

AUSTRALIAN RURAL CAPITAL LIMITED

ABN 52 001 746 710



**AUSTRALIAN
RURAL CAPITAL**

BOARD CHARTER

Revised and Approved by Board of Directors 17 March 2015

1. Overview

The Board of Directors is responsible for and oversees the governance and management of Australian Rural Capital Limited (“**ARC**” or “**the Company**”).

ARC's shareholders approve the appointment of Directors and hold them accountable for the performance of the Company. A key part of Directors' responsibility is to ensure that an effective corporate governance structure operates in the Company.

The governance structure should ensure that reasonable financial targets are set and achieved and risk is properly managed, while taking into account the interests of shareholders, customers, employees, creditors and the general public. As well, ARC's corporate governance culture – our way of doing business – including leadership by the Board and senior management, is important to ARC's continuing success.

This Board Charter sets out the functions of ARC's Board – describing the structure of the Board and committee and other obligations of Directors.

2. Functions of the Board

The Board strives to build sustainable value for shareholders whilst protecting the assets and reputation of the Company. Its functions include:

- approving ARC strategies, budgets, plans and policies;
- assessing performance against business plans to monitor both the performance of management as well as the continuing suitability of business strategies;
- reviewing operating and financial information to understand at all times the state of the Company;
- considering management recommendations on proposed acquisitions, divestments and significant capital expenditure;
- considering management recommendations on capital management, the issue or allotment of equity, borrowings and other financing proposals;
- ensuring that the Company operates an appropriate corporate governance structure, in particular ensuring that ARC acts legally and responsibly on all matters and that the highest ethical standards are maintained;
- approving ARC's risk management strategy and frameworks and monitoring their effectiveness;
- considering the social, ethical and environmental impact of ARC's activities;
- maintaining a constructive and ongoing relationship with the exchanges and regulators, and approving policies regarding disclosure and communications with the market and shareholders; and
- monitoring internal governance including delegated authorities, and monitoring resources available to senior executives.

The Board also takes on the role of Nominations and Governance, which includes the following functions:

- determining the appropriate size and composition of the board (in accordance with the Company's Constitution);
- monitoring the balance of skills and experience on the Board and, when necessary, appointing new Directors, for approval by shareholders;
- determining the appropriate criteria (necessary and desirable skills and experience) for appointment of directors;
- recommendations for the appointment and removal of directors; and
- review of Board succession plans.

The functions listed are matters which the Board specifically reserves for itself and does not limit the Board's overall duties and responsibilities. The Board may delegate consideration to a committee of the Board specifically constituted for the relevant purpose, to assist the Board to discharge its obligations.

The ARC Board is also responsible for:

- appointing, evaluating, rewarding or removing the Lead Executive/CEO/Executive Chair (“**Lead Executive**”) and approving appointments, the remuneration or removal of senior management, including the Chief Financial Officer and Company Secretary;
- defining the terms and conditions of appointment to and retirement from the Board;
- determining the remuneration of non-executive directors, within the aggregate amount approved by shareholders;
- overseeing induction for non-executive directors;
- the evaluation of the Board's performance;
- develop and maintain best practices human resources policies and procedures;
- overseeing ARC's remuneration framework;
- approving superannuation arrangements, guidelines for employee share plans, remuneration incentive policies, and recruitment, retention and termination policies;
- reviewing succession planning for executives;
- monitoring key risks (where necessary) to the business in the areas of safety, occupational health and environmental issues;
- approving policies (where necessary) on and overseeing the management of workplace health, safety and environmental issues; and reviewing and monitoring ARC's strategic and operational approach to the environment and sustainability.

With the guidance of the Risk and Audit committee:

- approving policies on and overseeing the management of business and financial risks, interest rate and commodity price risks;

- reviewing and monitoring processes and controls to maintain the integrity of accounting and financial records and reporting; including the independence and performance of the external auditor:
- reviewing ARC's corporate governance framework, including company policies and levels of authority:
- approving financial results and reports for public release and dividends to be paid to shareholders.

In addition, the Board may establish a Committee, for a limited time and purpose, to oversee a particularly important project or transaction.

3. Powers Delegated to Management

The Board shall delegate to the Lead Executive the authority and power to manage the Company and its businesses within levels of authority specified by the Board from time to time. The Lead Executive may delegate aspects of his/her authority and power but remains accountable to the Board for the Company's performance.

Beyond the functions reserved by the Board, the Board has delegated all authority to manage ARC and its business within the levels of authority specified by the Board from time to time. The Lead Executive is required to report regularly to the Board on the progress being made by ARC's business areas and investments.

The Lead Executive's role includes:

- effective leadership of the management team;
- the development of strategic objectives for the business; and
- the day-to-day management of ARC's operations.

4. Board structure, composition and regeneration

The composition, structure and proceedings of the Board are primarily governed by the Constitution of the Company (a copy can be found on the Company's website) and the laws governing corporations in jurisdictions where the Company operates.

The Board aims to have at all times a Board of Directors with the appropriate mix of skills and experience relevant to ARC's businesses and the Board's responsibilities.

The Board shall identify candidates with appropriate skills and experience to maintain the necessary mix of expertise on the Board.

Before appointment to the Board, candidates shall confirm that they will have sufficient time to meet their obligations to the Company, in light of other commitments.

For shareholder meetings where Directors are standing for election or re-election, the notice of meeting must include each candidate's biographical details, including skills, experience and qualifications; information sufficient to enable an assessment of the independence of the candidate (including details of relationships with the Company and other Directors); Directorships held; particulars of other positions which involve significant time commitments; the term of office already served; any other relevant information, as well as particulars required by law.

New Directors shall be provided with a formal letter of appointment setting out the terms and conditions of appointment, together with a timetable of Board and committee meetings as well as other commitments, information on the Company, and a copy of the Board Charter and relevant Company policies. New Directors shall execute a Deed of Indemnity, Insurance and Access and are required to execute an Agreement requiring the Director to promptly advise ARC of transactions in the Company's shares.

Non-executive Directors are subject to re-election by rotation at least every three years. Newly appointed Directors must seek re-election at the first general meeting of shareholders following their appointment.

5. The Role of Chairman, Independence and Conflicts of Interest

The Chairman shall be elected by the board. Aside from any role as lead Executive, the Chairman's role includes:

- providing effective leadership to the Board in relation to all Board matters;
- representing the views of the Board to the public;
- convening regular Board meetings throughout the year and ensuring that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual Directors;
- guiding the agenda and conduct of all Board meetings;
- reviewing the performance of non-executive Directors and the Board;
- overseeing non-executive Director and senior management succession; and
- promoting consultative, productive and successful relations between the Board and management.

Company Secretary and Information Flow

The Board appoints and removes the Company Secretary. All Directors shall have direct access to the Company Secretary.

The Company Secretary shall be accountable to the Lead Executive, and to the Board through the Chairman, on all corporate governance matters. The Company Secretary shall be responsible for communication with the Australian Securities Exchange about listing rule

matters. The Company Secretary is responsible for the day-to day operations of the Company Secretary's office including lodgements with relevant securities exchanges and other regulators, the administration of Board and Board Committee meetings (including preparation of meeting minutes), the management of dividend payments and associated share plans, the administration of ARC and oversight of the relationship with ARC's Share Registrar.

The Chairman shall brief new Directors on their roles and responsibilities and make available the minutes and papers of Board and Committee meetings.

New Directors shall also be briefed by the Lead Executive and other senior executives about the Company, its structure, people, policies and culture, the industries in which it operates and business strategies and performance.

Board papers are distributed at least three days before each meeting. The Lead Executive will ensure a comprehensive monthly performance report is sent to Directors whether or not a Board meeting is scheduled. Directors will have unrestricted access to Company records and information.

Time is to be allocated at Board and Committee meetings for continuing education on significant issues facing the Company and changes to the regulatory environment. This may include briefings by management and external consultants from time to time.

Directors may obtain independent professional advice at ARC's expense on matters arising in the course of their Board and Committee duties, after obtaining the Chairman's approval. A copy of any such advice shall be provided to all other Directors and they must be advised if the Chairman's approval is withheld.

Non-executive Directors' Meetings

The Non-executive Directors are expected to meet on an occasional regular basis, without management present. These meetings include a review of management performance, at the appropriate time.

Independence of Non-executive Directors

Due to the currently small nature of the Company, together with the substantial ownership of securities by a small number of shareholders, the Board believes that there is limited benefit in having a majority of the board being comprised of "independent" Directors.

In this context, independent individuals are those who do not satisfy any of the following criteria:

- recently employed by ARC or any of its subsidiaries; or

- directly involved in the audit of ARC or any of its subsidiaries; or
- directly involved in the provision of advice or consulting services to ARC where the amount paid during the year for that advice or services exceeded 5% of the total fees earned by that firm or 1% of ARC's consolidated group revenue; or
- a substantial shareholder of ARC, or an officer of, or otherwise associated directly with, a substantial shareholder.

Any change in the nature of the independence status of a non-executive director must be promptly notified to the Chairman and Company Secretary.

Conflict of interest

Directors must keep the Board advised, on an ongoing basis, of any interests that could potentially conflict with those of ARC and shall advise the Company Secretary of all Directorships held in other companies.

If a potential material conflict of interest arises, the Director concerned shall advise the Chairman prior to any Board meeting at which the issue is to be discussed. The Director shall not receive the relevant Board papers and shall leave the Board meeting while the relevant matter is considered. Any potential conflict of interest must be recorded in the Board minutes.

6. Board Committees

The Board shall operate one Committee being the Risk and Audit Committee.

When appointing members of the Risk and Audit Committee, the Board shall take account of the skills and experience appropriate for that Committee as well as any statutory or regulatory requirements.

The Risk and Audit Committee operated by the Board shall consider and determine the matters for which they are responsible in accordance with their Charter. Copies of the charter of the Risk and Audit Committee shall be published on the Company's website.

Review of Board, Committee and Individual Directors' Performance

The Board should occasionally carry out an informal review of the performance of the Board, its Committee, and each non-executive Director. The review shall assess:

- the effectiveness of the Board and the Committee in meeting the requirements of its Charter;
- whether the Board and each Committee has members with the appropriate mix of skills and experience to properly perform their functions;

- the contribution made by each Director at meetings and in carrying out their responsibilities as Directors generally, including preparing for meetings;
- whether adequate time is being allocated to ARC matters, taking into account each Director's other commitments;
- the independence of each Non-executive Director, taking into account the Director's other interests and Directorships;
- whether the content, format and timeliness of agendas, papers and presentations provided to the Board and each committee are adequate for them to properly perform their functions; and
- any other comments or suggestions made during the feedback process.

7. Other Directors' obligations

Shareholding in ARC

All Directors and senior management are encouraged to acquire a significant beneficial interest in ARC shares.

Restrictions on share dealings by Directors

In accordance with the ARC Securities Trading Policy and the ASX Listing Rules, Directors and senior management may buy or sell ARC shares, or give instructions about their participation in the ARC share plans, at any time during the year except:

- in the periods from 30 June each year until the release of full year results (or appropriate guidance) to ASX;
- from 31 December each year until the announcement of the half-yearly results (or appropriate guidance) to ASX;
- when they are aware of information at any time which would have a material impact on the price of ARC securities which is not generally known to the market; or
- the Chairman of the Company, at his or her sole discretion, precludes trading in the Company's securities.

All ARC share dealings by Directors must be promptly notified to the Australian Securities Exchange, through the Company Secretary.

A copy of ARC's Securities Trading Policy is available on ARC's website.

Confidentiality

All proceedings of the Board, including Board papers, presentations and other information provided to the Board, shall be kept confidential except as required by law or as agreed by the Board.

Code of conduct

The Company shall have a Code of Conduct which sets out the way ARC conducts business and guides the behaviour of everyone in ARC – employees and Directors – clearly stating the Company's firm commitment to behaving honestly and fairly. It is made available on the Company's website.

Disclosure obligations

The Board of ARC acknowledges the changes in legislation and community expectation that public releases of information are the responsibility of entire Board of Directors and not just the management of the Company.

Under continuous disclosure laws, ARC must immediately notify the Australian Securities Exchange (ASX) of market sensitive information (unless certain exceptions apply). The ASX requires that the share market is kept continuously informed of such sensitive information. Failure to notify the share market can be a serious criminal offence, exposing the company, its managers and Directors to imprisonment, fines and damages.

Market sensitive information is knowledge that a reasonable person would expect to have a material effect on the price or value of ARC's securities. The financial impact of the information on ARC is important, but strategic and other implications can be equally important in determining whether information is market sensitive.

ASX Listing Rule 3.1 requires ARC to notify the ASX immediately if it has, or becomes aware of, any information concerning ARC that a reasonable person would expect to have a material effect on the price or value of ARC's securities.

Disclosure under ASXLR 3.1 is not required if:

- a reasonable person would not expect the information to be disclosed; and
- the information is confidential and ASX has not formed the view that the information has ceased to be confidential; and
- one or more of the following applies:
 - it would be a breach of a law to disclose the information;
 - the information concerns an incomplete proposal or negotiation;
 - the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
 - the information is generated for the internal management purposes of ARC; or
 - the information is a trade secret.

All three of those elements must be satisfied, before the exception applies.

Management of Disclosure Obligations at ARC

The Board requires Management, led by the Lead Executive, to ensure the Board is kept informed of matters the Board needs to be involved in regarding disclosure. The Lead Executive's authorisation must be given in any decision relating to disclosure.

The Company Secretary provides regular reports to the Board on the matters which have been (and are currently being) considered for Disclosure by the Committee.

All ARC senior employees people are required to:

- consider whether any information, transaction or event of which they are aware may be market sensitive;
- immediately advise the Lead Executive and Company Secretary of any issues which could develop into market sensitive information;
- immediately inform the Lead Executive and Company Secretary of any information that they believe may be market sensitive; if any employee is in doubt about whether information requires disclosure, they should pass it on.
- ensure that the information is not disclosed to anyone outside ARC before the ASX is notified. ARC's employees may only review the issue with Company colleagues (or ARC's professional advisers) who need to know about it to do their job properly. and
- immediately advise the Lead Executive and Company Secretary if the ASX has not been told about market sensitive information and it is discovered that outsiders know about the information.

Process for disclosure

The Board will assess any issues referred to it and determine whether it is disclosable, in accordance with ARC's continuous disclosure obligations. This will also involve a consideration of whether it is necessary and appropriate to request a trading halt from the ASX.

The Company Secretary will prepare a draft announcement, ensuring that the announcement is compliant with applicable listing rules (in particular the requirements of Chapter 5 of the ASX Listing Rules, if applicable);

Once a matter is required to be disclosed, the ASX announcement will be approved by the Board together with an appropriate dissemination strategy, including the Company's website.

Market Rumours

The Company Secretary monitors the market in an effort to understand the reasons for movements in the ARC share price. If rumours or leaked information are considered to be

the cause of unexpected movements in the share price, discussions with the ASX will be initiated as soon as practicable.

In general, ARC will not respond publicly to market rumours or speculation unless required to do so by the ASX.

Contact with Stockbrokers, Financial Analysts and the Media

It is a criminal offence to divulge market sensitive information to anyone who may take advantage of it before it is disclosed to the ASX.

The following rules apply to all Directors and employees:

- No formal or informal discussions may be held (including off the record discussions) about price sensitive issues with people outside ARC – and especially not with members of the financial community, including stockbrokers, financial analysts, investors, journalists and others who have an interest in market sensitive information unless expressly authorised by the Lead Executive.
- If discussions with the financial community are authorised by the Lead Executive, before the discussion takes place details of what may be said must be agreed and adhered to;
- With the exception of the Lead Executive, only the Chairman, and with prior clearance from the Lead Executive, specified managers, will normally be authorised to have discussions with the financial community;
- The Lead Executive may only conduct or authorise discussions with members of the financial community, media or other outsiders to:
 - elaborate on information which has already been notified to the ASX;
 - provide visits to ARC to promote improved knowledge of ARC, and its businesses; or
 - provide basic industry or company background information and other matters of public record.
- It is important that no such discussion includes mention of market sensitive information that was not contained in the original disclosure to the ASX. Outside parties would also be in breach of the law if they passed on market sensitive information as yet undisclosed to the share market. It is in everyone's interest for ARC employees not to discuss such market sensitive issues with non-company people.
- If any new market sensitive information is inadvertently disclosed, the Lead Executive and subsequently the Board of Directors must be urgently advised of the details so that the information can then be immediately released to the ASX.
- No matter how damaging, once market sensitive information ceases to be confidential, as when an outside party is informed (no matter how informally or unofficially this may be), ARC must immediately disclose it to the ASX.

Failure to advise the ASX immediately will mean that ARC and relevant employees are likely to be in breach of both insider trading laws and continuous disclosure laws. If the ASX is advised immediately, the damage done by the unlawful disclosure, together with the risk of legal action and the penalties and damages, are minimised.

Media Releases and Interviews

No employee may provide information to the media in general concerning ARC without the approval of the Lead Executive. When an ARC employee is seeking such approval, they should list the key points to be made, together with a summary description of the business advantage to ARC from providing the information.

Protecting Information or Intellectual Property

Under the Corporations Act, employees must not take personal advantage of their position or of company information. All information about ARC or owned by ARC must be properly dealt with by employees. Employees must ensure that Company information is disclosed to outsiders only for legitimate company purposes and that due care is taken to protect the value of that information.

Appropriate steps (such as confidentiality agreements and other protocols) must be implemented to protect confidentiality and intellectual property. The Company Secretary can assist in providing advice and any necessary documents.

Improper Use of Information or Position in ARC

No employee or former employee may make improper use of information obtained by virtue of their position with ARC to gain an advantage for themselves or any other person or to cause detriment to ARC.

No employee may make improper use of their position with ARC to gain an advantage for themselves or any other person or to cause detriment to ARC.

Such breaches of sections 182 and 183 of the Corporations Law are punishable by fines of up to \$200,000 and possibly imprisonment. The Company and others affected may also take action to restrain such breaches and/or recover damages for loss suffered.