

Rural Funds Management Limited

Conflict of Interest Management Policy

Last updated 30 November 2017

CONTENTS

1.	Introduction	1
1.1	Purpose	1
1.2	Scope	1
1.3	Roles and responsibilities	1
1.4	Key definitions	1
1.5	Reporting requirements	4
1.6	Policy review and revision	4

2.	Related Party Transactions	5
2.1	Identification and notification	5
2.2	Substantial Asset	5
2.3	Identifying Approval Requirements	5
2.4	Exception: Documentation required	6
2.5	Arm's length exception: Member approval not sought	6
2.6	Seeking Member approval when there is uncertainty	7
2.7	Role of Compliance Officer and Compliance Manager	7

3.	Conflicts of Interest	8
3.1	Directors and Employees	8
3.2	Identification and notification	8
3.3	Conflicts Register	8
3.4	Avoiding Conflicts of Interest	9

4.	Transactions with persons in a position of influence	10
4.1	Identification and notification	10
4.2	Transaction Member approval	10

	Schedule 1 – Conflict of Interest Notice	11
--	---	-----------

	Schedule 2 – Specific Conflicts of Interest	12
--	--	-----------

	Schedule 3 – Related party examples	14
--	--	-----------

	Schedule 4 – Is it a related party transaction flowchart	16
--	---	-----------

5.	Document information	17
5.1	Purpose	17
5.2	Version Control – Word Doc whilst in Draft (PDF = Final)	17
5.3	Authorisation and Sign-off	17
5.4	Acronyms / Definitions Used Throughout the Document	18
5.5	References (Related Policies / Procedures and Requirements)	18

1. Introduction

1.1 Purpose

The purpose of this policy is to ensure Rural Funds Management Limited ('RFM') has arrangements in place to adequately manage actual or potential conflicts of interest which may arise in relation to operating the Funds

1.2 Scope

This policy applies to RFM, its Employees, Directors and Related Parties.

1.3 Roles and responsibilities

The Board of Directors is responsible for approving this policy as well as any future changes or amendments to it. The Board is responsible for reviewing any Related Party Transactions (as defined in Part 5C.7 Corporations Act) or Conflicts of Interest.

The Board is responsible for reviewing the Conflict of Interest Notices as they are submitted, reviewing the Conflicts of Interest Register and the Related Party Transactions Register and ensuring all conflicts of interest and related party transactions are appropriately recorded in the Conflicts of Interest Register and Related Party Transaction Register, respectively by the Compliance Officer or Compliance Manager. The Internal Compliance Committee will conduct an annual review of the registers and this policy and recommend any changes to the policy resulting from that review.

The Compliance Officer and the Compliance Manager will provide support to the Compliance Committee through day-to-day management of this policy, handling any complaints that may be identified by internal or external parties, maintaining the Conflicts of Interest Register and Related Party Transactions Register, as well as the preparation of summary documents for the Compliance Committee's perusal. The Compliance Officer or the Compliance Manager will also be responsible for the execution of any decisions made by the Compliance Committee.

1.4 Key definitions

Term	Explanation
Authorising Body	RFM Board of Directors
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange Limited
Board	RFM Board of Directors
Company or RFM	Rural Funds Management Limited

Term	Explanation
Compliance Committee	means an internal compliance committee established by RFM to monitor compliance with RFM's AFS licence, compliance plan and improve systems on a practical level
Compliance Manager	a person appointed by RFM to that position
Compliance Officer	a person appointed by RFM to that position
Conflict of Interest	<p>will arise in circumstances where:</p> <ul style="list-style-type: none"> a) the interests of the Directors or Employees or Related Parties are inconsistent with, or diverge from, the interests of RFM; or b) the interests of RFM, its Directors, Employees or Related Parties are inconsistent with, or diverge from, the interests of Members of the Funds; or c) the interests of RFM as responsible entity of a Fund are inconsistent with, or diverge from the interests of RFM as responsible entity of another Fund <p>A Conflict of Interest may be actual, apparent or potential</p>
Conflict of Interest Notice	a document to be completed by the Compliance Officer or the Compliance Manager along with the help of any party directly involved in a Conflict of Interest or Related Party Transaction
Conflicts of Interest Register	a register, maintained by the Compliance Officer, which contains details of actual or potential Conflicts of Interest
Corporations Act	the <i>Corporations Act</i> 2001 (Cth)
Director	a director of RFM
Employee	an employee of RFM
Employee Code of Conduct	the employee code of conduct applying to Employees as approved by RFM, from time to time
FSG	Financial Services Guide prepared in accordance with Division 2 Part 7.7 Corporations Act

Term	Explanation
the Funds or Schemes	RF Active; Rural Funds Trust; RFM Almond Fund 2006; RFM Almond Fund 2007; RFM Almond Fund 2008; RFM Poultry; and, 2007 Macgrove Project
IM	Information Memorandum
Influential Persons	<ul style="list-style-type: none"> • A related party, a subsidiary, a 10% substantial holder (<i>i.e. the person and the person's associates have a relevant interest, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the voting securities</i>); • An associate (<i>e.g. any director or secretary of the body corporate, a related body corporate and a director or secretary of a related body corporate</i>) of a person referred to above; • A person whose relationship to the entity or a person referred to above is such that, in ASX's opinion, the transaction should be approved by security holders. • A person nominated by the NSX
Member	a person who holds an interest in a Fund
PDS	Product Disclosure Statement or other disclosure document seeking to raise funds prepared in accordance with the Corporations Act
NSX	National Stock Exchange of Australia Limited
SPDS	Supplementary Product Disclosure Statement prepared in accordance with the Corporations Act
Substantial Asset	An asset is substantial if its value, or the value of the consideration for it is, or in ASX opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the listing rules

Term	Explanation
Related Party	a person deemed to be a related party of RFM under section 228 Corporations Act as modified by Part 5C.7 Corporations Act or any other person mentioned in section 208(1)(c), as modified by section 601LC Corporations Act
Related Party Transaction	means a transaction with a Related Party which is regulated by Part 5C.7 Corporations Act and includes any transaction through which a public company or registered managed investment scheme provides a financial benefit to a related party (such as a director, their spouse, parents and children as defined in Section 228 of the Corporations Act 2001)
Related Party Transaction Register	a register, maintained by the Compliance Officer, which contains details of any Related Party Transactions

1.5 Reporting requirements

The Compliance Officer will report to the Board and to the Compliance Committee information relevant to any related party transactions or conflicts of interests as soon as practicable and in any event at least monthly (quarterly to the Compliance Committee). The report will include information about:

- Any conflicts of interest and details of the status of the conflicts;
- Any related party transactions and details of the status of the transaction;
- Any Conflict of Interest Notices received; and
- Any reviews of this policy or assessment of conflicts taken.

Should a breach of this policy be identified, the Compliance Officer or the Compliance Manager must inform the Compliance Committee and the Board. If the breach is committed by an Employee, the Employee will be treated in accordance with the Employee Code of Conduct. The Board will be responsible for deciding the best course of action in responding to any breach of this policy.

1.6 Policy review and revision

RFM requires this policy to be reviewed as required but at least annually. The Compliance Committee, another internal party or an independent external party, such as the auditor or a legal adviser, may undertake this review.

Any amendments made to this policy must first be approved by the Board, as stipulated in Section 1.3.

2. Related Party Transactions

2.1 Identification and notification

The Compliance Officer and Compliance Committee should be given information on upcoming investments and transactions, so that they can identify any related party transactions.

Once a related party transaction has been identified, the Compliance Officer is responsible for submitting a Conflict of Interest Notice and/or any other relevant documentation to the Board and the Compliance Committee as part of the reporting, as described in Section 1.5.

2.2 Substantial Asset

Where the related party transaction involves the acquisition or disposal (which includes leases, mortgages or charges) of a Substantial Asset owned by the Rural Funds Group or RFM Poultry, or any other listed entity which RFM is the responsible entity for, the transaction must be approved by Members unless granted a waiver by the ASX or NSX. When in doubt, a written opinion should be sought from the ASX and NSX if required on whether Members approval is required. Refer to Chapter 10 of the ASX Listing Rules and Chapter 6 Section IIC of the NSX Listing Rules for further guidance on transactions involving a Substantial Asset.

The exceptions described in Section 2.3 below are not applicable to a transaction involving the acquisition or disposal of a Substantial Asset.

2.3 Identifying Approval Requirements

Section 208 as modified by section 601LC Corporations Act provides that a responsible entity cannot provide a financial benefit out of scheme property, or which could endanger scheme property to itself or a related party unless the provision of the financial benefit is approved by Members, or one of the following exceptions apply to the transaction:

- (s210) Arm's length terms – Member approval is not required to give a financial benefit on terms that would be reasonable in the circumstances if the entity and the related party were dealing at arm's length; or are less favourable to the related party than the terms referred to above;
- (s211) Remuneration and reimbursement for officer or employee;
- (s212) Officer indemnities, exceptions, insurance premiums and payment for legal costs;
- (s215) Benefits to members that do not discriminate unfairly;
- (s216) Pursuant to a court order.

Refer to ASIC Regulatory Guide 76 for further guidance.

2.4 Exception: Documentation required

The following information and documentation must be submitted to the Board for consideration and approval in respect of each related party transaction: whether the party is a related party and how they are related (see the definition of “Related Party”, s228 Corporations Act);

- the nature and value of the financial benefit;
- where the financial benefit is an asset:
- an independent valuation or confirmation of the existing value undertaken prior to on-selling the asset; and
- verification that the asset is suitable for its intended purpose against the related party’s operational objectives;
- summary of the proposed terms of the financial benefit;
- (where applicable) review of other arm’s length transactions, whether undertaken by RFM, its related parties or other third parties which might be comparable to the related party transaction;
- legal advice obtained in relation to the proposed related party transaction; and
- any other professional advice obtained in relation to the proposed related party transaction.

2.5 Arm’s length exception: Member approval not sought

The ‘arm’s length transaction’ exemption in section 210 provides that Member approval is not required if a related party transaction is entered into on terms that:

- a) would be reasonable in circumstances, if the parties were dealing with each other at arm’s length; or
- b) are less favourable to the related party than arm’s length terms.

The Australian Securities and Investments Commission (ASIC) has issued Regulatory Guide 76: Related party transactions (RG 76), which provides guidance to companies and responsible entities in order to assist them in assessing whether the arm’s length exemption applies. RG 76 sets out the factors which ASIC believes responsible entities and public companies should have regard to when assessing whether the arm’s length exemption applies. ASIC has indicated that when assessing whether a transaction is on arm’s length terms, parties should consider the transaction terms that would result if:

- a) the parties to the transaction were unrelated;
- b) the parties were free from undue influence, control or pressure;
- c) each party was sufficiently knowledgeable about the circumstances of the transaction, sufficiently experienced in business and sufficiently well advised to be able to form a sound judgment as to what was in its interests; and
- d) each party was concerned only to achieve the best available commercial result for itself in the circumstances.

When deciding whether the arm's length exemption applies, ASIC has suggested that:

- a) the parties undertake a comparison of other similar transactions that have been undertaken by arm's length parties;
- b) if the terms of the financial benefit are unusual, extraordinary or excessively generous, then it is less likely to be considered on arm's length terms;
- c) if parties have dealt with each other as unrelated parties would normally do, then it would be expected they engage in a process of real bargaining;
- d) the financial impact of the transaction should be assessed by the parties; and
- e) the parties should consider the availability of entering into the transaction with a non-related party.

If the related party transaction involves the acquisition or disposal (which includes leases, mortgages or charges) of a Substantial Asset owned by the Rural Funds Group or RFM Poultry then no exceptions are available and Member approval must be sought.

2.6 Seeking Member approval when there is uncertainty

When there are potential conflicts of interest, the Board has a heightened obligation to ensure that the necessary corporate approvals are obtained. If, after taking into account all the factors as described in Section 2.5 and any other relevant factors, it is not clear that the transaction falls within the arm's length exception (or any other exception in Ch 2E), Member approval should be sought.

2.7 Role of Compliance Officer and Compliance Manager

The Compliance Officer and Compliance Manager are responsible for recording all related party transactions and ensuring compliance with section 2 of this policy. They must ensure that a Conflict of Interest Notice, as required, in particular for conflicts involving natural persons, is lodged with the Authorising Body.

3. Conflicts of Interest

3.1 Directors and Employees

All Directors and Employees of RFM and its related parties shall act in accordance with all relevant laws and regulations when involved in any transaction where a conflict of interest may arise. Further details of the rules and requirements are listed in the Corporate Governance Charter and Employee Code of Conduct.

3.2 Identification and notification

A party who becomes aware of an actual or a potential conflict of interest must immediately notify the Compliance Officer or the Compliance Manager.

RFM has identified particular conflicts of interest specifically relevant to carrying on a business of operating the Schemes. A list of these identified potential conflicts is detailed in Schedule 2 – Specific Conflicts of Interest. Schedule 3 provides examples of related parties.

A Conflict of Interest Notice must be completed where a conflict of interest arises between RFM or its related parties, Directors, Employees or the Funds, and in particular for conflicts involving natural persons.

When providing notice of an actual or potential conflict of interest, the party must provide the Compliance Officer or the Compliance Manager with the following details:

- the nature and likely duration;
- the nature of any financial benefits, including an estimate of the total amount of money received or paid (or to be received or paid) under the relevant transaction;
- whether or not the transaction in question is on arm's length terms; and
- any other relevant information known by the party.

An example of a Conflict of Interest Notice is attached as Schedule 1—Conflict of Interest Notice. Alternatively, notice may be provided by email to the Compliance Officer provided all required information is given.

3.3 Conflicts Register

RFM has established a Conflicts of Interest Register and a Related Party Transactions Register to record any actual or potential conflicts of interest and related party transactions that may arise in connection with carrying on the business of operating the Schemes.

The Compliance Officer or Compliance Manager must use any submitted Conflict of Interest Notice to maintain and update the Conflicts of Interest Register and the Related Party Transactions Register. The registers are a key control in managing and monitoring RFM's actual or potential conflicts of interest.

3.4 Avoiding Conflicts of Interest

The Authorising Body will be responsible for reviewing conflicts of interest set out in any Conflicts of Interest Notice and determining which steps must be taken in response to conflicts of interest. The Authorising Body will make decisions of whether to avoid a conflict of interest on a case-by-case basis. The outcomes of these decisions will be recorded in the pertinent Conflict of Interest Notices as well as the Conflicts Register or Related Party Transaction Register. If the Authorising Body considers it appropriate, RFM may seek approval of Members of the relevant Fund of the conflict of interest by resolution passed at a meeting of the Members of the Fund.

4. Transactions with persons in a position of influence

4.1 Identification and notification

The Compliance Officer and Compliance Committee should be given information of the proposed transactions as they relate to RFM's entities listed on the ASX or NSX. These transactions include:

- acquisition and disposal of assets of the listed entity; and
- acquisition of securities in the listed entity.

The Compliance Officer will obtain the relevant documentation as required for any other related party transaction and record the transaction in the Conflicts of Interest and Related Party Transactions Register or the Related Parties Register, as applicable.

4.2 Transaction Member approval

The exception for benefits provided on arm's length terms does not apply to these transactions.

Where it becomes clear that the proposed transaction falls within the criteria as stipulated by the ASX or NSX, Member approval will be sought.

Schedule 1 – Conflict of Interest Notice

Conflict of Interest Notice		
Licensee:	Rural Funds Management Ltd ABN 65 077 492 838, AFSL No. 226701	
Details of parties		
Related Party/Employee/ Other:		
Details of conflict/related party transaction		
Actual or potential conflict:	Actual / Potential	
Nature of the conflict/related party transaction:		
Likely duration of the conflict/related party transaction:		
The nature of any financial benefits:		
Arm's length transaction:		
Legal review:		
Other relevant information (if any):		
Signed:	Date:	
Approved:	Date:	

Schedule 2 – Specific Conflicts of Interest

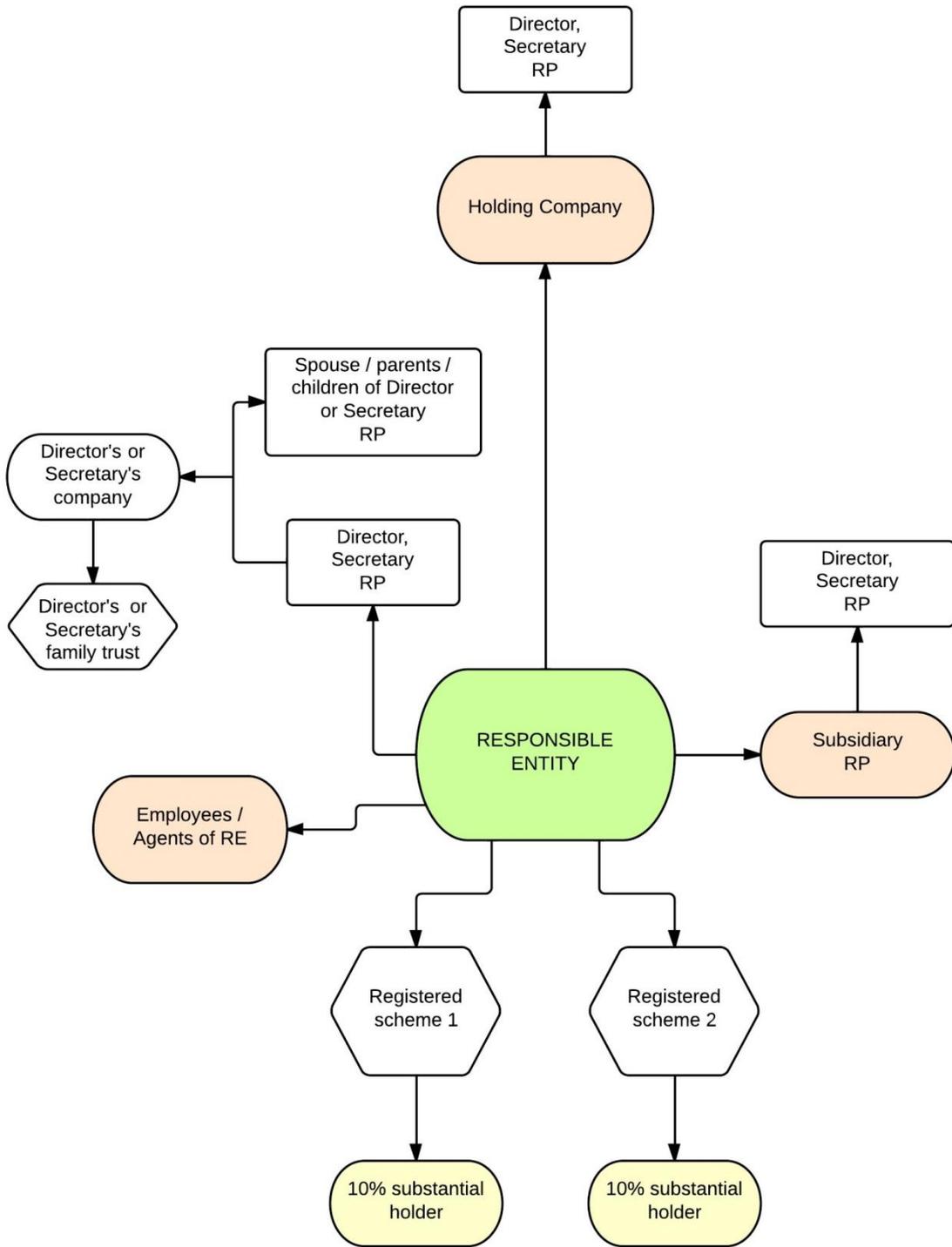
This list is non-exhaustive and is provided to serve as an example of the procedures that are in place to deal with some of the most common possibilities for Conflicts of Interest within RFM and its Related Parties. The list may be added to or otherwise changed as frequently as the Board deems necessary.

Description of conflict of interest identified	Mechanisms used to manage conflict of interest	Monitoring procedure
Conflicting interests between the Funds and another entity within the RFM Group	<p><i>Disclosure</i></p> <ul style="list-style-type: none"> • Ensure sufficient disclosure in (as applicable) FSG, and PDS, SPDS or IM. For example, ensure disclosure (as appropriate) of the relationship between entities within the RFM Group where it may influence the advice, and reason for recommendation <p><i>Internal controls</i></p> <ul style="list-style-type: none"> • Require the Authorising Body or Members approval before any transaction may proceed (See Section 2). • The Directors must ensure RFM acts in the best interests of Members in the relevant Funds. • Ensure compliance procedures are being carried out in accordance with RFM compliance policies and procedures. 	<p><i>Disclosure</i></p> <ul style="list-style-type: none"> • Review disclosures in FSG and PDS, SPDS or IM at least annually to ensure accurate. • Where, Members meetings are called to approve Conflicts of Interest, the Board must ensure that the notice of meeting dispatched to Members contains adequate disclosure of the nature of the conflict of interest. <p><i>Internal controls</i></p> <ul style="list-style-type: none"> • Compliance Officer or Compliance Manager to report to the Compliance Committee and the Board any occurrences of non-compliance or breaches (See Section 2). • Annual review and audit of compliance procedures by the Compliance Committee to ensure adequacy and compliance.
Conflict between personal interest of a Director and the Funds	<p><i>Disclosure</i></p> <ul style="list-style-type: none"> • Ensure sufficient disclosure in (as applicable) FSG and PDS, SPDS or IM. • The Directors must ensure RFM acts in the best interests of Members in the relevant Funds. • Directors are required to disclose conflicts of interest to the Board. • Ensure interests in Funds acquired by Directors on arm's length terms or as part of remuneration package. <p><i>Internal controls</i></p> <ul style="list-style-type: none"> • Exclude the conflicted Director from vote depending on the size and nature of the financial benefit (materiality threshold). 	<p><i>Disclosure</i></p> <ul style="list-style-type: none"> • Review disclosures in FSG and PDS, SPDS or IM to ensure accurate disclosure of directors' interests. • All Conflicts of Interest to be recorded in Conflicts of Interest Register. <p><i>Internal controls</i></p> <ul style="list-style-type: none"> • Review materiality threshold. • Obtain legal advice when required to consider relevant issues, such as voting on resolutions.

<p>Risk of inappropriate transaction terms because transaction occurs between Related Parties</p>	<p><i>Disclosure</i></p> <ul style="list-style-type: none"> • Review before agreement the terms of all Related Party Transactions. • Ensure disclosure in accordance with compliance policies and procedures and relevant legislation. <p><i>Internal controls</i></p> <ul style="list-style-type: none"> • Compliance Committee and/or Board approval required for Related Party Transactions. 	<p><i>Disclosure</i></p> <ul style="list-style-type: none"> • Prior to being issued, review (as application, IM or EM (notice of meeting) to ensure sufficient disclosure. • Details of review to be included in Related Party Register Interest Notice, including grounds for approval or rejection of Related Party Transactions. • Compliance Committee to annually review Related Party Register. <p><i>Internal controls</i></p> <ul style="list-style-type: none"> • Monthly review of upcoming transactions to determine Related Party involvement and ensure compliance.
<p>Risk of management having an investment in an entity that provides services to the Funds</p>	<p><i>Disclosure</i></p> <ul style="list-style-type: none"> • Ensure disclosure in accordance with compliance policies and procedures. <p><i>Internal controls</i></p> <ul style="list-style-type: none"> • Employee Code of Conduct requires disclosure to Board as soon as it is identified by anyone within the company, disclosure as per the Conflict of Interest Management Policy. • Where services are proposed to be provided to the Funds by Related Parties, ensure that contracts reviewed and approved by the Authorising Body in accordance with this policy. 	<p><i>Disclosure</i></p> <ul style="list-style-type: none"> • Prior to issue, review disclosures in FSG, and PDS, SPDS, IM or EM (notice of meeting) to ensure accurate disclosure of management interests. <p><i>Internal controls</i></p> <ul style="list-style-type: none"> • Receive advice from an independent party (i.e. legal advice) and Board on whether the relationship is appropriate. • All Related Party contracts must be reviewed and recorded in Related Party Transaction Register prior to being approved by the Authorising Body.

Schedule 3 – Related party examples

Registered managed investment schemes



Key

RE = responsible entity

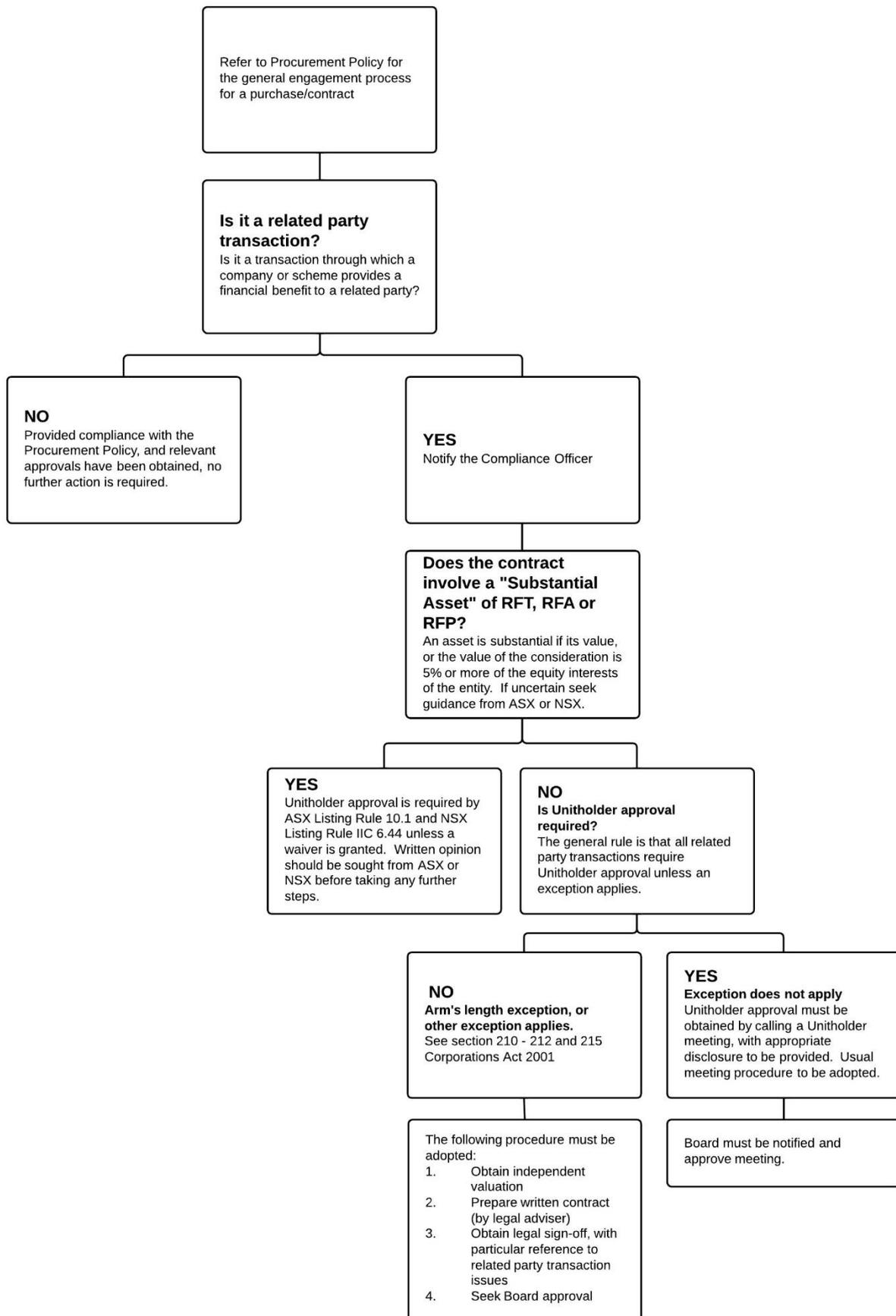
RP = related party

Summary

The related party transaction prohibitions apply to financial benefits given out of scheme property to:

- (a) the Responsible Entity;
- (b) an entity the Responsible Entity controls (e.g. another registered scheme);
- (c) Director, Secretary and their associates;
- (d) an agent, or employee of the RE;
- (e) other influential persons; or
- (f) a related party of any of the entities mentioned in (a) to (e) above.

Schedule 4 – Is it a related party transaction flowchart



5. Document information

5.1 Purpose

For all enquiries or proposed changes, please contact:

Document Owner: Compliance Officer

5.2 Version Control – Word Doc whilst in Draft (PDF = Final)

Version	Date	Comments	Initials
1.1	April 2010	Finish the first draft of policy	LW
1.2	June 2011	Amendments, McCullough Robertson legal review	LW
1.3	October 2012	Amendments (minor changes only, no contents change)	LW
1.4	October 2013	Amendments	LW
1.5	January 2014	Amendments	AB
1.6	March 2014	Amendments	LW
1.7	April/May 2014	Amendments (as approved by the Board on 25 March and 30 April 2014)	LW
1.8	August 2014	Amendments	LW
1.9	15 October 2015	Annual review	SM/LW
2.0	9 January 2016	Annual review and external review by McCullough Robertson Lawyers	KS & SR
2.1	30 November 2017	Annual review. Removal of SBK and general tidy-up.	SM

5.3 Authorisation and Sign-off

Date	Name	Position / Department	Sign-Off
24/5/2010	N/A	RFM Board, ECC	Approved
28/7/2011	N/A	RFM Board, ECC	Approved
Oct 2012	Stuart Waight	Chief Operating Officer	Approved
10/2/2014	N/A	ECC	Approved
12/2/2014	N/A	RFM Board	Approved
25/3/2014 30/4/2014	N/A	RFM Board	Approved
10/9/2014	Board	RFM Board	Approved
22/10/2015	Board	RFM Board	Approved
26/04/2017	Board	RFM Board	Approved
21/12/2017	Board	RFM Board	Approved

5.4 Acronyms / Definitions Used Throughout the Document

Acronym	Description
RFM	Rural Funds Management (RE)
RE	Responsible Entity
RFP	RFM Poultry, an RFM managed entity listed on the NSX
RFA	RF Active
RFT	Rural Funds Trust
RFF	Rural Funds Group which is a collective term for the RFM managed stapled entity listed on the ASX encompassing Rural Funds Trust and RF Active.

5.5 References (Related Policies / Procedures and Requirements)

Related Policies / Procedures
Delegations Policy
Code of Conduct
Corporate Governance Charter
Product Disclosure Statements (open offers)
Conflict of Interest Notice
Registers: Conflicts of Interest, Related Party Transactions (Tickit Compliance System), Related Parties Register, Register of Interest in Securities
Rapid Induct: Compliance – Induction, Compliance – Key Areas
Legislation / Other References
<i>Corporations Act 2001 (Cth)</i>
ASIC Regulatory Guides 76, 181
ASX Listing Rule 10
NSX Listing Rules, Section IIC Chapter 6
FSC Standards