

# **RURAL LIQUID FERTILISERS ASIA LIMITED**

ACN 622 055 216

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## **Corporate Governance Policies**

### **Conflicts and Related Party Policy**

June 2019 V1.1



## CONFLICTS AND RELATED PARTY TRANSACTIONS

01 January 2019

### 1. Background

This document sets out the proposed framework for Rural Liquid Fertilisers Asia Pty Ltd to manage related party transactions and matters in which directors of Rural Liquid Fertilisers Asia Pty Ltd may have a material personal interest.

### 2. Material Personal Interests

It is recognised that by virtue of the Operating Agreement between Rural Liquid Fertilisers Asia Pty Ltd and Rural Liquid Fertilisers Pty Ltd (RLF Australia), Ken Hancock will have a material personal interest in any matter or transaction between Rural Liquid Fertilisers Asia Pty Ltd and RLF Australia. In addition, RLF Australia is a related party of Rural Liquid Fertilisers Asia Pty Ltd.

It is recognised that by virtue of the Distribution Agreement between Rural Liquid Fertilisers Asia Pty Ltd and RLF Global Pty Limited (RLF Global), Ken Hancock and Gavin Ball will have a material personal interest in any matter or transaction between Rural Liquid Fertilisers Asia Pty Ltd and RLF Global. In addition, RLF Global is a related party of Rural Liquid Fertilisers Asia Pty Ltd.

### 3. Legislative Requirements

As a starting point, section 208 of the Corporations Act requires a public company to first obtain shareholder approval before it may give a financial benefit to any related party of the company, unless one of the exemptions apply (e.g. reasonable remuneration, transaction on reasonable arm's length terms, etc). Furthermore, any financial benefit must be given within 15 months after shareholder approval is given, unless one of the exemptions apply.

Under section 228 of the Corporations Act, all directors of Rural Liquid Fertilisers Asia Pty Ltd are related parties, as are any entities controlled by any director (this is not an exhaustive list of who is a related party).

What constitutes the giving of a financial benefit is very broadly defined by section 229 of the Corporations Act. It extends beyond the mere payment of cash, and also includes the giving of financial benefits in an indirect manner.

The ASX Listing Rules also impose shareholder approval requirements for certain related party transactions.

Section 195 of the Corporations Act prohibits directors from being present when the Board is considering a matter in which they have a material personal interest, and from voting on that matter.

A breach of the Corporations Act requirements may result in civil liabilities and penalties for directors, which cannot be paid for by Rural Liquid Fertilisers Asia Pty Ltd. A reckless or dishonest breach may result in criminal penalties for directors.

*Prior to the conversion of the Company from a Proprietary company to a Public company, the Company and its Chinese subsidiary Rural Liquid Fertilisers China (Kaifeng) Co., Ltd entered into the Operating Agreement and Distribution Agreement with RLF Australia and RLF Global (as the case may be). Following the conversion of the Company into a Public company, any dealings under these agreements will prima facie be governed by the related party provisions of the Corporations Act and ASX Listing Rules.*

## 4. Summary of Policy Framework

The proposed framework for management and audit of the companies related party transactions and matters are based on the following;

- (a) Board Composition
- (b) Register of Conflict of Interest / Related Party Transactions
- (c) Conflict Management Committee
- (d) Vetting and Decision-making Process
- (e) Annual Review by External Legal Advisors

## 5. Details of Policy Framework

### 5.1 Board Composition

TBC (Non-Executive Chairman)  
Ken Hancock (Managing Director)  
Lu Sen (Mike) (Chief Executive Officer)  
Gavin Ball (Executive Director)  
TBC (Non-Executive Director)

### 5.2 Board Structure

The Board of Rural Liquid Fertilisers Asia Pty Ltd will have a majority of 3 directors (2 of whom will be independent non-executive directors and the third being the Chief Executive Officer) who will not have a material personal interest in transactions with RLF Australia or RLF Global.

There will therefore be a quorum of directors to deal with any Board decisions in which Ken Hancock and/or Gavin Ball have a material personal interest, or with any related party transactions involving RLF Australia or RLF Global.

### 5.3 Conflict of Interest/Related Party Transaction Register

Rural Liquid Fertilisers Asia Pty Ltd will maintain a Conflict of Interest/Related Party Transaction Register, which will contain details of all contracts, payments and transactions:

- (a) made between Rural Liquid Fertilisers Asia Pty Ltd and RLF Australia or RLF Global;
- (b) made between Rural Liquid Fertilisers Asia Pty Ltd and any other related party; and
- (c) in respect of which any director of Rural Liquid Fertilisers Asia Pty Ltd has a material personal interest (other than remuneration or reimbursement of expenses as permitted by the Corporations Act).

Any contracts, payments or transactions to which any exemption in sections 191(2), 210 or 211 of the Corporations Act may apply (except for remuneration in the ordinary course) will also be entered into the Register, including an explanation as to why the relevant exemption applies.

Entries into the Register will involve the completion of a Reporting Form, which will contain an analysis of how a material personal interest may arise, how the contract, payment or transaction may be a related party transaction, and (if applicable) why any applicable exemptions apply. A numbered index of Reporting Forms must also be maintained as part of the Register, and each Reporting Form will be numbered as set out in the index in order to preserve the integrity and continuity of the Register.

The Chief Executive Officer, assisted by the Company Secretary and seeking legal advice from Rural Liquid Fertilisers Asia Pty Ltd 's legal counsel as required, will update the Register as and when any applicable contracts, payments or transactions are to be made.

All directors are entitled to access and review the Register at any time and seek their own legal advice regarding any entries in the Register (at Rural Liquid Fertilisers Asia Pty Ltd 's expense).

#### 5.4 Conflict Management Committee

**Rural Liquid Fertilisers Asia Pty Ltd** will establish a Conflict Management Committee for the purposes of oversight and management of this Policy. The Committee will be chaired by the Non-Executive Chairman and include the Chief Executive Officer and the other non-executive director. It is noted that on the date of implementation of this policy, the Non-Executive Chairman has not yet been appointed; until the Non-Executive Chairman is appointed, the Chief Executive Officer will be acting chair of the Conflicts Management Committee. The Company Secretary and **Rural Liquid Fertilisers Asia Pty Ltd's** legal counsel will also be invited to attend all meetings of the Conflict Management Committee. In any event, the Committee is entitled to seek external legal advice and the Company will pay for the costs of such advice.

Any director who is a member of the Committee but who has a material personal interest in any matter considered by the Committee (including where they are involved in a related party transaction) must not participate in the Committee's deliberations on that matter. In such an event, the remaining members of the Committee will carry out its deliberations on that matter.

The Committee will meet on a quarterly basis (and otherwise as required) to deal with the following:

- (a) Consider any proposed contract, payment or transaction which may or will constitute the giving of a financial benefit to a related party of Rural Liquid Fertilisers Asia Pty Ltd, or in relation to which any director may have a material personal interest, including to assess whether it has been authorised by any prior shareholder approval, whether shareholder approval is required or whether an exemption applies. Management is responsible for preparing a report on each such proposed contract, payment or transaction (via the Reporting Form).
- (b) Review each new Reporting Form entered into the Register.
- (c) Review and analyse each item on the Register regarding its compliance with the Corporations Act and ASX Listing Rules dealing with material personal interests and related party transactions.
- (d) Review any other contracts, payments or transactions in which Rural Liquid Fertilisers Asia Pty Ltd is involved, or in which Rural Liquid Fertilisers Asia Pty Ltd proposes to be involved, as the Committee sees fit, and create any new Reporting Forms to enter into the Register as required.
- (e) Decide whether any matters need to be held over pending specific legal advice (e.g. whether an exemption applies to that matter).

Any issues of concern or matters requiring Board, shareholder or other regulatory approval will be compiled in a report (including a copy of the corresponding Reporting Forms) which will be circulated to the Board (except for conflicted directors) as soon as reasonably practicable after each meeting, independently of any scheduled Board Meeting. The Board (excluding conflicted directors) will, at the next Board Meeting, consider this report and decide on whether to approve the relevant contract, payment or transaction (including whether to seek the requisite shareholder or other regulatory approval if required).

#### 5.5 Vetting and Decision-Making Process and Disputes

A payment or transaction to a related party, or in which a director has a material personal interest, cannot be made or entered into unless it is the subject of an applicable exemption or pre-existing approval (whether Board, shareholder or regulatory, as the case may be).

A contract with a related party, or in which a director has a material personal interest, cannot be entered into unless it is the subject of an applicable exemption or pre-existing approval (whether Board, shareholder or regulatory, as the case may be), or unless it is conditional upon all applicable regulatory approvals being obtained.

Any disputes in relation to a contract with a related party, or in which a director has a material personal interest, will be managed by the Committee on behalf of Rural Liquid Fertilisers Asia Pty Ltd.

The management of relationships pursuant to agreements with related parties, alterations to these agreements, or even any decisions of, for, or on behalf of Rural Liquid Fertilisers Asia Pty Ltd made under these agreements, must be carried out by the Committee. The following list contains a non-exhaustive list of some examples:

#### **5.6 Matters that are caught by the Policy (this list is non-exhaustive)**

- (a) Rural Liquid Fertilisers Asia Pty Ltd buying product from RLF Australia.
- (b) Rural Liquid Fertilisers Asia Pty Ltd selling product to RLF Australia.
- (c) Rural Liquid Fertilisers Asia Pty Ltd engaging RLF Australia to carry out out-of-scope technical work.
- (d) Payments made by Rural Liquid Fertilisers Asia Pty Ltd to RLF Australia or RLF Global.
- (e) Any decisions made by Rural Liquid Fertilisers Asia Pty Ltd in relation to any transactions or contractual arrangements with RLF Australia or RLF Global.
- (f) Any other transactions or dealings between Rural Liquid Fertilisers Asia Pty Ltd and RLF Australia or RLF Global
- (g) Any disputes in relation to transactions or contractual arrangements between Rural Liquid Fertilisers Asia Pty Ltd and RLF Australia or RLF Global

#### **5.7 Policy Steps**

In the usual course of complying with this Policy, the following steps would be followed if any contract, payment or transaction is proposed to be made with a related party or in which a director has a material personal interest:

- (a) Chief executive Officer/Company Secretary identifies (or is told of) a reportable contract, payment or transaction and prepares Reporting Form.
- (b) Committee considers Reporting Form at its next meeting.
- (c) If a director has a material personal interest OR if it is a related party transaction, then the decision has to be elevated to the Board (as per the procedure set out in the preceding section headed "Conflict Management Committee"). If neither exists, or if an exemption applies, then the decision falls back to the existing business as usual delegated authorities (i.e. Board, Chief Executive Officer or other senior executives).
- (d) The Board (excluding conflicted director(s)) then decides whether they have the authority to approve it, or whether shareholder approval is needed.
- (e) If the Board (excluding conflicted director(s)) has the authority to approve it, then the Board decides whether to approve it or reject it.
- (f) If it needs to go to shareholders for approval, the Board (excluding conflicted director(s)) decides whether they are prepared to call a shareholders' meeting to vote on the matter, or to reject it.

#### **5.8 Annual Review**

The Conflict Management Committee will undertake a formal review of this Policy at least once a year in conjunction with external legal advisors.