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ASX Announcements Office

Attached is the Corporate Governance Statement for Farm Pride Foods Ltd for the financial year ending 30 June 2017.

Bruce De Lacy
Company Secretary

Corporate Governance Statement

Farm Pride Foods Ltd's Corporate Governance Statement 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 Company and performs their 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) third edition of the "Corporate Governance Principles and Recommendations" other than as detailed in the following paragraphs and the ASX Appendix 4G (Key to Disclosures Corporate Governance Council Principles and Recommendations).

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

This statement is current as at August 2017 and has been approved by the Board.

Board Charter

The Board is responsible for the overall Corporate Governance of the Company 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 Company is delegated by the Board to management who will implement Board objectives as directed. Management will report to the Board on all operational matters on a timely and accurate basis and recommend policy and strategic direction for Board approval.

The Board has formally endorsed and operates according to a "Statement of Matters Reserved for the Board" which is reviewed and updated periodically.

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 Chief Executive Officer 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.

The Company Secretary is accountable to directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

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 judgments 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 adopted 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 together with a mix of skills and diversity which is complementary to the overall operation of the Board.

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 appointed Mr Phillip Campbell as an independent non-executive director and as Chairman on the 4 September 2015. Mr Campbell resigned on 30 September 2016.

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 Company 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 Company'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 detailed in the 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.
- diversity in succession planning.
- 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 the Executive Director, 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.

The Chairman has not yet undertaken a performance evaluation of the Board including the Chief Executive Officer / Executive Director during the reporting period.

All directors undergo ACCC Compliance training on appointment with an update periodically. Refresher training is scheduled for October 2017.

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 shareholder, 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 Committee which is outlined below. The Board continued to review and recognise the benefits associated with the appointment of an appropriately qualified independent director during the reporting period.

The ASX recommends that the Nomination Committee has at least three members, a majority of whom are independent directors and is chaired by an independent director.

Due to the nature and the size of the business and the demands of the industry within which it operates the Company has not adopted all of the ASX recommendations.

The committee identifies potential candidates with appropriate expertise and experience after undertaking appropriate checks and recommends to the board the most suitable candidate with consideration being given to a skills matrix used to identify gaps in skills and experience on the Board and diversity in succession planning. The committee may engage the services of external professional advisors to assist with the selection to help ensure that a diverse range of candidates is considered.

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;
- Policy on Ethical Standards;
- 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 and interaction with management;
- 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 matters which affect the Directors independence;
- ongoing industry education;
- Confidentiality and rights of access to corporate information; and
- Indemnity and insurance arrangements.

Following appointment, the new director participates in an induction program which covers ACCC Compliance, occupational health and safety, industry issues, culture and values, arrangements for Board and Committee meetings and interaction with other directors, management and other key stakeholders.

Relevant and appropriate professional development opportunities are available for all directors and senior management to develop and maintain their skills and knowledge needed to perform their respective roles effectively.

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

Diversity

The Company has developed a Diversity Policy which deals with matters including but not limited to gender, age, ethnicity, religion and cultural background.

There are currently no female directors however there are a number of females employed in management throughout the organisation including Human Resources, Quality Assurance and Factory Operations. The proportion of female to male employees in the workforce is 42%: 58%.

The Board of Directors has established diversity objectives after giving due consideration to the nature and the size of the business and the demands of the industry within which it operates and measure performance and or effectiveness of the Diversity Policy on a regular basis.

The Board is committed to a corporate culture which is supportive of diversity and which encourages and assists employees develop skills and experiences that will prepare them for senior management and Board positions.

The Company is a "relevant employer" under the Workplace Gender Equality Act and discloses its Gender Equality Indicators" as defined in and published under that Act.

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 using an external Auditor.

Audit Committee

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

The Audit Committee consists of two members. At the date of this report the members are Messrs. Peter Bell and Malcolm Ward. The Chief Executive Officer is not a member of the Audit Committee. Given the size and structure of the Company the Audit Committee:

- consists only of non-executive directors,
- does not have a majority of independent directors, and
- is not chaired by an independent director,
- is 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, by invitation and board approval, to 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;
- liaise with the 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 the Auditor, 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;
- to select and recommend the appointment of the Auditor and rotation of the audit partner, via a tender process. After 5 years, the lead partner of the Auditor must rotate off the Farm Pride Foods Ltd audit team; and
- Assessment of the performance and independence of the Auditor.

The Audit Committee meets with the 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.

Details on the number of meetings of the audit committee held during the year, and the attendees at those meetings are provided in the Annual Report.

Financial Report Accountability

The Chief Executive Officer and Chief Financial Officer has 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 recommends a minimum of three members to form the composition of the remuneration committee and the majority of whom are independent directors and that the committee is chaired by an independent director.

Due to the nature and the size of the business and the demands of the industry within which it operates the Company has not adopted all of the ASX recommendations.

The Company does not operate a separate remuneration committee. The non-executive directors recommend policy to the whole Board who undertake this responsibility.

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.

A copy of information provided to the ASX is also provided on the Company's website.

The Company provides security holders with the option to receive communications from, and send communications to the entity and its security registry electronically.

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. At the Annual General Meeting shareholders elect the directors and have the opportunity to express their views, ask questions about the company and to vote on items of business put to shareholders.

The Company communicates with shareholders through releases to the ASX, its website, information distributed direct to shareholders and general meetings of shareholders.

The Company requires its Auditor attend each AGM and to be available to answer questions from security holders relevant to the audit.

The Company Secretary is responsible for monitoring compliance with the Company's disclosure obligations and managing all communications with the ASX.

Business Risk Management Policy

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

- An Audit committee;
- 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;
- A policy on Ethical Standards and Code of Conduct;
- Chief Executive Officer and Chief Financial Officer sign off on the Company's financial reporting risks and associated controls.

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. The Board review the risk management framework at least annually and monitor business risk on an ongoing basis.

The Company has an exposure to significant changes in environmental risks such as drought which can impact on the cost and availability of feed used for livestock. To minimise this risk the Company will forward purchase grains such as wheat and soy. Disease management is also a material issue for the Company. The Company engages industry expert veterinary care and has specialist livestock skill on its Board of directors.

The Company does not have an internal audit function due the nature and size of the organisation.

Ethical Standards and Code of Conduct

The Company maintains a Policy of Ethical Standards and a Board Governance - Code of Conduct setting out for Directors and employees what standards of conduct are expected of them.

All Farm Pride Foods Ltd Directors and employees are expected to act with the highest possible standard of ethics and personal integrity when carrying out their duties.

The Policy of Ethical Standards 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.

The Policy is incorporated in the individual letters of engagement by 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.

Publicly accessible information

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

<http://www.farmpride.com.au/corporate/company-policies>