




Corporate Governance Statement

as at 30 June 2022

Rural Funds Group | **ASX:
RFF**

Managed by:



A woman wearing a yellow long-sleeved shirt, dark pants, and a wide-brimmed hat is crouching in an orchard. She is working on a young tree, possibly pruning or supporting it. The orchard has rows of trees, and the ground is covered with dry grass and mulch. The background shows more trees and a clear sky.

Rural Funds Group (the Fund) comprises Rural Funds Trust ARSN 112 951 578 and RF Active ARSN 168 740 805, both registered managed investment schemes under the *Corporations Act 2001* (Cth) (the Corporations Act). Units in Rural Funds Trust are stapled to Units in RF Active. The Fund is listed on the ASX.

Rural Funds Management Limited (RFM) ACN 077 492 838 is the Responsible Entity for the Fund. RFM has established and oversees the Fund's corporate governance. The Responsible Entity holds an Australian Financial Services (AFS) Licence authorising it to operate the Fund. It has a duty to act in the best interests of unitholders of the Fund (Unitholders).

The RFM Board of Directors (Board) provides leadership and direction for the Fund which aligns with the Responsible Entity's corporate governance responsibilities. The Board is comprised of five directors with a mix of experience and skills necessary to oversee the corporate governance requirements of the Responsible Entity. This ensures that the Responsible Entity operates with integrity, is accountable, and acts in a professional and ethical manner. The Board works together, and its collective ability facilitates effective decision making to lead a profitable and efficient business.

To the extent that they are applicable for an externally managed fund, the Responsible Entity has adopted and complies with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th Edition. In accordance with ASX Listing Rule 4.10.3, set out in this section are the ASX Corporate Governance Council's eight principles of corporate governance, and the extent to which there is compliance with the recommendations for each principle. This statement applies to the period 1 July 2021 to 30 June 2022 (Financial Year).

The Corporate Governance Statement is current as at 30 September 2022 and has been approved by the Board of Directors of the Responsible Entity.

Copies of the Responsible Entity's corporate governance policies are located on the Responsible Entity's website at www.ruralfunds.com.au.

Principle 1: Lay solid foundations for management and oversight

A listed entity should clearly delineate the respective roles and responsibilities of its Board and management and regularly review their performance.

As an externally managed scheme, recommendations 1.1, 1.2, 1.3, 1.4, 1.5, 1.6 and 1.7 do not apply to the Fund. The Fund has elected to apply the alternative recommendation for 1.1 and provided the following responses to the recommendations.

The business of the Fund is managed by RFM as the responsible entity of the Fund. The arrangements between the Responsible Entity and the Fund are governed by the Constitution of the Fund and the Corporations Act. The conduct of the Board of RFM as responsible entity when managing the affairs of the Fund are outlined in the Corporate Governance Charter.

Board roles and responsibilities

The Responsible Entity has a Corporate Governance Charter that outlines the corporate governance practices, functions and responsibilities of the Board. The Corporate Governance Charter is located on the Corporate Governance page of the Responsible Entity's website.

Board functions include:

- setting the direction, strategy and financial objectives for the RFM Group¹
- monitoring the implementation and execution of strategy and financial objectives
- monitoring compliance with regulatory requirements, ethical standards and external commitments
- appointing, and reviewing the performance of, the Managing Director and Company Secretary, and
- taking an effective leadership role in relation to the RFM Group.

Board conduct is governed by the Fund's Constitution and the Corporations Act.

Chair

The Chair leads the Board and ensures the efficient organisation and conduct of Board members. Responsibilities of the Chair are listed in the Corporate Governance Charter.

Managing Director

The Board has delegated responsibility for the day-to-day management of the Fund to the Managing Director of the Responsible Entity, subject to financial and other limits.

The Managing Director is supported by the Chief Operating Officer, Chief Financial Officer, Company Secretary and managers in the leadership, operational and corporate management teams.

Appointment of Directors and Management

Prior to appointment, all appropriate checks are completed for potential Directors and managers, including police, bankruptcy and reference checks, and assessment of employment history, experience, education, directorships and unitholdings.

All Directors of the Responsible Entity receive letters of appointment setting out the key terms and conditions of their appointment.

Managers of the Responsible Entity enter into an employment agreement setting out the key terms and conditions of their employment including a position description, duties, rights, responsibilities, remuneration and entitlements on termination.

Succession planning within the responsible entity is reviewed by the Internal Compliance Committee annually. This ensures depth of skills and experience exist within key functions.

Company Secretary

The Company Secretary of the Responsible Entity is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

Directors have access to the Company Secretary for advice.

1. RFM Group includes the Responsible Entity and all entities which are owned and/or managed by RFM.

Diversity

The Responsible Entity has a Diversity Policy, approved annually by the Board.

The Responsible Entity recognises that employees are one of its greatest assets and has employees with a range of skills and capabilities. This ensures the ongoing strength, continuity and stability of the Responsible Entity. The Diversity Policy provides the framework that actively manages and encourages diversity and inclusion and attracts a diverse pool of suitably skilled candidates.

The Diversity Policy is located on the Corporate Governance page of the Responsible Entity's website.

The Responsible Entity set a quantitative gender diversity objective of 20% of directors being women. This target was achieved in November 2021 with the appointment of Ms Andrea Lemmon as a non-executive Director. The Responsible Entity will endeavour to improve the current level of gender diversity of the Board and management when vacancies arise. Due to the size of the Responsible Entity's Board and its management team, there is limited turnover of personnel at this level.

As at 30 June 2022, there were two females in the Responsible Entity's leadership team, representing 28% of the team. The corporate management team included five female managers representing 38% of the team. Of the 177 employees RFM and associated entities employ, 27% are female.

The *Workplace Gender Equality Act 2012* (Cth) (WGEA) applies to RFM as the Responsible Entity and its associated entities. The WGEA annual compliance report has been submitted, and RFM is awaiting the final compliance approval.

Performance Assessments

The performance of the Board, its Committees and individual Directors is reviewed and assessed each year collectively by the Board. Performance feedback has been provided to all Directors and Managers this financial year.

The Board is satisfied that the performance of the current Directors meets the statutory obligations of their role.

The performance review process is outlined in the Corporate Governance Charter, located on the Corporate Governance page of the Responsible Entity's website.

RFM has a Performance Management Policy that provides guidelines to review the performance of managers. Managing the performance of our people is critical to our success and in most cases, we choose to do this informally through regular one-on-one discussions between employees and their manager, or formally where one or the other party prefer this approach.



Image: Mustering cattle at Cerberus, central Queensland, August 2022.

Principle 2: Structure the Board to be effective and add value



Leslie Guy Julian Paynter
Chair



David Bryant
Managing Director



Michael Carroll
Non-Executive Director



Julian Widdup
Non-Executive Director



Andrea Lemmon
Non-Executive Director

The Board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.

As an externally managed scheme, recommendations 2.1, 2.2, 2.4, 2.5, 2.6 do not apply to the Fund.

Nominations Committee

The Responsible Entity has not established a Nominations Committee. Due to the size of the Board and the nature of the business, the Board has determined this function should remain with the Board.

External advice is sought from external experts including specialist tax, legal or business advisers when required.

Board Matrix

The Responsible Entity's Board comprises five members, four of whom are independent non-executive Directors.

All Directors must act with the utmost integrity and objectivity, striving to enhance the reputation and performance of the RFM Group.

The Directors must comply with the Director's Code of Conduct and the RFM Code of Conduct in exercising their duties.

Director	Tenure	Independent
Guy Paynter (Chair)	15 April 2010	Yes
David Bryant	17 February 1997	No
Michael Carroll	15 April 2010	Yes
Julian Widdup	15 February 2017	Yes
Andrea Lemmon	1 November 2021	Yes

Guy Paynter and Michael Carroll have more than ten years of service as Directors of the Responsible Entity. It remains RFM's opinion that both Guy and Michael have an independence of mind and a strong element of objectivity regarding the affairs of RFM and the Fund. It is in the best interests of the Fund to have a combination of different director tenure, as longer terms provide an innate understanding of the business whilst shorter durations offer a fresh approach. All members of the RFM Board advocate their professional views as part of robust discussions.

The RFF Annual Report and the Responsible Entity's website each have further information on the background, qualifications and expertise of Directors.

Board Independence

The Chair of the Responsible Entity's board is responsible for the Board's leadership, organisation and conduct. The Chair, Guy Paynter is considered independent as defined in the Corporate Governance Charter.

Director Training

All new Directors are selected and appointed in accordance with the Corporate Governance Charter. New Directors are provided with an induction relevant to the Responsible Entity and the Fund and are provided opportunities to extend their skills and knowledge, through informal and formal means.

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

A listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.

'Managing good assets with good people'

The Responsible Entity's objectives regarding the Fund are to operate profitably, maximise investor return and identify opportunities for growth.

The Responsible Entity's core values underpin the culture and reputation implemented by management which all employees are expected to follow. The standards set for employees include:

- employees are to act honestly, ethically, in good faith and in the best interests of the Responsible Entity and its managed entities
- employees have a duty to use due care and diligence and must not make improper use of information acquired
- personal interests are not to conflict with the interests of RFM or the Fund's Unitholders
- employees must adhere to the continuous disclosure protocol and privacy principle adopted by RFM, and
- employees are not to engage in conduct likely to bring discredit upon RFM and not knowingly breach any law under which RFM operates.

The Responsible Entity has a general Code of Conduct that applies to Directors and employees. Managers lead their teams to ensure the company values and culture is modelled by all employees.

Directors Code of Conduct

The Responsible Entity has implemented a Directors' Code of Conduct. The Code seeks to give Directors guidance on how best to perform their duties, meet their obligations and understand RFM's corporate governance practices.

The Code focuses on the Directors' obligations to comply with codes and law, general duties and application of business judgement, including personal interests and conflicts, conduct, and complaints.

The Responsible Entity has a very robust structure for reporting material breaches of the Directors' Code of Conduct. The Company Secretary advises the Board and the Internal Compliance Committee of any such breaches.

Whistleblower Policy

The Whistleblower Policy, implemented by the Responsible Entity, supports and protects employees should they wish to make a protected disclosure. All corporate employees complete annual compliance training in respect of the Policy. The Responsible Entity has an established structure for reporting incidents under the Whistleblower policy. The Company Secretary will confidentially advise the Board of any material incidents. The Internal Compliance Committee is also advised at its quarterly meeting.

Anti-Bribery and Corruption

The Responsible Entity has an established Anti-Bribery and Corruption Policy which was implemented to monitor, detect, report and manage any bribery, corruption or related activities.

The Responsible Entity has a robust structure for reporting breaches of the Anti-Bribery and Corruption Policy. All employees are encouraged to address any unlawful events or unethical behaviour. This can be completed either via their immediate manager or directly to the Board.

The Company Secretary will advise the Board of any material breaches. The Internal Compliance Committee is also advised at its quarterly meeting.

Further details are included in the Policy.

Securities Trading Policy

The Securities Trading Policy, established by the Responsible Entity, determines a regime to prevent the misuse of Insider Information. The policy affirms employees' legal and regulatory obligations. This is to ensure the Fund maintains market confidence and integrity.

The Company Secretary will advise the Board of any material breaches. The Internal Compliance Committee is also advised at its quarterly meeting.

Conflict of Interest Management Policy

The Conflict of Interest Management Policy identifies the arrangements that are in place to manage any actual or potential conflict of interests that may arise between the Responsible Entity and the Funds it manages.

The Policy details who is responsible for how conflicts are reported, managing conflict obligations and reporting to the Board and Internal Compliance Committee.

Modern Slavery

The Fund does not meet the income thresholds which require reporting under the *Modern Slavery Act 2018* (Act).

The Corporate Governance Charter (incorporating the Directors' Code of Conduct), Whistleblower Policy, Anti-Bribery and Corruption Policy, Securities Trading Policy and Conflict of Interest Management are all available on the Responsible Entity's website.

Principle 4: Safeguard the integrity of corporate reports

A listed entity should have appropriate processes to verify the integrity of its corporate reports.

Audit Committee

The Board of the Responsible Entity has an established Audit Committee with the purpose of assisting the Board with integrity of financial reporting, controls and independence of the Fund's external auditors.

The Audit Committee is comprised of three members, Michael Carroll (Chair), Julian Widdup and Andrea Lemmon. All are independent non-executive Directors of RFM.

Guy Paynter ceased to be a member of the audit committee on 31 March 2022.

Audit Committee	Membership since
Michael Carroll (Chair)	26 February 2014
Guy Paynter	26 February 2014 resigned 31 March 2022
Julian Widdup	15 February 2017
Andrea Lemmon	1 November 2021

The Audit Committee has a formal Charter that details its roles, responsibilities and obligations. The Audit Committee's role is to assist the Board in discharging its oversight responsibilities.

The Audit Committee will:

- oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information, review the effectiveness of the entities' internal control and financial risk management and monitor their implementation
- oversee the independent audit process, including recommending the appointment and assessing the performance of the external auditor; and,
- oversee the entities' process for monitoring compliance with laws, regulations, internal policies and expectations of key stakeholders.

Two meetings of the Audit Committee were held in relation to the accounts during the Financial Year. Both meetings were attended by all committee members.

The Audit Committee will routinely invite others to attend meetings, including management of the Responsible Entity and the Auditor of the Fund. The Audit Committee reviews the financial reports and provides commentary to the Board as required.

The CFO and Managing Director each declared in writing to the Board for both the half-year and full-year financial statements, that the declarations provided under sections 286 and 295(3)(b) of the Corporations Act, have been properly maintained, comply with accounting standards, give a true and fair view of the financial position and performance of the Fund with the opinion formed on the basis of a sound risk management and internal control system.

The Audit Committee Charter is included in the Corporate Governance Charter, located on the Corporate Governance page of the Responsible Entity's website.



Image: Cattle at sunset, Comanche, Rockhampton, October 2019.

Principle 5: Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Continuous Disclosure

The Responsible Entity is committed to promoting a fair market in the Fund's units through honest management and timely, full and fair disclosure. This conduct will ensure the Fund meets its disclosure obligations under the Corporations Act and ASX Listing Rules.

The Responsible Entity has adopted a Continuous Disclosure Policy that applies to all Directors and employees of the Responsible Entity. Annual training on the policy, and continuous disclosure obligations generally, is provided for Officers of the Responsible Entity. Responsibility for compliance with the Continuous Disclosure Policy lies with the Company Secretary.

The Responsible Entity will ensure information that a reasonable person would expect to have a material effect on the price of the Fund securities will be disclosed pursuant to ASX Listing Rule 3.1.

The Board is made aware of market announcements once released on the ASX Market Announcement Platform. All announcements released in respect of the Fund can be viewed at www.asx.com.au.

Any new or substantive investor or analyst presentations are released on the ASX Market Announcement Platform ahead of the scheduled presentation time.



Image: Manager examining the wheat , Baamba, central Queensland, September 2022.

Principle 6: Respect the rights of security holders

A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

Governance for Unitholders

The Fund aims to provide timely, accurate and accessible information of a consistently high standard to its Unitholders. This information is conveyed in the Fund's annual reports, half yearly reports, ASX announcements, newsletters and on the Responsible Entity's website. Recordings of full and half year financial results presentations, and additional information relevant to the Fund is located on the Responsible Entity's website.

Investor Relations

The Investor Relations (IR) team regularly engage with Unitholders, institutional investors, external analysts and the Fund's registry service provider, Boardroom. The IR team's primary objective is to ensure Unitholders are well informed regarding the Fund. The Responsible Entity's website has information available to Unitholders to facilitate two-way communication between investors and the Responsible Entity. The investment tab on the Responsible Entity's website provides a link to the Fund's website which provides all the applicable information regarding the Fund.

Unitholders are encouraged to contact the Responsible Entity's IR team using any of the following methods:

Email: investorservices@ruralfunds.com.au
Website: [Contact](#) | [Rural Funds Management](#)
Phone: 1800 026 665

or in person by visiting the Responsible Entity's office.

Under s 110C(2) of the Corporations Act, the Fund has elected to advise Unitholders, via the Responsible Entity's website, of their right to receive documents either electronically, at a physical location or not at all.

Unitholder Meetings

As an externally managed scheme, the Fund does not hold periodic meetings. When Unitholder meetings are required, web-conferencing and/or a teleconferencing facility for remote Unitholders is used. Unitholders who are unable to attend meetings, can vote via proxy, in accordance with the Fund's constitution.

The Fund's constitution provides Extraordinary Resolutions and any other properly demanded resolutions, directed by the Chair, are to be decided by a poll.

Boardroom, the Fund's registry service provider, provides the option for Unitholders to receive their communications electronically. The Responsible Entity encourages all investors to communicate electronically and provides regular correspondence advising shareholders of this option.



Image: Macadamia racemes, Swan Ridge, Bundaberg, September 2022.

Principle 7: Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Risk Management

A Risk Committee has not been established by the Responsible Entity. The Board has determined that due to the size of the Board and the nature of the business, the risk oversight function should be managed by the Board, supported by the Internal Compliance Committee (ICC).

The Board has ultimate responsibility for overseeing the risk management framework and approving and monitoring compliance within the framework. The Board receives regular reports on all material business risks in relation to the Fund which includes a quarterly report of all risks rated extreme or high. Ongoing management of the identified risks is undertaken by the relevant managers of each business area. These are reported to the Board and the ICC and include details regarding the effectiveness of mitigation measures.

A Risk Management Policy has been established by the Responsible Entity. The Policy considers the management of material business risks and the Board's risk appetite for the Fund and associated entities.

The Responsible Entity's risk management framework and Risk Management Policy are reviewed annually. The risk review consists of re-evaluating all risks, re-assessing whether the existing risk rating is appropriate, and assessing the suitability of existing and additional mitigation measures. During this financial year, an annual risk review was performed.

The Risk Management Policy is located on the Corporate Governance page of the Responsible Entity's website.

Internal Compliance Committee

The Responsible Entity has an Internal Compliance Committee that assists the Board in evaluating the risk management framework and material business risks on an ongoing basis.

While not an internal audit committee, the Internal Compliance Committee reports to the Board quarterly and may make recommendations to the Board for changes to processes and systems to ensure compliance with legal and regulatory requirements.

The Internal Compliance Committee is comprised of managers who are specialists in their field.

Committee Members are:

- Compliance Manager (Chair)
- Company Secretary
- Chief Financial Officer
- National Manager – People and Safety
- Investor Services Manager

The Committee extends the invitation to other managers to routinely attend meetings to offer insight into their relevant field and the effect of managing risk in their business units.

This broad representation ensures the Internal Compliance Committee is fully informed of governance, risk and internal control processes across the Fund and associated RFM entities.

Environmental, Social and Governance (ESG)

The Responsible Entity's approach to managing material exposures is outlined in the [RFF Annual Report 2022](#). Management of environmental (including climate-related impacts) and social risks are incorporated in the entity's risk management framework. The Board is responsible for overseeing the risk management framework, with the internal management of the framework delegated to the Internal Compliance Committee.



Image: Early crop, Lynora Downs, central Queensland, September 2022.

Principle 8: Remunerate fairly and responsibly

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interest with the creation of value for security holders and with the entity's values and risk appetite.

As an externally managed scheme, recommendations 8.1, 8.2 and 8.3 do not apply to the Fund.

The Responsible Entity has elected to apply alternative recommendations for 8.1, 8.2 and 8.3 and provided the following responses.

As an externally managed listed entity, the remuneration of the Responsible Entity, as disclosed in its constitution, is:

- Fund Management Fee – up to 1.0% p.a. of the adjusted gross asset value of the Fund
- Asset Management Fee – up to 1.0% p.a. of the adjusted gross asset value of the Fund
- Termination Fee – 1.5% of the adjusted gross asset value of the Fund.

The fees listed above represent the maximum allowed under the Fund's Constitution.

At present, the Responsible Entity charges total fees (fund management and asset management fees) of 1.05% of the adjusted gross asset value of the Fund.

Remuneration Committee

The Remuneration Committee has a formal charter that details its responsibilities and obligations and sets out the powers of the Remuneration Committee along with the meeting procedure framework.

The Remuneration Committee comprises four members, Michael Carroll (Chair), Guy Paynter, Julian Widdup and Andrea Lemmon. All are independent non-executive directors.

Remuneration Committee	Membership since
Michael Carroll (Chair)	12 May 2017
Guy Paynter	12 May 2017
Julian Widdup	12 May 2017
Andrea Lemmon	1 November 2021

The Remuneration Committee's scope, responsibilities, and associated policies and procedures can be viewed at Corporate Governance Charter located on the Corporate Governance page of the Responsible Entity's website.

Principle 9

As an externally managed scheme, recommendations 9.1, 9.2 and 9.3 do not apply to the Fund.





Image: Almond trees in bloom, Tocabil orchard, Hillston NSW, August 2022.



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