

RURALCO HOLDINGS LIMITED
AUDIT, RISK & CORPORATE GOVERNANCE COMMITTEE CHARTER

1. Organisation and Authority

This Charter governs the operations of the Audit, Risk & Corporate Governance Committee (**Committee**), which is a Committee of the Board of Directors of Ruralco Holdings Limited (**Company**).

The Committee is appointed and authorised by the Board of Directors of the Company, to assist the Board in fulfilling certain of its statutory, fiduciary and regulatory responsibilities.

The authority of the Committee is sourced from:

- a) the Company's Constitution;
- b) this Charter; and
- c) separate Board delegations, resolutions and approvals granted to it from time to time.

The Committee is entitled to receive certain information and to request management to conduct certain investigations and carry out certain projects. On the basis of the information it receives, the Committee makes recommendations to the Board.

2. Membership¹

The Committee consists of at least three members of the Board with complementary skills and experience.

All members of the Committee must be non executive directors and the majority of members must be independent.

In addition, at least one member is to have accounting or related financial management expertise as determined by the Board² and at least one member must have an understanding of the industry in which the Company operates³.

All Committee members are to be financially literate⁴ - or to become financially literate within a reasonable period of time after appointment.

The Committee Chair:

- a) is appointed by the Board;
- b) must be independent;
- c) must not be the Chair of the Board; and
- d) must have leadership experience and a strong finance, accounting or business background.

Independence of members of the Committee will be considered in accordance with Ruralco's policy on independence of directors.⁵

¹ Based on ASX Best Practice Recommendation 4.2

² The ASX Best Practice Recommendations contemplate that this person will be a qualified accountant or other financial professional with experience of financial and accounting matters

³ ASX Best Practice Recommendation 4.2

⁴ That is, able to read and understand financial statements

⁵ Assessing the independence of directors is set out in ASX Best Practice Recommendation 2.1

It is anticipated that the Committee will invite members of management to meetings to give administrative support and to provide to the Committee management's knowledge of the Company's business. In particular it is likely that the Managing Director, Chief Financial Officer, Internal Auditor and Company Secretary would attend meetings of the Committee, together with the Internal and External Auditor as required. Management attendance at such meetings of the Committee is always at the discretion of the Committee.

Directors who are not Committee members are also entitled to attend Committee meetings.

The Committee should consider the opportunity to meet as required without any executives present.

3. Committee Process and Terms of Reference

The Committee shall meet often enough to undertake its role effectively, but not less than four times each year. The purpose of these meetings is to review and require management to take certain actions and to make recommendations to the Board.

Matters within the Committee's terms of reference are:

- a) consider the appointment, replacement, remuneration, rotation and overall effectiveness and independence of the External Auditor and make relevant recommendations to the Board;
- b) review and approve the scope of external and internal audit programs, including identified risk areas and any additional agreed-upon procedures;
- c) implement a process for approval of all audit and non-audit services provided by the External Auditor;
- d) oversee and appraise the performance of the External and Internal Auditors;
- e) review the half-year financial report, the annual financial report and any associated documents for public release and make recommendations to the Board for their respective adoption;
- f) review the appropriateness of changes to the Company's accounting policies and or the format/content of financial disclosures;
- g) review the effectiveness of the Company's financial reporting controls and procedures and internal control systems and processes;
- h) review the results of internal audit reviews and make appropriate recommendations to the Board on any material issues arising from these audits;
- i) review and approve the audit management letter and management's response;
- j) review the Company's Risk Management Statement & Risk Management Program to ensure the Statement, the Program and management's responses to identified risks remain current to the Company's circumstances from time to time;
- k) conduct periodic reviews of the adequacy of the Company's fraud controls and policy, the Whistleblower Protection Policy, approve amendments to these policies and monitor ongoing compliance;
- l) review the Company's corporate governance policies;
- m) review the Corporate Governance Statement to be contained in the Company's annual financial report;
- n) consider the effects on the Company of any new or proposed accounting or tax practices, principles or developments, disclosure requirements and legislative or regulatory pronouncements; and
- o) examine any other matters referred to it by the Board.

These matters may be extended or limited, from time to time, upon direction of the Board.

Additional meetings may be held as the Committee or its Chair determine.⁶ In particular, the Chair may call a meeting at any time and will call a meeting of the Committee if so requested

⁶ The Committee should meet often enough to undertake its role effectively

by any member of the Committee, by the external auditors or internal audit or by the Chair of the Board.

The Committee will maintain adequate minutes of all its meetings and the minutes are to be included in the papers of the next full Board meeting after each Committee meeting.⁷ It will report actions and progress to each meeting of the Board. At each meeting, Committee members will be given copies and confirm the minutes of the previous meeting.

Quorum for the Committee shall be half the number of members appointed and if this is not a whole number then rounded up to the next whole number.

The Committee is governed by the rules of meetings that apply to the Board including notice of meeting and agenda protocols

4. Purpose

The Committee assists the Board to fulfil its corporate governance and oversight responsibilities in relation to the Company's:

- a) financial reporting;
- b) internal control structure;
- c) risk management systems;
- d) external audit functions;
- e) internal audit functions; and
- f) overall corporate governance policies.

The Committee is empowered to investigate any matter brought to its attention. In order to fulfil its purpose and undertake its duties, the Committee has:⁸

- a) the right to full access to all books, records and facilities;
- b) the right to management and personnel of the Company and to seek explanations and additional information;
- c) the right to access the Internal Auditor and the External Auditor of the Company without management present; and
- d) the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties with the reasonable fees of such engagements being met by the Company.

5. Responsibilities

Understanding the business

The Committee is to ensure that its members understand the Company's structure, controls and types of transactions in order to adequately assess the significant risks the Company faces in the current environment.

Financial reporting

The primary responsibility of the Committee is to review the integrity of the Company's financial reporting process on behalf of the Board and to report the results of its activities to the Board.

The Board is responsible for the Company's financial reports including the appropriateness of the accounting policies and principles that the Company uses.

The External Auditor is responsible for auditing the Company's financial reports and for reviewing the Company's interim financial reports.

⁷ ASX Best Practice Recommendation 4.3

⁸ ASX Best Practice Recommendation 4.3

The Internal Auditor is responsible for reviewing aspects of the Company's financial reports or operations which in the Committee's opinion pose a material threat to the integrity of the Company's:

- a) financial statements and disclosures;
- b) accounts;
- c) accounting policies; or
- d) assets

or which might otherwise present a risk to the operations, reputation or value of the Company and which the External Auditor is not otherwise reviewing.

The Chief Executive Officer and the Chief Financial Officer are responsible for stating in writing to the Board that:

- a) the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards;⁹
- b) the above statement is founded on a sound system of internal compliance and control which implements the policies adopted by the Board and
- c) the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.¹⁰

The Committee will take all reasonable steps to ensure that the program and activities of the Internal Auditor complement the work of the External Auditor and that if the results of their respective reviews are directly contradictory in any material respect, these are resolved as a matter of priority.

The Committee will take appropriate action to set the overall corporate 'tone' for quality financial reporting, sound business risk practices, and ethical behaviour.

Reporting¹¹

The Committee must report to the Board. The report must contain all matters relevant to the Committee's role and responsibilities and within the Committee terms of reference:

Corporate Governance

The Committee is responsible for the Company's corporate governance policies. The Committee will review these policies at least annually and make any recommendations to the Board to ensure compliance with the law and, if considered appropriate, best practice standards.

The Committee is also responsible for the Corporate Governance Statement included in the annual financial report. It will provide a draft statement to the Board for approval.

Risk Management

The Committee is responsible for assessing policies on risk oversight and management.

The Committee is also responsible for ensuring that the Company's Risk Management Statement, related policies, risk profile, reporting and the programs through which the risks to the Company are managed are effective. The Committee will review the Risk Management Statement at least annually and where changes are required, will make appropriate recommendations to the Board.

⁹ ASX Best Practice Recommendation 4.1

¹⁰ ASX Best Practice Recommendation 7.2

¹¹ ASX Best Practice Recommendation 4.3

Management is responsible for establishing and implementing a system for identifying, assessing, monitoring and managing risk throughout the Company.

6. Committee Performance

The Committee will evaluate its performance at least annually to determine whether it is functioning effectively by reference to current best practice which may be conducted as a self assessment and will be co-ordinated by the Chair.

The performance evaluation will have regard to the extent to which the Committee has met its responsibilities under this Charter.

The Committee will present to the Board annually a report of its activities for the prior financial year and on its performance following the annual performance evaluation.

7. Review of Charter

The Committee will review the contents and the continuing adequacy of this Charter at least annually and make recommendations to the Board as to any changes it considers should be made.

The Charter may be amended by resolution of the Board.

8. Disclosure

The Board will make appropriate disclosure to shareholders in Ruralco's annual financial report of the key aspects of this Charter, including explaining any departure from the best practice recommendations set out in the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations.

This Charter is publicly available on the Company's website and may be accessed within the "Corporate Governance" section.

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This Charter was approved by the Ruralco Board on 18 October 2011 and supersedes any terms of reference previously in force.