

# Charter

## Introduction

The Board has adopted this Board Charter to set out details of the functions and responsibilities of the Board and those matters which are delegated to management.

The Charter:

- enables the Board to provide strategic guidance for the Company and to effectively oversee management;
- clarifies the respective roles and responsibilities of directors and management in order to facilitate Board and management accountability; and
- ensures a balance of authority so that no single individual has unfettered powers.

This Charter is divided into 8 sections:

1. Role of the Board;
2. Board membership;
3. Meetings;
4. Powers and responsibilities;
5. Board committees;
6. Remuneration;
7. Directors professional development;
8. Performance evaluation;
9. Indemnity and Directors and Officers' Insurance

In carrying out its responsibilities and powers, the Board will at all times act honestly, fairly, diligently and in accordance with the law in serving the interests of Ruralco's shareholders and other stakeholders such as employees, customers, suppliers, financiers and creditors. The Board will work to promote and maintain an environment within Ruralco that establishes these principles as basic guidelines for all of its directors, employees and representatives at all times.

## 1. Role of the Board

The Board is accountable to shareholders and other stakeholders for the performance of the Company. It is responsible for the overall corporate governance of Ruralco including its strategic direction, establishing goals for management and monitoring the achievement of these goals. Day to day management of the Company is delegated to the managing director and Ruralco's senior management team.

In performing its responsibilities, the Board will act in accordance with the Directors' Code of Conduct:

- a. in the best interests of Ruralco;
- b. honestly, fairly and diligently;
- c. in a manner which balances the interests of trading members and enhances sustainable value for shareholders; and

- d. in accordance with the duties and obligations imposed upon it by Ruralco's constitution and the law.

## **2. Membership**

- a. The Board determines its size within the limits provided in the Company's constitution, which provides for a minimum of 3 directors and a maximum of 9 directors. The size of the Board is reviewed annually.
- b. The Board will be structured to ensure that it consists of directors who have a proper understanding of the business and who can add value in the context of Ruralco's business. The Board should include an appropriate number of directors who satisfy the criteria for independence set out in Ruralco's Policy on Independence of Directors. This Policy is attached to this Charter.
- c. The Board should comprise a majority of non-executive directors.
- d. Although the shareholders appoint directors, the Board will seek to ensure that the directors have a broad range of experience and commercial expertise or appropriate professional qualifications. Board members must have (or develop) a thorough understanding of the business conducted by Ruralco and be able to bring value to the Board's deliberations.
- e. The Board will appoint as its chairperson, one of the non-executive directors who satisfies the criteria for independence set in Ruralco's Policy on Independence of Directors.

## **3. Meetings**

- a. Board meetings will be conducted in accordance with Ruralco's constitution and will be held at least 6 times each year;
- b. The non-executive directors are to meet at least twice each year to privately discuss management issues. These meetings are not required to be formal or minuted;
- c. The quorum for Board meetings will be two thirds of Board members and must include an independent director unless unforeseen circumstances do not permit; and

## **4. Powers and responsibilities**

### **4.1 Powers**

In addition to matters expressly required by law to be approved by the Board, the powers reserved for the Board are as follows:

- a. appointing the managing director and determining his or her terms and conditions of service;
- b. approving the appointment of executives who report directly to the managing director;
- c. any changes to the delegations by the Board;
- d. any matters in excess of the discretion that it delegates to the managing director and senior management in relation to business transactions, credit transactions, risk limits and expenditure;

- e. the issue of any shares, options, equity instruments or other securities in Ruralco;
- f. establishment of any incentive plan for Company officers and employees; and
- g. approving each of the following:
  - i. memberships for any of the Company's trading groups, although this may be delegated to the Member Council;
  - ii. any action in relation to terminating Ruralco's membership of any trading group;
  - iii. the budget and strategic plan - at least annually;
  - iv. the remuneration and conditions of service including financial incentives for the executives who report directly to the managing director as recommended by the Nomination & Remuneration Committee- at least every second year;
  - v. significant changes to organisational structure and the appointment of senior officers as the Board may determine;
  - vi. the acquisition, establishment, disposal or cessation of any significant business of Ruralco;
  - vii. alterations to conditions of membership of trading groups;
  - viii. the Charter of the Member Council;
  - ix. any public statement which reflect significant issues in relation to Ruralco's policy or strategy; and
  - x. compliance policies.

## 4.2 Responsibilities

In addition to the matters expressly required by law, the Board has a specific responsibility for:

- a. establishing the Company's vision, mission, values and ethical standards;
- b. approving and overseeing policies, strategies and financial objectives;
- c. monitor and assess management's performance in achieving any strategies and budgets approved by the Board;
- d. monitoring the financial performance of the Ruralco Group;
- e. appointing the managing director;
- f. set criteria for, and evaluate at least annually, the performance of the managing director;
- g. reviewing on a regular and continuing basis:
  - i. succession planning for directors and the managing director; and
  - ii. professional development activities for directors and the managing director.
- h. delegating an appropriate level of authority to management and in particular the managing director;
- i. appointing the members of the Audit, Risk & Corporate Governance Committee, the Capital Review Committee and Nomination & Remuneration Committee;
- j. recommending auditors for consideration by shareholders;
- k. developing and implementing best practice corporate governance standards;
- l. appointing principal legal advisers and other principal financial and corporate advisers.
- m. monitoring compliance with regulatory requirements and ethical standards;
- n. recommending appointments and reviewing the performance of directors;

- o. overseeing the risk management strategy and monitoring business risks;
- p. ensuring effective internal control systems;
- q. effective communication on the Ruralco Group's financial position, trading performance and prospects to all stakeholders, in particular shareholders, trading members, suppliers and employees; and
- r. approving annual accounts, and reports and other public documents.

The Board may rely in good faith and after making an independent assessment, on the information provided by committees, information and advice received from employees of the Company and advice from external professional advisors or experts within such persons area of professional or expert competence.

## **5. Board Committees**

The Board may from time to time establish committees to assist it in carrying out its responsibilities. For each of those committees, the Board will adopt charters setting out matters relevant to the composition, responsibilities and administration, and other matters that the Board may consider appropriate.

The Board has established an Audit, Risk & Corporate Governance Committee, a Nomination & Remuneration Committee and Capital Review Committee and has adopted charters setting out matters relevant to the composition, responsibilities and administration of those committees.

## **6. Remuneration**

As provided for in the Ruralco's Constitution Shareholders in General Meeting will determine the aggregate remuneration to be paid to the Company's non executive directors, and the directors will determine how this aggregate is divided among individual directors.

The remuneration received by individual directors encompasses payment for responsibilities on any Board committees or boards of subsidiary companies.

## **7. Professional Development**

The Board provides an induction process for new directors and an ongoing professional development program for all directors.

## **8. Performance Evaluation**

8.1 Each year, the Board will evaluate itself and individual directors with assistance of the Nomination & Remuneration Committee. The evaluation will:

- a. compare the Board's performance with the requirements of this Charter;
- b. sets the goals and objectives of the Board for the upcoming year; and
- c. provide any improvements to the Board Charter that are necessary or desirable.

8.2 The performance evaluation is conducted as the Board decides is appropriate.

8.3 The Board has approved a process for performance evaluation of its members and key executives. That performance evaluation process is attached.

## **9. Indemnity and Directors and Officers' Insurance**

The Company's Constitution requires the Company to indemnify a director, to the extent permitted by law, from liability which arises from the position of a director. The Constitution also provides that the Company may pay a premium in respect of a contract insuring a person who is or has been a Director, Secretary or other officer of the Company (or a subsidiary), other than for a liability arising out of a wilful breach of duty in relation to the Company or misuse of a Company position or information.

The Company maintains Directors and Officers Insurance which provides cover to the Company to enable it to meet its obligations to indemnify directors under the Constitution. The policy also provides cover for directors individually. The Company has also entered into a Deed of Indemnity & Access with each director.

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