

RISK POLICY

1. PURPOSE AND SCOPE

This policy provides an overview of Ruralco’s direction and approach in relation to risk management across the Ruralco Group. To ensure risk is managed in a proactive and transparent manner, this policy is implemented through Ruralco’s internal Risk Management Framework process, which is overseen by the General Manager, Risk and Compliance together with the Audit, Risk & Corporate Governance Committee.

While clear roles and responsibilities for the management and oversight of risk have been defined, every employee plays a role in managing day to day risks within our business.

2. GOOD RISK MANAGEMENT SUPPORTS RURALCO’S VISION AND STRATEGY

To achieve our **Vision** and deliver on our **Strategy**, Ruralco recognises the importance of identifying and responding to risks and opportunities in a way that balances risk and reward. As a diversified and growing ASX listed business, our continued success is dependent on our ability to manage both downside risks and to take the right risks necessary to grow our business.

3. RISK MANAGEMENT OVERSIGHT - ROLES AND RESPONSIBILITIES

The roles and responsibilities for the oversight and management of risk are based on the ‘Three Lines of Defence’ model, highlighted in the diagram below.

Board/Audit, Risk & Corporate Governance Committee



CEO and Executive Management Team



BUSINESS UNIT MANAGEMENT

1ST LINE OF DEFENCE

Ruralco’s Business Unit Management are responsible for:

- taking and managing risks day to day
- setting the right risk culture and tone, and
- developing and implementing controls.

Business Unit Management ultimately ‘own’ the risks of Ruralco’s business and are accountable for managing those risks within the range deemed appropriate by the Board.

RISK ADVISORY

2ND LINE OF DEFENCE

Ruralco’s Risk Advisory function:

- oversees and challenges risk management
- provides guidance and direction, and
- develops overall risk frameworks.

This function is comprised of Risk, Compliance, Safety, HR, Legal and other Group teams and subject matter experts that provide key policies and direction to support the business in managing risks and achieving objectives.

INDEPENDENT ASSURANCE

3RD LINE OF DEFENCE

Ruralco’s Independent Assurance function is responsible for:

- establishing a consistent Ruralco-wide approach to risk management
- challenging and supporting the business in undertaking the risk process in line with Ruralco’s Risk Management Framework
- reviewing the 1st and 2nd lines of defence and providing an objective perspective and assurance.

This function is comprised of **internal audit** and is complemented by **external audit** and other specialist external providers where required.

3.1. BOARD

The Board has ultimate accountability for risk management and risk oversight. The Board sets the desired risk appetite across key risk areas of the Ruralco business. The Board is also responsible for reviewing the adequacy and effectiveness of the Risk Management Framework at least annually and ensuring that:

- the framework is sound in that it is based on:
 - an informed understanding of the key drivers of Ruralco's long term success, and
 - a thorough assessment of the material risks inherent in Ruralco's business model and strategy, whether those risks are financial or non-financial and whether they have a short, medium or longer term horizon, and
- Ruralco is operating with due regard to the risk appetite set by the Board.

3.2. AUDIT, RISK AND CORPORATE GOVERNANCE COMMITTEE (ARC)

Ruralco's ARC assists the Board in discharging its risk management responsibilities. The ARC takes responsibility for risk management, monitoring performance against the Risk Management Framework, internal control, financial statements and internal and external audit. These responsibilities include receiving reports from management on new and emerging sources of risk and the controls and mitigations in place to deal with those risks. The ARC makes recommendations to the Board on necessary changes to the Risk Management Framework or risk appetite set by the Board. A full list of ARC responsibilities can be found in the **ARC Charter**.

3.3. CEO AND EXECUTIVE MANAGEMENT TEAM

Ruralco's CEO and Executive Management Team are responsible for implementing the Risk Management Framework and establishing appropriate controls and mitigations over material business risks (including new and emerging risks). This involves promoting an appropriate 'risk culture' that sets the 'tone from the top' to ensure that risk is managed appropriately at all levels of the Group's operations. The CEO and Executive Management Team also report to the ARC and the Board on the Group's risk management performance.

3.4. THREE LINES OF DEFENCE MODEL

The 'Three Lines of Defence' model shown in the diagram above establishes lines of responsibility for the oversight, management and reporting of risk up through the Ruralco Group. The model is designed to ensure there is an effective and efficient information flow and a clear delineation of responsibility for the day to day management of and response to risk.

3.5. INTERNAL AUDIT

As part of the 3rd Line of Defence, Ruralco's internal audit function undertakes a variety of operational, financial and compliance related reviews. The findings of those reviews are communicated to Ruralco's Executive Management Team and the ARC.

Internal audit incorporates the latest data analytics technologies. It has a mandate from the Board to assess and comment on risk culture as part of any internal audit review.

3.6 MANAGEMENT

Management is ultimately responsible to the Board for:

- the system of internal control and risk management within their business unit or function, and
- identifying and responding to material business risks within the Board-defined risk appetite.

4. RISK MANAGEMENT PROCESS - ENTERPRISE RISK MANAGEMENT FRAMEWORK

Ruralco's Risk Management Framework is based on the International Standard ISO 31000 - Risk Management. It also aligns with the ASX Corporate Governance Principles and Recommendations.

Ruralco's risk management approach includes the identification, measurement, evaluation, monitoring and reporting of current and emerging risks.

The risks considered within the Risk Management Framework fall into five key categories:

- Strategic
- Operational
- Legal and Compliance
- Financial, and
- Information Technology.

A subset of these categories includes consideration of economic, environmental and sustainability related risks in line with the recommendations on Principle 7 of the ASX Corporate Governance Principles and Recommendations.

Ruralco's Executive Management Team reviews the Group Risk Profile monthly and undertakes 'risk deep dives' to ensure regular review, challenge and debate takes place in respect of the top risks.


The Risk Management Framework is underpinned by various risk specific policies. Risk management is embedded into business processes to ensure risk is not seen as a discrete activity but a fundamental part of doing business. As a result Ruralco ensures that risk is considered:

- as part of the strategy development process and activities
- as part of any new acquisition process and decision making
- at all stages of the project lifecycle and business process change
- as a component of broader risk financing decisions linking to our insurance program, and
- as part of our innovation and new product or service development.

5. QUESTIONS ABOUT THIS POLICY

If you have any questions about this policy, please contact the Group General Counsel and Company Secretary:

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Approved by the Board on 23 August 2018.