an in-principle agreement which is

subject to the approval of shareholders at an Extraordinary General Meeting (EGM) to be held on 28 May, 2021. The rationale for the termination, along with the information considered by the Independent Directors, will be contained in an Explanatory Memorandum to be provided to shareholders for that meeting.

As advised to shareholders, the termination payment which has been agreed with BPAM consists of a cash payment of \$1.3 million and the issuance of 21.125 million fully paid unencumbered ordinary shares in Beston.

At the current share price, the termination payment represents an amount of \$2.68 million. The amount of over \$5 million cited in your question will only be relevant when the share price exceeds 20 cents.

In summary, therefore, the principal reason that the Independent Directors have resolved to recommend termination of the IMA is to avoid the cost burden on the Company (and on shareholders) of the performance fees which are likely to become payable to BPAM over future periods. These performance fees are likely to substantially exceed the annual management fee which is currently payable to BPAM to meet the costs of the Beston management team, and related costs.

The Independent Directors are also of the view that it is an appropriate time in the maturity of the Company (after the five year period of start up growth and development of Beston) to internalise the management arrangements so that the management team, and their remuneration packages, become directly accountable to Beston shareholders.

Petrina Coventry was re-elected: 57.26% for and 42.74% against.

A motion to re-elect a director, Jim Koutts was withdrawn because he had resigned.

A motion to elect Yuan Ma as a director failed: 42.82% for and 57.18% against.

A motion for an additional 10% share placement capacity available to small companies in addition to the standard 15% was put and voting was 57.83% for and 42.17% against. After an initial declaration that the motion (which was a special motion) was successful, that was amended to unsuccessful because the standard required for a special motion is 75% in favour.