



Ruralco

CORPORATE
GOVERNANCE
STATEMENT
2018



Ruralco is committed to creating long-term value for its stakeholders and fostering a culture of personal and corporate integrity and accountability. Robust corporate governance and prudent risk management is key to delivering on this commitment and is a key focus of the Board. Ruralco's governance framework and practices are informed by applicable laws and regulations, stakeholder expectations and the evolving sectors in which Ruralco operates.

This statement provides a summary of the governance framework and practices of Ruralco and its related bodies corporate (**Group**) during the year ended 30 September 2018. These practices followed the recommendations set out in the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Corporate Governance Recommendations**).

KEY GOVERNANCE INITIATIVES FOR 2018

- Ruralco launched a review of its management of material sustainability risks. The Sustainability section of the 2018 Annual Report is the first step towards a new vision for sustainability across Ruralco and provides a framework to maintain and develop practices which mitigate the risks identified in that section of the Annual Report. If you would like to read about Ruralco's review, you can find details on pages 28 to 41 of the Annual Report.
- As part of the continuous improvement of remuneration frameworks, Ruralco engaged EY to facilitate a review of remuneration structures and recommend ways to improve the efficacy of equity-based incentives in the remuneration of Key Management Personnel and promote better alignment between performance-based remuneration of the Key Management Personnel and outcomes for shareholders.
- The Board updated and formalised its Risk Appetite framework to support conscious and profitable risk-taking and to formalise risk assessments in strategic decision-making. A 'self-assessment' tool has been developed and implemented which allows all managers to assess actions against risks to reputation, operations, strategic acquisitions and growth, finance/earnings and innovation/change.
- Ruralco completed a gap analysis to identify potential areas of improvement in governance, culture and accountability across the Group. Initiatives relating to the monitoring and closing of internal audit items, issues identification and escalation, and culture and leadership were developed and are being implemented.
- The Audit, Risk & Corporate Governance Committee recommended amendments to the Group's Delegations of Authority Policy and framework to continue to align the division of roles and responsibilities between Board and Management with the strategic activities and risk appetite of the Group.
- Key corporate governance policies were reviewed and updated. The review included the update of the Securities Dealing Policy, Disclosure and Communications Policy, Risk Policy, Diversity and Inclusion Policy, Whistleblowing Policy, Privacy Policy and Related Party and Conflicts of Interest Policy, as well as the addition of a new Anti-Bribery and Anti-Corruption Policy.
- Group wide compliance training in Privacy and Cyber Security was completed. A formal Data Breach assessment and response plan has been developed to comply with obligations under the Notifiable Data Breach scheme.

STAKEHOLDERS

INVESTORS¹

Ruralco recognises the importance of clear and transparent communication with current and potential investors. Our Investor Relations program focuses on encouraging two-way communication between Ruralco and its investors and ensuring investor feedback and expectations are understood and considered in corporate strategies.

The Board is committed to monitoring (and adopting where appropriate) ongoing developments that may improve Ruralco's shareholder communication practices, including technological developments, regulatory changes and the continuing development of market 'best practice'. Ruralco allows shareholders to receive communications and other shareholder information electronically and uses its website (www.ruralco.com.au) as a key medium through which to communicate with shareholders, the market and the wider community. Ruralco has a dedicated Corporate Governance section on its website (www.ruralco.com.au/corporate/corporate-governance) where all relevant investor and corporate governance information can be accessed including the Group's Disclosure and Communications Policy.²

<p>INVESTOR RELATIONS PROGRAM</p> <p>Ruralco holds investor site visits, roadshows and analyst briefings</p>	<p>WEBSITE</p> <p>Current and prospective investors are encouraged to visit https://www.ruralco.com.au/investors/ for up to date information about investing in Ruralco</p>	<p>ANNUAL GENERAL MEETING</p> <p>The AGM facilitates two-way communication through formal questions in the meeting and informal networking following the meeting</p>
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OUR PEOPLE

Diversity and Inclusion³

Ruralco values diversity and aims to ensure that all its people feel valued and respected. We recognise that a diverse workforce helps us to achieve better overall and financial performance by helping us to deliver on our strategic objectives and targeted outcomes, leverage diverse experiences, skill-sets and perspectives so as to better serve our diverse customers and communities and attract, engage and retain talented people.

Ruralco has a Diversity and Inclusion Policy which sets out objectives for improving and maintaining diversity across the Group. The policy is available on the Company's website at www.ruralco.com.au/corporate/corporate-governance. Further details of the Board's diversity strategy and key actions are set out in the Sustainability section on pages 28 to 41 of the Annual Report.

The Nomination & Remuneration Committee is responsible for annual assessment of the Group's progress towards its diversity objectives. The committee's responsibilities include:

- reviewing and making recommendations to the Board on workforce diversity practices
- annually reviewing the diversity initiatives set by the business and providing recommendations with regard to diversity initiatives undertaken
- monitoring performance on diversity initiatives using appropriate measures and targets and reporting on initiatives.

The committee is chaired by an independent Non-Executive Director and is comprised of independent Non-Executive Directors. The members of the committee as at the date of the Annual Report are set out on page 47 of this Corporate Governance Statement.

As at the end of the reporting period, females account for 32% of Ruralco's workforce, with the male to female gender balance sitting above the Agriculture, Forestry and Fishing industry average of 28.1%. Females also make up 33% of the Board of Directors, higher than the average of 25.4% of ASX 200 Boards, and 10% of the Executive Management Team.

Fair and responsible remuneration⁴

Ruralco is committed to ensuring competitive remuneration practices and policies and the Nomination & Remuneration Committee is responsible for reviewing and assessing remuneration practices and structures for the Group and making recommendations to the Board to ensure:

- remuneration is aligned to the Group's strategic objectives, purpose, values and risk appetite
- remuneration outcomes are consistent with shareholder value
- targets incentivise and reward exemplary performance
- there is an appropriate mix of fixed and variable remuneration
- remuneration remains competitive across the market in which the Group operates.

¹ ASX Corporate Governance Recommendations 6.1, 6.2, 6.3, 6.4

² ASX Corporate Governance Recommendation 5.1

³ ASX Corporate Governance Recommendation 1.5

⁴ ASX Corporate Governance Recommendations 1.7, 8.1, 8.2, 8.3

Ruralco’s Long-Term Incentive Plan (**LTI**) provides equity-based remuneration to executive Key Management Personnel based on the achievement of Group financial performance indicators. Following a recent review of the LTI by the Nomination & Remuneration Committee, the committee recommended the Board adopt a combined incentive for executive Key Management Personnel which will result in equity-based remuneration comprising a more significant proportion of total remuneration.

Ruralco’s Securities Dealing Policy prevents any employee entering into an arrangement which would operate to limit the economic risk associated with holding Ruralco securities where those securities have not vested, or they are subject to a holding lock or other similar restriction on dealing.

Further details about the equity-based remuneration of Executives and senior management are set out in the 2018 Remuneration Report on pages 49 to 66 of the Annual Report.

Community

Large organisations like Ruralco are increasingly expected to play an active role in raising the bar along the supply chain. Ruralco respects its position as a leader in the agriculture industry and aims to model high standards of conduct in all of our interactions with suppliers and customers and their communities.

Ensuring an ethical supply chain and supporting robust rural communities are key priorities identified in this year’s review of material sustainability risks and issues. You can read more about Ruralco’s focus on these areas on pages 34 to 36 and 40 to 41 of the Annual Report.

ETHICAL AND RESPONSIBLE PRACTICES

Ruralco recognises the importance of ethical conduct, with integrity and accountability comprising two of our core values. It is the Board’s objective to achieve and maintain the highest standards of ethical conduct by our Directors, senior management and employees.

Ruralco’s values define the corporate culture and inform how we behave. In Ruralco’s 2018 Employee Opinion Survey 97% of employees agreed that “Ruralco has a clear set of organisational values and behaviours that guide [their] everyday actions”.

Ruralco’s values are:

 COMMON SENSE We use good judgement	 INTEGRITY We do the right thing	 AIM HIGH We exceed expectations
 ACCOUNTABILITY We own our actions	 LEADERSHIP We lead by example	 LOYALTY We support our people, customers and communities

Code of Conduct

The required standards of conduct across the Group are set out in Ruralco’s Code of Conduct. It is expected that all officers and employees of Ruralco comply with the Code of Conduct.

A copy of the Code of Conduct is available at www.ruralco.com.au/corporate/corporate-governance.

Anti-Bribery and Corruption Policy

Ruralco expects its officers and employees to conduct business activities with honesty and integrity and is committed to ensuring that all personnel behave in a manner that is consistent with the law and Ruralco’s values. The Anti-Bribery and Corruption Policy articulates Ruralco’s zero tolerance approach to bribery, corruption and facilitation payments and details Ruralco’s commitment to ethical dealings along its supply chain. Ruralco’s Anti-Bribery and Corruption Policy is available on Ruralco’s website at www.ruralco.com.au/corporate/corporate-governance.

Raising Concerns (Whistleblowing Policy)

Ruralco encourages individuals to raise concerns about illegal, improper and unethical conduct they observe. These concerns can be raised directly to senior management, however individuals may also raise concerns confidentially in accordance with Ruralco's Whistleblowing Policy. Under the policy, Ruralco provides a secure means by which reports can be made, investigated and acted on, while providing protection to individuals who make those reports. There are a number of ways our people and external partners can raise concerns, including via an independent third party.

Ruralco's Whistleblowing Policy is available on Ruralco's website at www.ruralco.com.au/corporate/corporate-governance.

Other Governance Policies

Ruralco has other Corporate Governance Policies relating to its legal and other obligations. These policies reflect the ASX Corporate Governance Recommendations and encourage ethical and responsible practices. Each of these policies is available on Ruralco's website at www.ruralco.com.au/corporate/corporate-governance.

<p>SECURITIES DEALING POLICY</p>	<p>DISCLOSURE AND COMMUNICATIONS POLICY</p>	<p>RISK POLICY</p>
<p>Sets out Directors' and employees' obligations in relation to dealings with Ruralco securities. The policy aims to ensure that Directors and employees understand their obligations in relation to Ruralco securities and comply with the law at all times.</p>	<p>Requires the immediate escalation of market sensitive information to a Disclosure Committee to manage and make determinations with respect to the Group's disclosure obligations.</p>	<p>Articulates Ruralco's approach to risk management across the Group and sets out the various roles and responsibilities of the Board and management in addressing and monitoring risk.</p>
<p>DIVERSITY AND INCLUSION POLICY</p>	<p>PRIVACY POLICY</p>	<p>RELATED PARTY AND CONFLICTS OF INTEREST POLICY</p>
<p>States Ruralco's commitment to diversity across the Group.</p>	<p>Provides details for stakeholders about how Ruralco collects, holds and uses personal information.</p>	<p>Seeks to manage related party transactions and ensure that all actual, perceived or potential conflicts of interest are identified and recorded and then avoided or managed, as appropriate.</p>

Sustainability

Ruralco's new vision for managing material sustainability risks is set out on pages 28 to 41 of the 2018 Annual Report. That section of the Annual Report sets out the Group's approach to managing environmental and social risks that may have a material impact on the achievement of Ruralco's strategic objectives and ability to create value for shareholders, employees and other stakeholders into the future. The section outlines the first steps towards a new vision for an embedded approach to sustainability across the Group and provides a framework to maintain and develop practices which mitigate the risks identified.

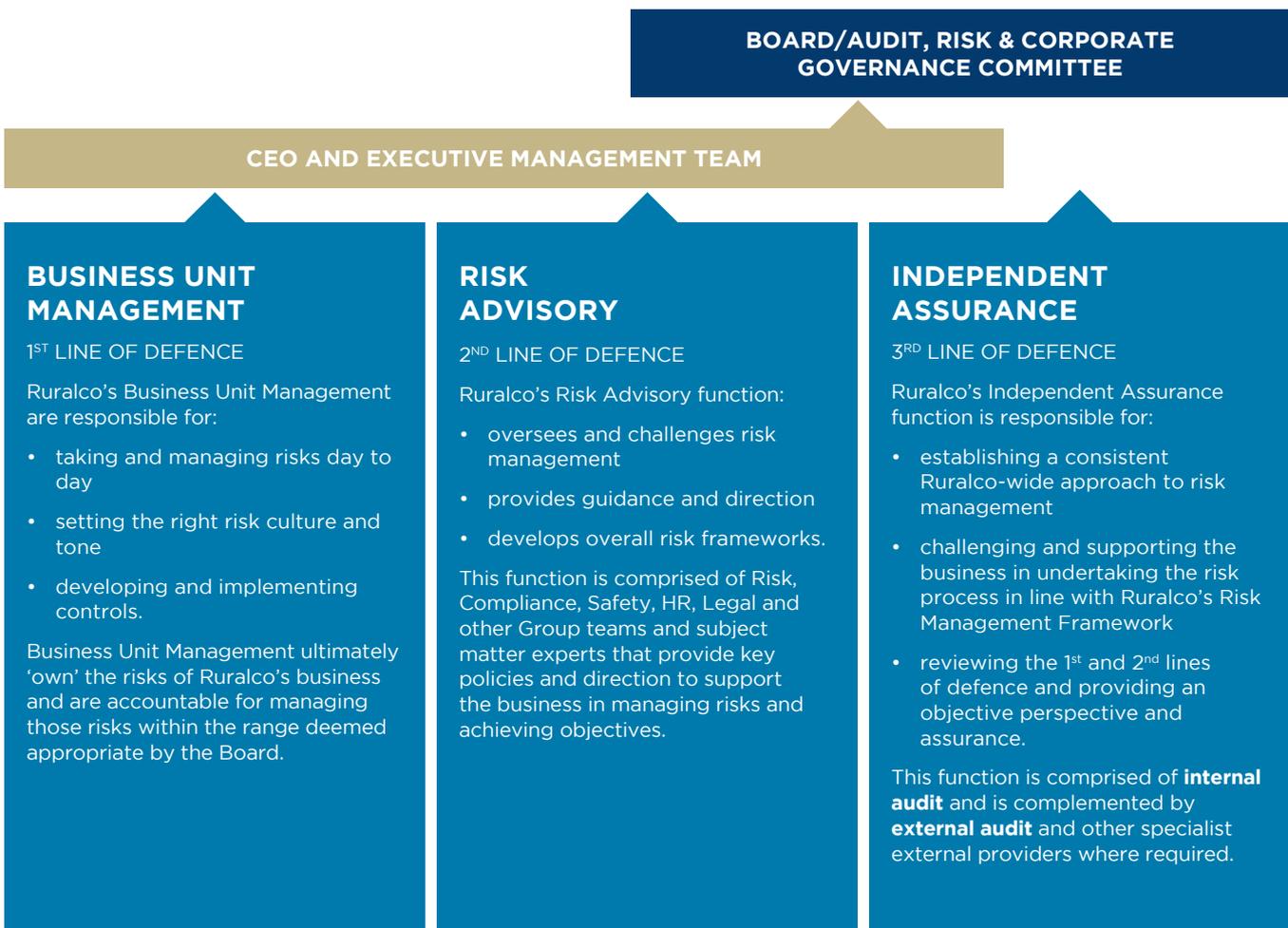
RISK AND ASSURANCE

RISK MANAGEMENT FRAMEWORK⁵

It is important to identify and respond to risks and opportunities in a way that balances risk and reward. As a diversified and growing ASX listed business, our continued success is dependent on our ability to manage both downside risks and to take the right risks necessary to grow Ruralco's business. Ruralco's Risk Management Framework includes:

- guidelines and limits for approval of all expenditure, including capital expenditure and investments
- policies and procedures for the management of financial risk and treasury operations
- annual budgeting and monthly reporting systems for all businesses
- appropriate due diligence procedures for acquisitions and divestments.

Ruralco has adopted a 'Three Lines of Defence' model for risk management which establishes lines of responsibility for the oversight, management and reporting of risk through the Group. The model is designed to ensure there is an effective and efficient information flow and a clear delineation of responsibility for the day to day management of, and response to, risk across the Group.



The Board has delegated the oversight of risk management to the Audit, Risk & Corporate Governance Committee. The committee is responsible for assisting the Board in fulfilling its corporate governance responsibilities in relation to financial reporting, risk management, internal control and compliance. Senior management and internal and external auditors attend committee meetings by invitation. In addition, the Board specifically requires the Managing Director and CEO (together with senior executives) to implement a system of controls for identifying and managing risk. The Group's Risk Policy can be found on Ruralco's website at www.ruralco.com.au/corporate/corporate-governance.

⁵ ASX Corporate Governance Recommendations 7.1, 7.2

MANAGEMENT OF KEY RISKS⁶

Ruralco has identified material risks as those that have the potential to disrupt the delivery of our vision and strategy. Material risks include:

- economic risk (including access to finance and the impact of changing commodity prices)
- environmental risk (particularly the impact of seasonal conditions and severe natural events)
- social sustainability risk (particularly reputational risks and issues that affect health and safety).

The Annual Report outlines, at pages 12, 16, 19 and 21, the material financial and non-financial risks associated with each of Ruralco's areas of operations. In addition to the specific risks identified in the 2018 Annual Report, Ruralco recognises some general risks that have the potential to impact every division. Ruralco's rating of these general risks, and the main actions to mitigate them, are set out below.

RISKS	MITIGATION
People & culture risks ↑ ① ② ③ ④ ⑤	<ul style="list-style-type: none"> • People & Culture team in place to provide support to the business • Performance reviews and personal development plans are core components of management responsibilities • New systems and technology being implemented to support human resource processes including on-line training modules • Employee Opinion Survey undertaken with improvement actions agreed
Strategy execution risk ↔ ① ② ③ ④ ⑤	<ul style="list-style-type: none"> • Strategy is well known, articulated and formally approved with regular reporting and updates • Detailed "Strategy Cascade" implemented and communicated through each division • Increased alignment of Executive remuneration outcomes with strategy execution under new Executive Performance Plan to apply from 2019
Financing risk ↔ ① ② ③ ④ ⑤	<ul style="list-style-type: none"> • Monthly reporting of financial metrics to the Board and Executive team and regular reporting to banks on covenant compliance • Business unit performance reviews and monitoring of performance against targets including quarterly reforecasts • Debtor Securitisation Facility in place to fund working capital with seasonal limits allowing flexibility of funding
IT and Cyber risk ↔ ① ② ③ ④ ⑤	<ul style="list-style-type: none"> • Governance process in place to manage projects and all IT change requests • Standardising systems and business processes to ensure improved operational integrity • Focus on IT Security (including cyber threats) and Business Continuity Plan • Investment in people, process and technology enhancements focused on cyber related risks
Change management risk ↓ ① ② ③ ④ ⑤	<ul style="list-style-type: none"> • Transformation and Execution Function in place to prioritise and manage change • Change management training of staff
Acquisition and Integration risk ↑ ① ② ③ ④ ⑤	<ul style="list-style-type: none"> • Dedicated business development team in place • Clear business development process in place including formal business case and approval processes • Pre and post-acquisition project management in place with continuous review and improvement of process
Regulatory risk ↑ ① ② ③ ④ ⑤	<ul style="list-style-type: none"> • Code of Conduct in place to set standards and expectations for staff conduct • The Board and committees receive regular updates on legal and regulatory actions and incidents • Compliance obligations are continually reviewed • Data Breach Response Plan developed in response to Notifiable Data Breach scheme • Online and face-to-face compliance training provided for key regulatory areas
↑↓ Risk movement	Strategic priorities: <ul style="list-style-type: none"> ① investment innovation ② ③ integration ④ scalable back office ⑤ people and culture

⁶ ASX Corporate Governance Recommendation 7.4

GROUP RISK AND ASSURANCE (INTERNAL AUDIT)⁷

The Group Risk and Assurance team undertakes regular risk and compliance reviews of Ruralco's business operations. It assists management to develop response plans and mitigations for key risks and compliance issues and monitors the implementation and progress of these plans.

The Audit, Risk & Corporate Governance Committee oversees, formally approves and regularly reviews the scope of this function to ensure that its activities remain aligned with changes to the Ruralco's business and risk profile. The committee reviews the performance of this function on an annual basis as well as assessing its ongoing independence.

CORPORATE REPORTING⁸

Integrity in Ruralco's financial reporting is achieved by the complementary review and interrogation by each of management, internal audit, external audit and the Audit, Risk & Corporate Governance Committee.

Chief Executive Officer and Chief Financial Officer Assurance

As required by section 295A of the *Corporations Act 2001* (Cth), the Chief Executive Officer (**CEO**) and Chief Financial Officer (**CFO**) each provide written statements to the Audit, Risk & Corporate Governance Committee in respect of the half and full year reporting periods. These statements provide assurance that adequate financial records have been maintained, that financial statements have been prepared in accordance with Accounting Standards and that systems of risk management and internal compliance are founded on a sound system of risk management and internal control and that the system was operating effectively.

External Audit

Appointment and rotation of the auditor

Ruralco's external auditor is KPMG, which was appointed as external auditor by shareholders at the 2009 Annual General Meeting. The effectiveness, performance and independence of the external auditor is reviewed annually by the Audit, Risk & Corporate Governance Committee.

As Ruralco is a listed company, the lead KPMG audit partner appointed is required to rotate after a maximum of 5 years. Mr Anthony Travers is the lead KPMG audit partner for Ruralco and was appointed in March 2015.

If the committee forms the view that it is necessary to replace the external auditor for performance or independence reasons, the committee will lead the process for selection and appointment of a new auditor, with the final decision to be made by the Board.

Independence declaration

KPMG is required to make an independence declaration annually. KPMG has provided an independence declaration for the financial year ended 30 September 2018 which is set out on page 67 of the 2018 Annual Report.

Restrictions on the performance of non-audit related services

Information about the total remuneration of the external auditor, including details of remuneration for any non-audit services, is set out in Note 24 to the Financial Statements included in the 2018 Annual Report.

The committee is satisfied that the level of non-audit work carried out by the external auditor is compatible with maintaining audit independence.

Attendance of external auditor at annual general meetings

The lead KPMG audit partner for Ruralco attends Ruralco's Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the Independent Auditor's Report.

⁷ ASX Corporate Governance Recommendation 7.3

⁸ ASX Corporate Governance Recommendations 4.1, 4.2, 4.3

THE BOARD AND COMMITTEES

STRUCTURE AND COMPOSITION OF THE BOARD AND COMMITTEES

The Board currently comprises five Non-Executive Directors, including the Chair, and one Executive Director, being the Managing Director. Details of the relevant skills, experience and expertise of each Director is provided on pages 42 and 43 of the 2018 Annual Report.

Name	Position	Appointment Date	Last Reelected
Richard (Rick) Lee	Chair and Non-Executive Director	5 September 2016	17 February 2017
Elizabeth Johnstone	Non-Executive Director	1 September 2014	2 February 2018
Trudy Vonhoff	Non-Executive Director	1 September 2014	2 February 2018
Michael Millner	Non-Executive Director	5 February 2007	17 February 2017
Andrew Macpherson	Non-Executive Director	5 December 2017	Not applicable
Travis Dillon	Managing Director	16 November 2015	Not applicable

The Board has delegated specific matters to three committees that assist it in discharging and exercising its responsibilities by examining various issues and making recommendations to the Board. Each committee is governed by a charter which sets out matters relevant to the composition, responsibilities and administration of those committees. These charters are available on Ruralco's website at www.ruralco.com.au/corporate/corporate-governance.

All committees review matters on behalf of the Board and, subject to the terms of the relevant charter:

- refer matters to the Board for decision, with a recommendation from the committee (where the committee acts in an advisory capacity), or
- determine matters (where the committee acts with delegated authority), which it then reports to the Board.



The Chairs of the committees are not the Chair of the Board. Membership of each committee, the details of each committee member's respective skills and qualifications as well as the number of committee meetings that were held over the reporting period and the attendance of committee members at these meetings are set out in the Directors' Report on page 47 of the 2018 Annual Report. The Managing Director is invited to attend committee meetings as a guest.

ROLES AND RESPONSIBILITIES

The Board's primary role is to provide the Group with strategic direction and management oversight. It is responsible for setting a corporate culture which embraces robust governance standards, reflects Ruralco's core values and supports sustainable value for shareholders and other stakeholders.

The Board has a Charter which sets out its roles and responsibilities. The Charter is reviewed annually to ensure it remains appropriate given the operations of the Group and the responsibilities and composition of the Board. A copy of the Board Charter is available on Ruralco's website at www.ruralco.com.au/corporate/corporate-governance. Those matters not reserved by the Board, are delegated to the Managing Director and CEO, who is responsible for the day-to-day operations of the Group. The Managing Director and CEO is supported by the Executive Management Team (details of which are set out on pages 44 and 45 of the Annual Report).

The work of the Board is supported by the Company Secretary, Mr Timothy Rowe, who manages the flow of information between the Board, its committees and senior management. As Company Secretary, Mr Rowe is accountable to the Board, through the Chair, on all matters relating to the proper functioning of the Board. Mr Rowe's qualifications and experience are set out on page 44 of the Annual Report.

BOARD SKILLS MATRIX

Ruralco regularly reviews the composition of the Board to ensure that the Directors bring a broad range of skills, experience and commercial expertise to their decision-making. The particular skills and experience relevant to the position of director of Ruralco are set out in detail in the below skills matrix.

The matrix is considered annually by the Board and has been updated this year to include the skills and expertise of Mr Andrew Macpherson. Mr Macpherson was appointed to the Board on 5 December 2017 and brings significant and valuable experience in technology and innovation to support Ruralco's strategic focus on innovation. Details of Mr Macpherson's relevant skills, experience and qualifications are provided on page 43 of the 2018 Annual Report.

BOARD SKILLS MATRIX



Technical qualification in this field



Associated qualifications in this field



Limited exposure to, and experience in, this field

Agribusiness experience



Proven experience in agribusiness through multiple economic cycles and with a working knowledge of the economic drivers of the industry, key players and industry relationships as well as the political, economic, technology, environmental and social influences on the industry.

Supply chain experience



Demonstrates proven experience in the management of supply chain strategy, systems, processes and innovation. Brings a sound experience in logistics and operations management supporting a supply chain.

Business strategy



Brings robust and proven technical competence in the analysis and development of successful corporate strategy. Demonstrates effective deployment of technical and benchmark models and structures for corporate strategy and business planning.

Technology and digital strategy / implementation



Has been accountable for the design, delivery and management of a complex operational technology enterprise system and brings valuable working knowledge of emerging trends and insights.

Legal, risk and compliance



Proven, relevant and legitimate experience and qualification in the analysis, management and decision making in relation to all aspects of the legal, risk and compliance responsibilities of the organisation and application of this capability to the industry specifically.

Executive leadership



Has proven and relevant experience as CEO or in strategic decision making in relevant executive leadership roles within or beyond the sector.

People, human resources and succession



Has technical qualification or working governance / executive experience in the aspects of risk and performance or an organisation attributed to people, culture, engagement, leadership and performance management.

Retail experience



Has proven decision making experience in retail including sector specific produce experience, pricing and sales strategy, customer leadership and analysis, and economic drivers and influences.

Mergers, acquisitions and integration



Has led the strategy, decision making or operational execution of mergers and acquisitions. Understands the risks and success factors of acquisitions, divestments and integrations. Has led the execution of acquisitions of a relevant scale. Has a working and current knowledge of the legal, reporting and governance aspects of such growth activities.

Strategic marketing and branding



Understands the role of marketing and branding within the corporate strategic context. Has led marketing and/or brand campaigns or promotions at a strategic level.

Accounting and finance



Proven, relevant and current qualification, experience and track record in financial decision making, reporting, compliance and operations. Proven experience in the leadership of financial functions, reporting and decision making in an ASX corporate listed environment.

Public company governance



Proven experience in the governance environment and duties for an ASX listed corporation. Demonstrates significant commitment and recognition of ASX Guidelines as well as governance definitions of the *Corporations Act 2001* (Cth).

Committee qualifications



Brings relevant qualifications, experience and interest in one or more of the areas of Audit, Risk, People and Talent (including succession), Remuneration, Strategy, Reporting and Compliance.

INDEPENDENCE⁹

Ruralco expects the Board to exercise objective, unfettered and independent judgement in decision-making. Directors must bring to Board deliberations judgement that is independent of management and free of any business or other relationship or circumstances that could materially interfere with their independence. Other than the Managing Director, each of the Non-Executive Directors, including the Chair, are independent. None of the Non-Executive Directors have an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Recommendations.

In addition to its Charter, the Board is subject an Independence of Directors Policy. These documents are available on Ruralco's website at www.ruralco.com.au/corporate/corporate-governance.

The Board regularly assesses the independence of its Non-Executive Directors. Directors must promptly update the Board on any change of circumstances affecting independence. Where a Director's independence status changes, Ruralco will disclose the change to the market.

DIRECTOR SELECTION, APPOINTMENT AND RE-APPOINTMENT¹⁰

Appointment and removal of Directors is governed by Ruralco's Constitution. The Board may appoint Directors to fill casual vacancies that occur, or to add additional persons to the Board up to the maximum number prescribed by the Constitution. If the Board appoints a new Director during the year, that person will enter into a written contract with Ruralco which sets out the terms and conditions of the Director's appointment. Candidates for appointment or re-appointment stand for election by shareholders at the next Annual General Meeting.

The Nomination & Remuneration Committee is responsible for recommending the reappointment of retiring Directors and for nominating candidates to be appointed as new Directors. The committee assesses candidates against a range of criteria including the candidate's background, knowledge of Ruralco's business and industry, experience and professional skills. Where appropriate, external consultants may be engaged to identify potential new candidates and to review the suitability of candidates for appointment based on criteria provided by the Nomination & Remuneration Committee.

Before appointing a new Director, appropriate checks are undertaken with respect to their character and experience, academic qualifications, criminal record and bankruptcy history. Following this assessment, the committee provides its recommendation to the Board for assessment and approval. The Board then provides shareholders with all material information relevant to a decision on whether to elect or re-elect a Director.

There is no prescribed fixed-term of office for Directors, however the retirement provisions of the Constitution require at least one third of the Board (excluding the Managing Director) to retire at each Annual General Meeting. Those retiring Directors must submit themselves to shareholders for re-election at least every three years. Board support for re-appointment is not automatic. Retiring Directors who are seeking re-election are subject to a performance appraisal overseen by the Nomination & Remuneration Committee or its Chair.

BOARD AND DIRECTOR PERFORMANCE AND DEVELOPMENT¹¹

All Directors are expected to have (or to develop) a thorough understanding of Ruralco's business. Directors are regularly provided with papers, presentations and briefings on areas of the business and on matters that may affect Ruralco operations. The Board also undertakes periodic "field trips" to see Ruralco's businesses in operation.

Ruralco provides an induction program to assist new Directors to gain an understanding of, among other things:

- Ruralco's financial, strategic, operational and risk management position
- Ruralco's culture and values
- the respective rights, duties and responsibilities and roles of the Board and senior executives
- the role of Board committees
- meeting arrangements
- Director interaction with each other, senior executives and other stakeholders.

The Board periodically evaluates its performance, the performance of committees and that of individual Non-Executive Directors. The most recent evaluation was undertaken between October and December 2018, over which time the Board completed a survey-based evaluation developed by the Australian Institute of Company Directors (AICD). The AICD facilitated an analysis of the survey results to identify areas in which the Board and committees may improve their performance. Initiatives arising from this review will be implemented over the year.

This statement is current as at 14 December 2018 and has been approved by the Board.

⁹ ASX Corporate Governance Recommendations 2.3, 2.4, 2.5

¹⁰ ASX Corporate Governance Recommendations 1.2, 1.3

¹¹ ASX Corporate Governance Recommendations 1.6, 2.6

Ruralco

RURALCO HOLDINGS LIMITED ABN 40 009 660 879

REGISTERED OFFICE

LEVEL 5, BUILDING A, 26 TALAVERA RD
MACQUARIE PARK NSW 2113
TELEPHONE: (02) 9952 6555
WWW.RURALCO.COM.AU
COMPANYSECRETARY@RURALCO.COM.AU