

Corporate Governance Statement

2016

Ruralco

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CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

The Board is committed to achieving and demonstrating the highest standards of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council (the ASX Principles).

The 2016 Corporate Governance Statement is dated as at 30 September 2016 and reflects the corporate governance practices in place throughout the 2016 financial year. The 2016 Corporate Governance Statement was approved by the Board on 16 December 2016.

STRUCTURE AND COMPOSITION OF THE BOARD

The Board determines its size within the limits provided in the Company's constitution, which currently provides for a minimum of three Directors and a maximum of nine Directors. The size of the Board is reviewed annually and as at 30 September 2016 comprises five (5) Non-executive Directors, including the Chair, and one Executive Director, being the Managing Director.

NAME OF DIRECTOR	TERM OF OFFICE	AGM LAST RELECTED
Michael J Millner	2003 - 2006 then since 5 February 2007	2015
John Tuskin*	Director since 1 October 2013	2016
Elizabeth Johnstone	Director since 1 September 2014	2016
Trudy Vonhoff	Director since 1 September 2014	2015
Travis A Dillon	Managing Director from 16 November 2015	n/a
Richard Lee	Director and Chairman since 5 September 2016	Proposed for election at 2017 AGM

*Mr Tuskin resigned from the Board on 15 November 2016.

Details of the skills, experience and expertise relevant to the position of director held by each Director in office at the date of this report is contained on pages 33 to 34 of the 2016 Annual Report.

BOARD COMMITTEES

The Board has delegated specific matters to three Board Committees that assist in discharging and exercising its responsibilities by examining various issues and making recommendations to the Board. Those Committees are:

- Audit, Risk & Corporate Governance Committee;
- Nomination & Remuneration Committee; and
- Investment Review Committee.

Each Committee is governed by a charter under which authority is delegated by the Board and which sets out matters relevant to the composition, responsibilities and administration of those Committees.

The Audit, Risk & Corporate Governance Committee Charter, the Nomination & Remuneration Committee Charter and the Investment Review Committee Charter are available on the Company's website at www.ruralco.com.au/corporate/corporate-governance.

The Board may also delegate specific responsibilities to ad hoc Committees from time to time.

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 details of each Board Committee members' respective skills, 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 37.

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The members of each Board Committee as at the date of this report are shown in the following table:

NAME OF DIRECTOR	AUDIT, RISK & CORPORATE GOVERNANCE COMMITTEE	NOMINATION & REMUNERATION COMMITTEE	INVESTMENT REVIEW COMMITTEE
Richard Lee	Member	Member	Member
Michael J Millner	Member	-	Chair
Elizabeth M Johnstone	Chair	Member	-
Trudy J Vonhoff	Member	Chair	-
John Tuskin*	Member	-	Member

*Mr Tuskin resigned from the Board on 15 November 2016. The Board will review Committee Memberships on renewal of the composition of the Board in 2017.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (1.1)

The Board's fundamental role is to represent the shareholders. The Board is accountable to them for creating and delivering value through the effective governance of the business and through setting and reviewing the Company's strategic direction and monitoring the implementation of that strategy by Management.

The Board's roles and responsibilities are formalised in a Board Charter, which is available on the Company's website at www.ruralco.com.au/corporate/corporate-governance. The Charter is reviewed at least annually to ensure it remains appropriate given the operations of the business and the responsibilities and composition of the Board.

The Managing Director and CEO has responsibility for the day-to-day management of the Group and is supported in this function by the Executive Team. Details of the members of this team are set out on pages 35 to 36 of the 2016 Annual Report.

THE ROLE OF THE COMPANY SECRETARY (1.4)

Ilona Alsters is the Company Secretary and General Counsel of Ruralco Holdings Limited and a member of the Executive Team. Ms Alsters' qualifications and experience are set out on page 35 of the 2016 Annual Report.

The Company Secretary is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary works closely with the Chairman to manage the flow of information between the Board, its committees and senior management across the Group.

DIRECTOR SELECTION, APPOINTMENT AND RE-APPOINTMENT (1.2; 1.3)

The procedures for the appointment and removal of Directors are ultimately governed by the Company'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 (currently nine) prescribed by the Constitution. If the Board appoints a new Director during the year, that person will enter into a written contract with the Company, setting out the terms of his or her appointment (including matters recommended in the ASX Principles) and will stand for election by shareholders at the next Annual General Meeting. That Director will not be taken into account in determining the number of Directors who are to retire by rotation at the Annual General Meeting. Shareholders are provided with relevant information on the candidates standing for election in the Notice of Meeting.

The Board seeks 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.

The Board has delegated to the Nomination & Remuneration Committee the responsibility for recommending to the Board candidates to be nominated to act as new Directors, and for recommending to the Board the reappointment of retiring Directors.

The Committee regularly reviews the composition of the Board to ensure that there is an appropriate mix of abilities and experience to serve the interests of shareholders. Any recommendations are presented to the full Board.

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In considering the selection, appointment and re-election of Directors, the Nomination & Remuneration Committee assesses candidates against a range of criteria developed for the role and in doing so considers, among other things, their background, knowledge of the Company's business and industry, business experience, personal attributes and professional skills. Following this assessment, the Committee provides its recommendation to the Board for assessment and approval.

Directors do not have a prescribed fixed term of office but are subject to the retirement provisions contained in the Constitution, company policies and the ASX listing rules. At least one third of Directors (other than the Managing Director) retire at each Annual General Meeting and 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.

Where appropriate, external consultants may be engaged to identify potential new candidates and to review the suitability of candidates for appointment based on formally adopted criteria for Director selection.

ENCOURAGING DIVERSITY (1.5)

The Company has a Diversity Policy, which is available on the Company's website at www.ruralco.com.au/corporate/corporate-governance. The Nomination and Remuneration Committee is responsible for recommending measurable objectives for achieving gender diversity, and diversity generally, and for annual assessment of the objectives and progress in achieving them.

In the last year, the Group has introduced a number of initiatives to attract and retain more women, including:

- a paid maternity leave scheme launched in July 2016;
- a partnership with Macquarie University's Women in MBA initiative; and
- setting KPIs for managers relating to gender equality.

The Group's intention is to set appropriate measurable objectives in the coming year towards achieving even greater gender diversity.

As at the end of the financial year 33.3% of the Board were female.

As at 15 July 2016 (the date of preparation of the Group's Public Report Form to the Workplace Gender Equality Agency):

- 40% of Key Management Personnel were female (in the report "Key Management Personnel" are defined as managers with a direct reporting line to the Managing Director); and
- 33.8% of the entire workforce were female.

BOARD AND DIRECTOR PERFORMANCE EVALUATION (1.6)

The Board is committed to transparency in determining Board membership and in assessing the performance of Directors. The Board periodically evaluates its performance, the performance of its committees, the Chair, and the key governance processes that support the Board's work. In the financial year just ended, the Board adopted and completed a survey-based evaluation process to:

- compare the Board's and each Committee's performance with the requirements of the Board or Committee Charter;
- assess the effectiveness of meetings; and
- review the composition of the Board and its Committee's.

REMUNERATION AND EVALUATION OF SENIOR EXECUTIVES (1.7)

Full details the Group's policy of remuneration of senior executives and evaluation of performance is included in the Remuneration Report set out on pages 44 to 49 of the 2016 Annual Report.

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PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

BOARD SKILLS MATRIX (2.2)

The Board is structured to ensure that it consists of Directors who have a proper understanding of the Company's business and industry context and who can add value in the context of the Company's business. The Board refreshed its skills matrix in July 2016, and the resulting set of required skills and experience is set out here:

SKILLS AND EXPERIENCE	
Banking, Accounting & Finance	Executive Leadership
Operations & Logistics	Strategic Marketing, Branding
Business Strategy	Technology & Digital Strategy / Implementation
Agri-business	M&A and Integration
Retail	Committee Qualifications
Supply Chain	People, Human Resources, Succession
Public Company Governance	Commodity Marketing
Legal, Risk & Compliance	

The Board will use this matrix as a guide for ongoing professional development and for planning succession in the future.

INDEPENDENCE (2.3, 2.4, 2.5)

The Board Charter includes a policy on Independence of Directors in line with the ASX Principles. The Board Charter is available on the Company's website at www.ruralco.com.au/corporate/corporate-governance.

The majority of the Board is considered independent. The Chair, Mr Lee, and Directors, Ms Johnstone, Ms Vonhoff and Mr Millner are considered to be independent by determination of the Board, having regard to the Company's policy on Independence of Directors. None of these directors have an interest, position, association or relationship of the type described in box 2.3 of the ASX Principles. For length of service refer to page 1 of this Statement.

In line with the Board Charter, the roles of Chair and CEO are separated.

Mr Dillon was appointed as Managing Director and CEO on 16 November 2015 and is the only executive on the Board. Mr Richard England, an independent non-executive director, was Chair until he resigned as Director and Chair effective 5 September 2016. Mr Richard Lee was appointed as Chair on 5 September 2016.

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, the Company will disclose the change to the market.

INDUCTION AND PROFESSIONAL DEVELOPMENT (2.6)

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

- The Company's financial, strategic, operational and risk management position;
- The Company'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; and
- Director interaction with each other, senior executives and other stakeholders.

New Directors receive briefings from the Chair, Committee Chairs and senior management as well as an induction pack.

All Directors are expected to maintain the skills required to discharge their obligations to the Company.

Directors are regularly provided with papers, presentations and briefings on Ruralco business and on matters that may affect Company operations. The Board also undertakes periodic "field trips" to see Ruralco's businesses in operation.

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PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

CODES OF CONDUCT (3.1)

The Board is firmly of the view that the reputation and integrity of the Company, the Board and employees will only be maintained through conducting its operating and corporate activities based on adopting the highest ethical standards.

Accordingly, the Board has adopted these codes:

- Directors' Code of Conduct;
- Corporate Code of Conduct;
- Related Party and Conflicts of Interest Policy; and
- Whistleblowing Policy.

Copies of these codes can be found on the Company's website at www.ruralco.com.au/corporate/corporate-governance.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

AUDIT, RISK & CORPORATE GOVERNANCE COMMITTEE (4.1, 7.1)

The Audit, Risk and Corporate Governance Committee is responsible for assisting the Board in fulfilling its corporate governance responsibilities in relation to financial reporting, risk management, internal control and compliance.

The members of the Committee as at the date of the 2016 Annual Report are set out on page 2 of this Corporate Governance Statement. Details of their respective skills, qualifications, 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 38 of the 2016 Annual Report.

Senior executives and internal and external auditors attend Committee Meetings by invitation.

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER ASSURANCE (4.2)

As required by section 295A of the Corporations Act 2001, the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) provide written statements to the Board in respect of the half and full year reporting periods that in their opinion:

- (a) financial records have been properly maintained;
- (b) the financial statements and notes comply with accounting standards and give a true and fair view.

The written statements from the CEO and CFO also provide assurance to the Board that the declarations under section 295A are founded on a sound system of risk management and internal control and that the system was operating effectively.

EXTERNAL AUDITOR (4.3)

Appointment and rotation of the auditor

The Company's external auditor is KPMG, who were appointed as external auditors by shareholders at the 2009 AGM. The effectiveness, performance and independence of the external auditor is reviewed annually by the Committee. The lead audit partner is required to rotate after a maximum of 5 years. Mr Anthony Travers is the lead audit partner for KPMG 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 2016. The independence declaration forms part of the Directors' Report and is set out on page 58 of the 2016 Annual Report.

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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 2016 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 audit partner of KPMG attends the Company's Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

WRITTEN POLICY (5.1)

The Company has a Disclosure Compliance Policy explaining how it complies with its continuous disclosure obligations under the Listing Rules. This Policy is available on the Company's website at www.Ruralco.com.au/corporate/corporate-governance.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

INVESTOR ENGAGEMENT (6.1, 6.2, 6.3, 6.4)

The Company regards clear and transparent communication with its shareholders, trading members and other stakeholders as a core element of best practice corporate governance.

Accordingly, the Board has adopted a Communications Policy that requires communication with shareholders in an open, balanced, regular and timely manner so that they and the broader market have sufficient information to make informed investment decisions on the operations and results of the Company. The Policy is available on the Company's website at www.ruralco.com.au/corporate/corporate-governance.

The Board is committed to monitoring (and adopting where appropriate) ongoing developments that may improve the Company's shareholder communication practices, including technological developments, regulatory changes and the continuing development of market place 'best practice'. In keeping with current practice, the Company's shareholders may elect to receive communications and other shareholder information electronically.

The Company's website (www.ruralco.com.au) is a key part of the Company's communication strategy with shareholders and the market and is a valuable source of information. It has been designed to enable information to be obtained in a clear and readily accessible manner. The Company has a dedicated Corporate Governance section on the Company's website (www.ruralco.com.au/corporate/corporate-governance) where all relevant investor and corporate governance information can be accessed.

Company announcements (including analyst briefing material and media releases) are made available on the Company website immediately following confirmation of their release to the market.

As well as providing an opportunity to update shareholders, the Annual General Meeting facilitates two-way communication through formal questions in the meeting and informal networking around the meeting.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

AUDIT, RISK & CORPORATE GOVERNANCE COMMITTEE (7.1)

To assist the Board in fulfilling its corporate governance responsibilities in relation to risk management, internal control and compliance, the Board has delegated the oversight of risk management to the Audit, Risk & Corporate Governance Committee. In addition, the Board specifically requires the Managing Director and CEO (together with senior executives) to implement a system of control for identifying and managing risk. Further details on the Group's Risk Management policy and the Risk Management Statement can be found on the Company's website at www.ruralco.com.au/corporate/corporate-governance.

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RISK MANAGEMENT FRAMEWORK (7.2)

The Risk Management Framework of Ruralco is reviewed by the Board on an annual basis. This framework details the overarching risk management controls that are embedded in the Group's risk management processes, procedures and reporting systems and the division of the key risk management functions between the Board, the CEO and CFO, the Audit, Risk & Corporate Governance Committee, and senior management including:

- 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; and
- appropriate due diligence procedures for acquisitions and divestments.

The division of the key risk management functions is set out below:

RESPONSIBLE GROUP	FUNCTION
Board	<ul style="list-style-type: none">• Review, approve and monitor the Group's risk managements systems, including internal compliance and control mechanisms• Approve and monitor the systems and policies to ensure integrity of budgets, the financial statements and other reporting
CEO and CFO	<ul style="list-style-type: none">• Provide a declaration to the Board regarding the half and full year financial statements• Assess and provide assurance to the Board that the Group's risk management and internal control systems are operating effectively in all material respects
Audit, Risk & Corporate Governance Committee	<ul style="list-style-type: none">• Review the effectiveness and implementation of the Group's risk management framework• Review and assess the Group's processes, which ensure the integrity of financial statements and reporting, and associated compliance with legal and regulatory requirements• Review the qualifications, independence, performance and remuneration of, and relationship with, the Group's external auditors• Review the effectiveness and implementation of the Group's risk management framework

INTERNAL AUDIT (7.3)

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

Management is responsible for ensuring appropriate corrective actions are taken on reported improvement areas arising from internal audit activity. The status of Management's actions and corrective action close-out activities are reported to and monitored by the Audit, Risk & Corporate Governance Committee.

ECONOMIC, ENVIRONMENTAL AND SUSTAINABILITY RISKS (7.4)

Ruralco's Annual Report outlines at pages 27-29 the key high impact/low likelihood risks faced by Ruralco as well as specific strategic risks, and the ways in which these risks are mitigated. This report includes consideration of:

- 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); and
- Social sustainability risk (particularly reputational risks and issues that affect health and safety).

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PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Company is committed to ensuring that it has both competitive remuneration practices and sound remuneration policies that offer appropriate and fair rewards and incentives in order to attract, motivate and retain key executives whilst also demonstrating a clear and aligned relationship between their performance and remuneration.

NOMINATION AND REMUNERATION COMMITTEE (8.1)

The Board has established a Nomination & Remuneration Committee that assists the Board in reviewing remuneration policies and practices across the Company and ensures appropriate succession planning is in place. The members of the Committee as at the date of the 2016 Annual Report are set out on page 2 of this Corporate Governance Statement and details of their respective skills, qualifications, 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 38 of the 2016 Annual Report.

POLICIES (8.2)

Details on the Company's remuneration policies and practices are set out in the Remuneration Report included on pages 41-55 of the 2016 Annual Report. The Remuneration Report includes details of remuneration of Directors and other Key Management Personnel of the Company and details of the Company's Long-term Incentive Plans.

EQUITY-BASED REMUNERATION SCHEME (8.3)

The Company provides equity-based remuneration to certain employees through its Long Term Incentive Plan. The rules of the Plan prohibit participants from entering into arrangements to limit the economic risk of participating in the scheme.