

AUSTRALIAN RURAL CAPITAL LIMITED

ABN 52 001 746 710



AUSTRALIAN
RURAL **CAPITAL**

2015
CORPORATE GOVERNANCE STATEMENT
(incorporating ASX Appendix 4G)

CORPORATE GOVERNANCE STATEMENT

In March 2003, the ASX Corporate Governance Council (“**ASXCGC**”) issued the Principles of Good Corporate Governance and Best Practice Recommendations (“**ASX Recommendations**”) as a guide to the top 500 ASX listed companies. The guidelines were reviewed as at 31 March 2004 by the Implementation Review Group and some relaxations agreed particularly in respect to non-top 300 ASX listed companies. The ASX recommendations were extensively revised in August 2007 as a “Second Edition”, and on 30 June 2010 the ASXCGC released further amendments in relation to diversity, remuneration, trading policies and briefings. In March 2014, ASXCGC released a “Third Edition” incorporating simplifications, increased risk disclosure and alignment with overseas practice. Australian Rural Capital Limited (“**ARC**” or “**the Company**”) is required to report in respect of these ASX Recommendations in the financial year to 30 June 2015.

Corporate Governance is the framework by which the Company is effectively managed, in respect of its ethics and honest approach to doing business, the accountability of the Board of Directors to shareholders of the Company for financial performance and growth, and the management of the inevitable risks which are encountered in running a company reliant upon the performance of financial assets and investments.

The Company is a small company with a strong commitment to containing costs. This commitment, when related to the relatively small size of the Company, makes it difficult to fully attain all of the recommended principles; indeed, many of the principles have limited relevance to the operation of the Company, and as a consequence, the corporate governance framework has been adapted to the operation of a smaller entity. In any event, shareholders are significantly advantaged by the fact that the Board of Directors of the Company hold a significant equity position, which currently collectively equates to 28% of ARC shares. Further, all of the Board and staff are very experienced company officers and are well aware of their responsibilities to the Company, to the security holders and to all other stakeholders, and have fulfilled similar roles in other corporations. As a consequence, the Company looks to attract Directors who exhibit the requisite innate characteristics of honesty and integrity, rather than simply adopt a series of boilerplate documents, and attempt to justify divergence from them.

The ARC Board largely supports and is largely, though not totally, in compliance with the ASX Recommendations published by the ASXCGC. ARC’s constitution and various charters and statements in relation of corporate governance discussed in this section are available on the Company website – www.ruralcapital.com.au.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 THE ROLE OF THE BOARD AND MANAGEMENT

The Board adopted an updated Board Charter in March 2015, in which the Charter establishes those matters reserved for the Board and authority delegated to management. The Board’s functions, as summarised in the Board Charter, 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.

At the present time, ARC has an Executive Chairman, who fulfills both Executive and governance roles; his executive role is henceforth referred to as “Lead Executive”. The Board Charter specifically delegates the day-to-day management of the Company’s affairs to the Lead Executive along with the implementation of strategy, policy and financial initiatives.

1.2 APPOINTMENT AND RE-ELECTION OF BOARD MEMBERS

The Company seeks to appoint board members with the requisite experience and cultural fit given the focused area of investment of ARC in agriculture and its current small size but desire for expansion. However, this does not preclude ARC from undertaking formal and informal checks prior to proposing the candidate for initial appointment and subsequent ratification by shareholders.

ARC provides relevant information on directorial candidates in line with ASXCGC Recommendation 1.2 in respect of their credentials, as part of the Explanatory Memorandum accompanying relevant Notices of general Meeting.

1.3 LETTERS OF APPOINTMENT

The Lead Executive’s responsibilities and terms of employment, including termination entitlements, are set out in a formal executive service agreement. A summary of the main elements and terms of the agreement is reproduced in the Remuneration Report section of the Annual Report. Letters of appointment are prepared for non-executive directors and senior executives, covering duties, time commitments, induction and company policies and corporate governance. Given the small number of these individuals, their remuneration structure and main elements of terms of employment are reproduced in the Remuneration Report section of the Annual Report.

1.4 COMPANY SECRETARY

The Board Charter enshrines the role of the Company Secretary and the appointment or removal of individuals to the role by the Board alone. The Board Charter further notes that whilst the Company Secretary shall be accountable to the Lead Executive, and to the Board through the Chairman, on all corporate governance matters, that all Directors shall have direct access to the Company Secretary.

The Company Secretary is also responsible for communication with the Australian Securities Exchange about listing rule matters, and the day-to-day operations of lodgements with relevant securities exchanges and other regulators. In addition, the Company Secretary is responsible for the administration of Board and Board Committee meetings (including preparation of accurate 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.

1.5 DIVERSITY

Within the confines of being a small listed company, ARC seeks to ensure diversity within the organisation. Of ARC's current employees or consultants, none are female. There are no female Directors, and in light of the Company's future direction, there are no current specific plans to recruit female Directors to the ARC Board. Historically, 57% of ARC's past employees and consultants have been female, and ARC's Company Secretary has a particularly strong history of providing a workplace environment facilitating part time female employment.

Given its small size, ARC does not have, and does not intend to adopt a specific diversity policy, quota or "tick a box" system that predominates in this area. The Company has a preference to ensure its visible deeds, culture and attitudes towards gender, age, sexual orientation, race, nationality, social impediment and disability speak for themselves. In particular, ARC aims to deal with counterparties in the legal, accounting, audit and transactional area which exhibit such diversity, and where the careers of these varied individuals can be progressed advantageously via the interaction gained with ARC's experienced executives and Directors.

1.6 BOARD EVALUATION

Since the Company is small in nature, and the current Directors are all substantial shareholders of the Company, the Board does not undertake a formal annual evaluation process.

1.7. PERFORMANCE EVALUATION OF SENIOR EXECUTIVES

Other than the Lead Executive, there is one Executive Director who fulfills the role of Company Secretary and de-facto CFO.

During the period from 1 July 2009 – 30 October 2009, ARC comprised two Non Executive Directors and one Managing Director, an Investment Manager, an Executive responsible for the vineyard funds management business, and a finance manager, who also acted as the Company Secretary. The Company also engaged a part time accountant and a part time employee responsible for Compliance. The Investment Manager resigned effective 31 October 2009, and the executive responsible for the vineyards funds management business and finance manager resigned effective 30 November 2009. From 1 December 2009 to 25 July 2014, ARC comprised two Non Executive Directors and one Managing Director who also acted as the Company Secretary, plus a part time contractor responsible for compliance. The compliance role was extinguished on 1 March 2012 after the sale of the funds management businesses. The current board and executive structure of an Executive Chair, non-executive Director and Executive Director/Company Secretary has existed since 5 September 2014.

Given the recent changes to board structure and recent change of company strategy from mid-2014, the Board has not yet established a performance evaluation structure for executives. However, the small nature of the Company enables a significant quantum of informal commentary and feedback to exist, which the Board believes is intrinsic to ensuring continual improvement of performance.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The Board Charter prescribes the structure of the Board and its Committees, the framework for independence and some obligations of directors.

2.1 NOMINATIONS COMMITTEE

The Company does not have a Nominations Committee; the small size of the Board, commensurate with the resources of the Company, dictates that the duties of a Nominations Committee are handled by the full board.

2.2 BOARD SKILLS MATRIX

The Company does not have a “board skills matrix” given its small size, and currently does not regard such a tool as being necessary.

2.3. SIZE AND COMPOSITION OF THE BOARD

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board shall comprise not less than three Directors nor more than such number as the Directors may determine at any time.
- The Chairman should preferably be an Independent or Non-Executive Director.
- The Board shall comprise Directors with a diverse and appropriate range of qualifications and expertise and in the event of retirement of a Director with particular expertise, the Board will appoint a Director with skills and experience to balance the needs of the Board in the operations of the Company.
- The Board shall meet at least quarterly and follow meeting guidelines established to ensure that all Directors are made aware of, and have available all necessary information in a timely manner, to participate in an informed discussion of all agenda items.

At the date of this report, the Board of the Company comprises an Executive Chairman, a Non Executive Director and an Executive Director. The Directors’ Report provides the details of the Directors in office during the year together with their experience, expertise and qualifications.

The Directors in office at the date of this Statement are:

Executive Chairman :	James Jackson (appointed July 2014)
Non Executive Director :	Darren Anderson (appointed June 2015)
Executive Director :	Andrew Brown (appointed May 2003)

Non Executive directors are independent of management, but have a substantial shareholding (i.e. over 5%) and have other relationships with management and the company which result in them being required to stand aside from certain deliberations as a result of a conflict of interest.

The Company presently has one Independent Director, who is independent of management, does not have a substantial shareholding (i.e. less than 5%) and is free from any business or other relationship which could materially interfere with the exercise of their judgement. In light of the size and activities of the Company, the Directors do not see any advantage in appointing additional directors or re-structuring the Board at this time.

The Company regards each Director as being capable of exercising impartial judgement based on their expertise, experience, and desire to grow the equity base of the Company. In addition, The Board has in place a process to ensure that conflicts of interest are managed appropriately. If a potential conflict of interest arises, the director concerned does not receive the relevant Board papers and leaves the Board meeting while the matter is considered. Directors must advise the Board immediately of any interests that could potentially conflict with those of ARC.

2.4 INDEPENDENT DIRECTORS

The Company presently has one Independent Director (see 2.3) due to its small size and representation of large-scale equity holders.

2.5 INDEPENDENT CHAIRPERSON

The Company presently has a Chair who is not Independent (see definition in 2.3) and who is also the Lead Executive. At this stage of its development, the Company regards this situation as enhancing its probabilities of growth, whilst maintaining a low cost base.

2.6 INDUCTION PROGRAM

New executives are given comprehensive briefings and information on the company's businesses, and its policies and procedures when they join the Company. New executives are introduced to key external service providers in order to build the relationships necessary to meet the requirements of their role. This can be satisfactorily achieved due to the significant corporate knowledge and memory within the existing board structure.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

3.1. BUSINESS CONDUCT AND ETHICS

Embedded within the Board Charter is a Directors' Code of Conduct ("**Code**") of which the following is a summary:

- Directors must act honestly, in good faith and in the best interests of the Company as a whole at all times.
- Directors have a duty to use due care and diligence in fulfilling the functions of the office and exercising the powers attached to that office.
- Directors must always use the powers of the office for a proper purpose.
- Directors must recognise that their primary responsibility is to the Company's security holders as a whole but should, where appropriate, have regard for the interests of all stakeholders of the Company.
- Directors must not make improper use of information acquired as a Director.
- Directors must not allow personal interests, or the interests of any Associated Person, to conflict with the interests of the Company.
- Directors have an obligation to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board.
- Confidential information received by a Director in the course of the exercise of Directors duties remains the property of the company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by that company, or required by law.
- Directors should not engage in conduct likely to bring discredit upon the Company.
- Directors have an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this Code.
- Directors have an obligation to ensure that the continuous and periodic disclosure requirements as set out in the ASX Listing Rules are adhered to at all times.

The policy also includes detailed guidelines for interpretation of the principles of the Code.

All senior employees are governed by terms of employment, into which the relevant principles detailed above are embedded.

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. The Board Charter requires that all directors be provided with a copy of such advice and be notified if the Chairman's approval is withheld.

It is the Board's policy that any committees established by the Board should:

- Be entitled to obtain independent professional or other advice at the cost of the Company, unless the Board determines otherwise.
- Be entitled to obtain such resources and information from the Company including direct access to employees of and advisers to the Company as they might require.
- Operate in accordance with terms of reference established by the Board.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

A. *AUDIT COMMITTEE*

Detailed terms of reference for the Audit Committee have been adopted. In addition, the Charter for the Board of Directors sets out the membership and responsibilities of the Audit Committee as follows:

The Audit Committee should comprise (if possible) at least one independent director who should chair the meetings and should not contain any executive directors. The Committee responsibilities are:

- 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.

The Audit Committee meets separately with the auditors as required from time to time to discuss the audit reviews and reports, to ensure that there are no outstanding issues and to assess the auditor's continuing independence. At every Audit Committee meeting, a period of discussion between members of the Audit Committee and external auditors without the Company Secretary/CFO being present.

At the date of this statement, the members of the Audit Committee are Paul Young (Chairman of the Audit Committee) and James Jackson.

Full compliance with the ASX Recommendations (requires three members including an independent Chairman) will not be achieved unless the Board resolves to appoint an independent Director/Chairman. The Directors do not believe there is any advantage in appointing additional directors at this time.

The Audit Committee seeks to ensure the independence of the external auditor. The policy on auditor independence applies to services supplied by the external auditor and their related firms to ARC. Under the policy on auditor independence, the external auditor is not to provide non-audit services under which the auditor assumes the role of management, becomes an advocate for the group, or audits its own professional expertise. ARC has a very limited number and scope of permissible non-audit assignments. In addition, the external audit engagement partner and review partner must be rotated every five years.

The external auditor annually confirms its independence within the meaning of applicable legislation and professional standards.

4.2 *FINANCIAL REPORT ACCOUNTABILITY*

ARC's Lead Executive and Company Secretary are required to state to the Board, in writing, that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

In the 2015 financial year, the Company Secretary/Executive Director has provided a statement to the Board in writing in respect to the integrity of the financial statements and the efficient and effective operation of the risk management and internal compliance and control systems.

The efficacy of financial reports is aided by the receipt by Directors of a regular monthly report from the Company Secretary/CFO or Lead Executive – whether or not a Board meeting is scheduled – and their unrestricted access to company records and information.

The Board has also received statements from the Company Secretary/CFO certifying that, having made all reasonable enquiries and to the best of their knowledge and belief:

- the statements made in relation to the financial integrity of the group financial reports are founded on a sound system of risk management and internal compliance and control;
- the system of risk management currently in operation implements the policies adopted and delegated by the Board and was operating effectively; and
- the systems relating to financial reporting were operating effectively in all material respects.

Further, the Board receives the relevant declarations required under section 295A of the Corporations Act 2001 and the relevant assurances required under recommendation 4.2 of the Third Edition of the ASX Recommendations (previously 7.3 of the Second Edition of the ASX Recommendations).

4.3 EXTERNAL AUDITOR AT AGM

The Company ensures, and has always ensured, that the relevant partner of ARC's external auditor together with key person responsible for the audit itself (usually an audit senior) is available to answer questions at the Company's Annual General Meeting.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Board has always been very conscious of its disclosure obligations and has adopted a detailed continuous and periodic disclosure policy. Section 8 of the Board Charter deals comprehensively with the process and policy to deal with the Company's continuous disclosure obligations.

All Directors and the Company Secretary are responsible to ensure that disclosure policy is adhered to. The Lead Executive works with the Company Secretary in dealing with media contact and any external communications.

Current and archived news items announced by the Company are available free of charge at www.asx.com.au.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITYHOLDERS

6.1 INFORMATION ON WEBSITE

The Company has recently upgraded its website to ensure that all information relevant to ARC can be accessed. The website includes links to past and current announcements as well as Annual and Half Yearly Reports. The website www.ruralcapital.com.au also contains links to relevant corporate governance material and the Company's share registry.

In addition to the website, the Board is committed to ensuring that the security holders are at all times provided with information sufficient to allow effective monitoring of the Company's performance by means of:

- the Annual Report which is distributed to security holders (at their election);
- the Half Yearly Report;
- periodic reports and special reports when matters of material interest arise;
- the Annual General Meeting and other meetings called to obtain approval of any Board action as required; and
- continuous disclosure.

The Directors' Code of Conduct and the Charter for the Board of Directors both support this principle.

The Company does not maintain a calendar of events since being a smaller company means that ARC is often unable to program advanced specific dates for the release of interim and full year results with its auditor.

The Company's auditor is required to attend the Annual General Meeting and be available to answer any questions the Security holders may care to ask in respect to the audit of the financial statements of the Company.

6.2 INVESTOR RELATIONS

The Company's Lead Executive does engage with shareholders usually twice per annum, as well as at the Annual General Meeting. The Company Secretary is also available to reply to specific enquiries, provided these are not in contravention of continuous disclosure legislation. Being a smaller company, at this juncture, ARC does not currently have a structured Investor Relations team or program.

6.3 SECURITYHOLDER MEETINGS

The Company does not utilise technology to disseminate live proceedings of its securityholder meetings, but does encourage shareholders to submit questions. In addition, ARC encourages on-line voting if securityholders are unable to attend the relevant shareholder meeting.

6.4 ELECTRONIC COMMUNICATIONS

The Company's share registry provides the option of receiving all or part of communications from ARC in usable and printable electronic form.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1. OVERSIGHT OF RISK

The Board of Directors is the ultimate sponsor of risk oversight within the Company, but does so in a manner which reflects the transparent nature of ARC's employees, systems, reporting as well as noting the use of a number of internal and external risk managers who contribute in various ways to providing comfort that the Company is operating within a sound risk management framework.

As a consequence of its activities which involve dealing in financial assets, the Company pays significant attention to risk. The core activities of the Company mean that ARC deliberately assumes a level of risk of capital loss, the quantum of which is regularly discussed and debated by the Board. Through the reporting of the Company Secretary/CFO and Lead Executive, the Board is able to monitor the level of interest rate, asset concentration of, capital, reputational, credit and overall financial market risk being assumed by the Company.

The Risk and Audit Committee Terms of Reference include a requirement for the Committee to review and monitor the risk management practices and activities of the Company. Also, the risk management responsibilities of the Board and management are dealt with in detail in the Charter for the Board of Directors.

The Risk and Audit Committee does not meet the recommended standards of ASXCGC Recommendations since it only has two members, neither of whom are independent.

7.2 IMPLEMENTATION OF RISK MANAGEMENT SYSTEMS AND RISK REVIEW

The Company has a series of internal and external controls which govern the Company's material business risks. These controls include, but are not restricted to:

- external providers of accounting services to the Company; and
- regular reporting to the Board of Directors.

The Company has not appointed a specific internal auditor. The Risk and Audit Committee has a mandate to review and monitor the risk management practices and activities of the Company. In the 2015/16 year, the Company intends to review the Company's risk framework, dependent upon the development of the ARC business.

7.3 INTERNAL AUDIT FUNCTION

The Board believes ARC is too small to require an internal audit function. In addition, the Company Secretary provides a highly transparent series of board papers and cash reconciliations for each meeting of Directors.

7.4 SUSTAINABILITY RISKS

ARC's exposure to sustainability risks is a "second derivative" i.e. it is an investor (or potential investor) in companies which do have exposure to sustainability risks such as water, weather and the local community. As a consequence, it is possible for ARC to manage these risks only by liaison with the management of the underlying investee company, and not directly.

As a consequence of the above, and its small size, ARC does not publish a sustainability report and does not currently intend to do so.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 REMUNERATION COMMITTEE

The duties and responsibilities of a Remuneration Committee are detailed in the Charter for the Board of Directors. The full Board handles those duties and responsibilities at this time and ensures that the remuneration practices of the Company are fair and reasonable and structured to encourage enhanced performance.

As the Company is currently small in nature, it has a significant peer group from which to assess remuneration paid to non- executive Directors, Executive Directors and the Lead Executive. The Company Secretary regularly checks remuneration awarded to peer positions in cohort companies to ensure that being awarded to ARC Directors is reasonable. Moreover, the limited current resources of the Company ensure that excessive remuneration is unable to be paid without curtailing ARC's future access to capital.

All ARC Directors have a substantial equity stake in the Company. In recent times, the ability to employ individuals who would normally command remuneration well in excess of that capable of being offered by ARC has meant that the Company has supplemented cash salaries with equity based remuneration. The equity based remuneration has been structured in such a manner that it only has value if all shareholders in ARC receive an acceptable return on their investment from the restructure of the Company in July 2015.

The Lead Executive is not involved in the determination of their remuneration.

8.2 EXECUTIVE VERSUS NON- EXECUTIVE REMUNERATION

If an Executive Director is appointed, suitable remuneration will be approved by the Board. Executive remuneration is generally comprised of a fixed remuneration accompanied by equity based payments. The strategy of the Company, at the present time, is such that it is difficult to reward short term performance - indeed to create meaningful short term performance objectives. The Board believes that long term performance will be reflected in the value of ARC's securities and is best rewarded with equity based schemes which only provide benefit in the event of all shareholders securing adequate returns over the medium to long term.

Given the exposure of Executives to securities in ARC, termination payments are generally not given.

Non-Executive Directors fees are governed by an overall limit on such fees, as approved by shareholders of the Company in a General Meeting. As noted in 8.1 above, such fees are referenced to the large cohort of smaller ASX listed companies. Non-Executive Directors are not granted options over unissued shares in the Company, and receive no bonus payments, nor retirement entitlements other than superannuation.

Full details of the remuneration quantum and structure for key personnel is contained in the Remuneration Report within the Annual Report.

8.3 HEDGING OF EQUITY INCENTIVE SCHEMES

As there are no suitable hedges for ARC securities given their small size and illiquidity, there is no policy in this respect.

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

AUSTRALIAN RURAL CAPITAL LIMITED

ABN / ARBN:

52 001 746 710

Financial year ended:

30 JUNE 2015

Our corporate governance statement² for the above period above can be found at:³

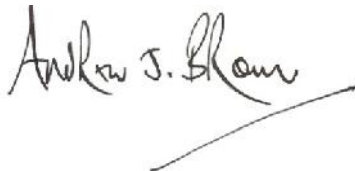
- ☐ These pages of our annual report:
- ☒ This URL on our website: [www.ruralcapital.com.au/about us/corporate governance](http://www.ruralcapital.com.au/about-us/corporate-governance)

The Corporate Governance Statement is accurate and up to date as at 30 July 2015 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 31 July 2015

Name of Director or Secretary authorising lodgement: ANDREW JOHN BROWN



¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): ☒ at www.ruralcapital.com.au/about us/corporate governance/board charter	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

⁴ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	... the fact that we have a diversity policy that complies with paragraph (a): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and a copy of our diversity policy or a summary of it: ☐ at [insert location] ... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and the information referred to in paragraphs (c)(1) or (2): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	... the evaluation process referred to in paragraph (a): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and the information referred to in paragraph (b): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	... the evaluation process referred to in paragraph (a): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and the information referred to in paragraph (b): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	[If the entity complies with paragraph (a):] ... the fact that we have a nomination committee that complies with paragraphs (1) and (2): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and a copy of the charter of the committee: ☐ at [insert location] ... and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] [If the entity complies with paragraph (b):] ... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	... our board skills matrix: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and, where applicable, the information referred to in paragraph (b): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and the length of service of each director: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: ☒ in our Corporate Governance Statement <u>OR</u> ☒ at www.ruralcapital.com.au/about-us/corporate-governance/code of conduct	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	[If the entity complies with paragraph (a):] ... the fact that we have an audit committee that complies with paragraphs (1) and (2): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and a copy of the charter of the committee: ☒ at www.ruralcapital.com.au/about us/corporate governance/risk and audit committee chart ... and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement <u>OR</u> ☒ at 2015 Annual Report and Accounts - Directors Report section [If the entity complies with paragraph (b):] ... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: ☒ in our Corporate Governance Statement <u>OR</u> ☒ at www.ruralcapital.com.au/about us/corporate governance/board charter	☐ an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: ☒ at www.ruralcapital.com.au/about us/corporate governance	☐ an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	[If the entity complies with paragraph (a):] ... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and a copy of the charter of the committee: ☐ at [insert location] ... and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement <u>OR</u> ☒ at 2015 Annual Report and Accounts – Directors Report section [If the entity complies with paragraph (b):] ... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and that such a review has taken place in the reporting period covered by this Appendix 4G: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] [If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	[If the entity complies with paragraph (a):] ... the fact that we have a remuneration committee that complies with paragraphs (1) and (2): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and a copy of the charter of the committee: ☐ at [insert location] ... and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] [If the entity complies with paragraph (b):] ... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	... our policy on this issue or a summary of it: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	Alternative to Recommendation 1.1 for externally managed listed entities: The responsible entity of an externally managed listed entity should disclose: (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.	... the information referred to in paragraphs (a) and (b): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement
-	Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities: An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.	... the terms governing our remuneration as manager of the entity: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement