





## Related Party and Conflicts of Interest Policy

Ruralco Holdings Limited | ABN: 40 009 660 879

 Level 5, Building A, 26 Talavera Road, Macquarie Park NSW 2113  (02) 9952 6666  (02) 9952 6599  [www.ruralco.com.au](http://www.ruralco.com.au)

**WE'RE HERE FOR AUSTRALIAN FARMERS**

## Contents

<b>1</b>	<b>Related Party Transactions</b>	<b>1</b>
1.1	Overview	3
1.2	Who is a related party?	3
1.3	What is a financial benefit?	3
1.4	What makes a transaction “at arm's length”	4
1.5	Process to monitor and approve Related Party Transactions	4
<b>2</b>	<b>Conflicts of Interest</b>	<b>4</b>
2.1	Overview	4
2.2	Declaration of Interests	5
2.3	Board Procedures to manage conflicts of interest	5
2.4	Specific arrangements	6
<b>3</b>	<b>Compliance with Corporations Act</b>	<b>6</b>
<b>4</b>	<b>Related Documents</b>	<b>6</b>

## 1 Related Party Transactions

### 1.1 Overview

The *Corporations Act 2001* (Cth) (**Corporations Act**) provides that public companies, and entities controlled by public companies, must not give a financial benefit to a related party of the public company (**Related Party Transaction**) without shareholder approval unless the terms of the transaction are at arm's length or fall within one of the exceptions listed in the legislation.

Accordingly Ruralco's policy is that:

- (a) all Related Party Transactions and payments should be conducted on an arm's length basis;
- (b) the process surrounding Related Party Transactions must be transparent and fully documented; and
- (c) Board approval must be obtained for all Related Party Transactions, recognising that the Board's approval can be given in respect of a class of transactions and on such terms and conditions as the Board sees fit.

### 1.2 Who is a related party?

For the purposes of this policy, the following persons are considered related parties of Ruralco:

- (a) each director of Ruralco and the spouse, de facto spouse, parents and dependent children of each director; and
  - (b) entities controlled by a director, their spouses, de facto spouses, parents or children.
- A person or entity is also a related party of a public company at a particular time if the person or entity:

- was a related party at any time within the previous 6 months; or
- the entity believes or has reasonable grounds to believe that it is likely to become a related party of Ruralco at any time in the future.

### 1.3 What is a financial benefit?

The Corporations Act definition of the term "financial benefit" is broad. A non-exhaustive list of examples of the giving of a financial benefit to a related party include:

- (a) a party providing finance or property to a related party;
- (b) buying or leasing an asset from or selling an asset to a related party;
- (c) supplying or receiving services from the related party;
- (d) issuing securities or granting options to the related party; and
- (e) taking up or releasing an obligation of the related party.

A financial benefit includes giving a financial benefit indirectly through an interposed entity and does not require the payment of money.

For the purposes of this policy, reasonable remuneration within parameters approved by the Remuneration Committee of the Board or otherwise specifically approved by that Committee or the Board itself will be excluded from the definition of "financial benefit".

## 1.4 What makes a transaction “at arm's length”

Ruralco will be excepted from the need for shareholder approval if the Related Party Transaction is conducted on terms that would be reasonable in the circumstances if the parties were dealing at arm's length.

The Corporations Act does not define “arm's length”, but the courts have considered on a number of occasions what constitutes arm's length terms.

A transaction is at arm's length if the relevant parties have dealt with each other as parties normally do when they are not related, so that the outcome of their dealing is a matter of genuine bargaining, and although not necessarily technically an open market price, the terms might reasonably have been agreed between arm's length parties.

## 1.5 Process to monitor and approve Related Party Transactions

Where Ruralco or any of its controlled entities proposes to enter into a transaction which may be considered to confer a financial benefit on a related party, the following procedure applies:

- the relevant responsible officer must inform the Company Secretary/General Counsel about the proposed transaction, including the proposed parties and how they are related, details of the proposed transaction and where arm's length terms may be evidenced;
- the Company Secretary/General Counsel will review the transaction, and may take external legal advice where appropriate in considering the transaction;
- the Company Secretary/General Counsel will inform and advise the Board of the proposed transaction and ask the Board whether it is appropriate to undertake the transaction. If so, the Company Secretary/General Counsel will obtain the Board's approval for Ruralco to undertake the transaction or approval in respect of a class of transactions. Where the transaction is considered not to be at “arm's length” and does not fall within any statutory exception, the Board will determine whether to proceed with the transaction and, together with the Company Secretary/General Counsel, ensure that if the transaction is proceeded with, it is carried out in a manner that is compliant with the Corporations Act (including obtaining shareholder approval);
- a register of all Board approvals in respect of Related Party Transactions shall be maintained under the supervision of the Company Secretary/General Counsel and it shall include details of the nature of the transaction, the date of the approval and any key conditions to which the approval is subject; and
- where Board approval is obtained, the transaction must proceed in accordance with any procedures and conditions outlined by the Board.

At least annually, the Audit, Risk & Corporate Governance Committee will assess the adequacy of the processes to identify and manage Related Party Transactions and report to the Company Secretary/General Counsel and the Board.

## 2 Conflicts of Interest

### 2.1 Overview

Under the Corporations Act and general law, directors and senior officers must avoid situations where their interests and the interests of Ruralco conflict.

Each director and officer (which will include all senior officers of Ruralco and its related bodies corporate (as defined in the Corporations Act)) has a duty to avoid conflicts of interest. Interests which give rise to a conflict include, without limitation:

- other directorships;

- potentially conflicting duties owed to other entities;
- outside investments of the director or senior officer and their related parties; and
- outside employment or engagements.

This policy has been developed and approved by the Board to provide guidance to directors and officers in complying with their obligations to take all reasonable steps to avoid actual, potential or perceived conflicts of interests.

## 2.2 Declaration of Interests

Directors and officers are required to comply with Ruralco's Directors' Code of Conduct, which amongst other things, imposes obligations in relation to conflicts of interest. In addition to those obligations. Directors and officers must comply with the following requirements:

- (a) they must take all reasonable steps to avoid actual, potential or perceived conflicts of interests;
- (b) in accordance with the Corporations Act, directors must disclose any conflicts of interest (including any material personal interest in a matter that relates to the affairs of Ruralco) and, in certain circumstances, abstain from participating in any discussion or voting on matters in which they have a material personal interest;
- (c) in the event that a director or officer becomes aware of any current or potential conflicts of interest, the director must immediately notify the Chair or the Company Secretary/General Counsel;
- (d) directors may choose to submit standing notices of interest to all Board members, or must disclose his or her interest in a matter being considered by the Board at that time;
- (e) directors and officers are expected to be sensitive to actual and perceived conflicts of interest that may arise and give ongoing consideration to this in view of the changing nature of Ruralco's business;
- (f) all related party transactions require prior approval from the Board in accordance with section 1 of this policy; and
- (g) directors and officers must obtain Ruralco's consent before disclosing Ruralco's information to another company or third party.

## 2.3 Board Procedures to manage conflicts of interest

Directors:

- (a) must disclose to the Board any actual or potential conflicts of interest (including any material personal interest in a matter that relates to the affairs of Ruralco) which may exist or might reasonably be thought to exist as soon as they arise;
- (b) cannot receive the relevant Board or Board Committee papers if such actual or potential conflict is recognised in advance of the distribution of the papers but may, at the discretion of the other directors, be advised that certain papers have been excluded;
- (c) must absent themselves from the room when the Board or Board Committee discusses and votes on matters to which such conflict relates unless the other directors resolve the director in question may stay;
- (d) cannot vote on the matter unless the other directors resolve that the director in question can vote;

- (e) cannot have access to minutes of the Board or Board Committees in relation to the subject of interest; and
- (f) must, if deemed appropriate by the Board or the director, take such other steps as are necessary and reasonable to resolve any conflict of interest within an appropriate period.

## 2.4 Specific arrangements

From time to time, Ruralco may enter into specific arrangements with a director or senior officer to assist with the management of conflicts. In such case, that arrangement will override this policy to the extent of any inconsistency.

## 3 Compliance with Corporations Act

This policy is a guideline for the procedures to be followed in relation to related party transactions and conflicts of interest to ensure good corporate governance. Compliance with this policy is not a substitute for and does not replace the need to ensure compliance with the provisions of the Corporations Act.

## 4 Related Documents

- (a) Directors' Code of Conduct
- (b) Independence of Directors Policy
- (c) Disclosure Compliance Policy

Drafted: 19 July 2016

Adopted by the Board: 25 July 2016.

## Policy version control

Version	Creation Date	Board/Committee Approval Date	Description
1.0	19 July 2016	25 July 2016	Document Revision