

Independence of Directors' Policy

ABN: 40 009 660 879

LOCAL SERVICE. NATIONAL STRENGTH

Ruralco
HOLDINGS LIMITED

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1. Introduction

The Corporate Governance Principles and Recommendations (Recommendations) developed by the ASX Corporate Governance Council recommend directors of publicly listed companies assess and disclose the 'independence' of its Board.

Ruralco is committed to adopting the highest standards of corporate governance which require that the Board be structured so that it:

- a) has a proper understanding of the Company's business;
- b) is competent to deal with the range of issues facing the business;
- c) can effectively review the performance of management; and
- d) is able to exercise independent judgment.

2. Purpose

The purpose of this Policy is to establish the process for considering the independence of directors. The Policy outlines:

- How the independence of directors will be determined;
- The obligation of directors to keep the Board informed as to matters that may be relevant to their independence;
- the materiality tests which the Board will use to assess the independence of each director; and
- the basis of disclosure to shareholders of the assessment of the independence of directors, including the disclosure of any relationships that may be perceived to affect the independence or objectivity of a director.

3. Policy

The Board's overarching test for independence is whether the director is independent of management and free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of the director's objective, unfettered and independent judgement.

4. Independence

The ASX Listing Rules (for entities included in the S&P ASX 300 index) and the Recommendations stipulate that a majority of the members of the Audit Committee must be independent and that the chair of the Audit Committee must be independent.

It is the responsibility of the Board to determine the independence of directors. In reaching its decision regarding individual director independence, the Board reserves the right (except in the case of the Audit Committee membership) to consider a director to be independent even though they may not meet one or more of the specific thresholds or tests set out in this document, having regard to the underlying policy of the independence requirement and the qualitative nature of the director's circumstances.

A director will ordinarily be considered independent if he or she meets all of the following criteria:

- the director is not employed, and within the last three years has not been employed, in an executive capacity in Ruralco;
- the director is not a substantial shareholder in Ruralco or an officer of, or otherwise associated directly with, a substantial shareholder in Ruralco;
- within the last three years the director has not been a principal of a material professional adviser or a material consultant Ruralco, or an employee materially associated with the service provided;
- the director is not a material supplier or customer of Ruralco, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

- the director does not have any material contractual relationship with any member of Ruralco, other than as director;
- the director has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with his or her ability to act in the best interests of Ruralco and its shareholders; and
- the Board determines that the director is independent in character and judgement.

Guidelines which will be considered by the Board in determining the independence of a Director are set out in Section 6.

5. Responsibilities of the Board

The Board reviews the independence of Directors annually.

Each director is required to promptly provide the Board with any new information that may be relevant to the director's independence. The Board will promptly consider that new information in assessing the director's independence.

The Board will disclose in the Annual Report:

- determination whether each director is independent;
- the period during which each director has held office;
- the skills, experience and relevant expertise of each director;
- identifying the independence and non-independence of directors (and any change in status that occurred during the year) and the basis of the assessment of independence;
- the assessment of independence for any director who does not meet the independence criteria;
- material relationships, associations and other relevant business relationships of each director and the period of office held by each director, including details of any relationships or circumstances which the Board believes does not affect independence but which could be perceived as influencing the director's judgment, objectivity or ability to act in the best interests of Ruralco;
- any departure from the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations;
- the procedure agreed by the Board to enable directors to obtain independent professional advice at the expense of the Company; and
- developing and reviewing materiality thresholds Ruralco adopts to help assess and determine independence.

6. Criteria

The following criteria will be considered by the Board and may indicate that a director is not independent:

6.1. Officer or substantial shareholder:

- the director is an executive of Ruralco;
- the director is a substantial shareholder in Ruralco or an officer of or otherwise associated, directly or indirectly, with a substantial shareholder in Ruralco;
- the director has been employed by a Company in the Ruralco Group within the last 3 years.

6.2. Adviser

- the director has been a principal or material employee of a material professional adviser or consultant to a member of the Ruralco Group within the last 3 years; or
- the director currently receives consulting, advisory or other fees other than in the capacity as a director.

6.3. Supplier, customer or material contractual relationship

- a) the director, or a direct family member, is a material supplier or customer of a member of the Ruralco Group or is an officer, substantial shareholder of, or otherwise associated directly or indirectly with a material supplier or customer; or
- b) the director, or a direct family member, has a material contractual relationship with a member of the Ruralco Group or is an officer, substantial shareholder of or otherwise associated directly or indirectly with an entity which has a material contractual relationship with a member of the Ruralco Group.

6.4. Long-term director of Ruralco

- a) the director has served on a Board of Ruralco (or a predecessor Company) for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Ruralco.

6.5. Business relationship

- a) the director has had a material business relationship with Ruralco either directly, or as a partner, shareholder or director of an entity that has had such a relationship with a member of the Ruralco Group within the last 3 years.

7. Access to information and independent professional advice

The directors of the Board are entitled to independent professional advice in accordance with the Board Charter.

8. Disclosure

Independent and non-independent directors standing for re-election will be identified as such in the Notice of Annual General Meeting.

If the Board's assessment of a director's independence changes, that change will be disclosed immediately through an announcement to the ASX and pursuant to the Disclosure Compliance Policy.

The Policy on Independence of Directors is available on the Company's website.

9. Related Documents

- Board Charter – in relation to independent professional advice.
- Disclosure Compliance Policy – in relation to continuous disclosure obligations.

Approved by the Board: 16 November 2015