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## Conflict of Interest Management Policy

Effective: 31 March 2020  
Owner: Company Secretary  
Approval: Board  
Reviewed: Annually

**POLICY** Conflicts of Interest may arise between the Funds managed by the Company.

**PURPOSE** The Board has established this policy (**Policy**) to ensure that:

- arrangements are in place to adequately manage any actual or potential Conflicts of Interest which may arise; and
- all Directors and Employees act in accordance with all relevant laws and regulations when dealing with an actual or potential conflict.

**SCOPE** This Policy applies to:

- RFM, its Employees, Directors and any Related Parties.

**RELATED POLICIES**

- Corporate Governance Charter
- Employee Code of Conduct

**NEED HELP?** Any queries regarding this Policy should be directed to the Company Secretary.

## RELATED PARTY TRANSACTIONS

1. Details of upcoming investments and transactions between Related Parties must be provided to the Compliance Team. The transaction will be entered into the Conflict of Interest Register and provided to the Board and the Internal Compliance Committee.
2. Members must approve a transaction that gives a financial benefit to a Related Party of RFM, where the benefit is given by RFM, a Related Party or their agent, out of Scheme property or where it could endanger Scheme property, where that benefit it is given to RFM or their Related Party<sup>1</sup>, unless any of the following exceptions apply::
  - a. the transaction is on arm's length<sup>2</sup> (see paragraphs 8-9 below for further information);
  - b. benefits that are reasonable remuneration or reimbursements of officers' and Employees' expenses;<sup>3</sup>
  - c. an indemnity, exemption or insurance premiums, payment of legal costs for liabilities incurred by officers<sup>4</sup>;
  - d. benefits to Members that do not discriminate unfairly<sup>5</sup>; or,
  - e. benefits made pursuant to a court order<sup>6</sup>.
3. To rely on an exclusion in paragraph 2 the following information must be submitted to the Board for approval:
  - a. the nature and value of the financial benefit;
  - b. 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;
  - c. summary of the proposed terms of the financial benefit;
  - d. review of other comparable transactions;
  - f. legal or other professional advice concerning the proposed transaction.

<sup>1</sup> *Corporations Act 2001* (Cth) s 601LC replacement s 208. Further information can be found in the guidance provided by ASIC in Regulatory Guide 76 - related party transactions.

<sup>2</sup> *Corporations Act 2001*(Cth) s 210.

<sup>3</sup> *Corporations Act 2001*(Cth) s 211.

<sup>4</sup> *Corporations Act 2001*(Cth) s 212.

<sup>5</sup> *Corporations Act 2001*(Cth) s 215.

<sup>6</sup> *Corporations Act 2001*(Cth) s 216.

4. A Related Party Transaction Board paper template is to be used before submitting to the Board. This template is located on the intranet: Information Centre>Forms>RFM Board Paper Related Party Transactions Template.
5. If, after considering all the factors described in this Policy (and any other relevant factors), it is not clear whether the transaction falls within the arm's length exception (or any other exception in Ch 2E), Member approval should be sought.

#### **ADDITIONAL REQUIREMENTS FOR LISTED ENTITIES (TRANSACTIONS WITH PERSONS IN A POSITION OF INFLUENCE)**

6. For listed entities, when a Related Party Transaction involves the acquisition or disposal of a substantial asset<sup>7</sup> Member approval, or a waiver from ASX or NSX (as appropriate), **must** be sought.<sup>8</sup>
7. *For example*, if the Related Party Transaction involves the acquisition or disposal of a substantial asset by RFF or RFP no exceptions are available and Member approval **must** be sought.

#### **FURTHER INFORMATION ON THE ARM'S LENGTH EXCEPTION**

8. ASIC Regulatory Guide (**RG**) 76 also provides guidance to assist determining whether the arm's length exemption applies. RG 76 requires parties to consider the transaction terms that would result if:
  - a. the parties to the transaction were unrelated in any way (e.g. financially, or through ties of family, affection or dependence);
  - 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.
9. When deciding whether the arm's length exemption applies, ASIC has suggested that:

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<sup>7</sup> 'Acquisition', 'disposal' and 'substantial asset' are each defined in Chapter 19 of the ASX Listing Rules.

<sup>8</sup> Further information on related party transactions can be found in Chapter 10 of the ASX Listing Rules or Chapter 6.44 Section IIC of the NSX Listing Rules.

- 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.

### **CONFLICTS OF INTEREST**

10. Any actual or a potential Conflicts of Interest must be immediately reported to the Compliance Team.
11. A Conflict of Interest report must be completed where a conflict arises between RFM or its Related Parties, Directors, Employees or the Funds, and particularly for conflicts involving natural persons. The report must include:
  - a. the nature and likely duration of the conflict;
  - b. 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;
  - c. whether or not the transaction in question is on arm's length terms; and,
  - d. any other relevant information known by the party.
12. *Appendix 1* provides specific Conflicts of Interest relevant to carrying on a business of operating the Schemes.

### **COMPLIANCE REGISTERS AND BOARD REPORTING**

13. The Company maintains a Conflict 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.
14. The Board is responsible for reviewing the Conflict of Interest Register and determining steps to be taken in response to conflicts. Decisions are made on a case-by-case basis and will be recorded in the relevant register.

15. The Compliance Team will report to the Board monthly and to the Compliance Committee quarterly on information relevant to any Related Party Transactions or Conflicts of Interests. The report must include:
  - a. any Conflicts of Interest and details of the status of the conflicts;
  - b. any Related Party Transactions and details of the status of the transaction; and
  - c. any reviews of this Policy or assessment of conflicts taken.

#### **BREACH OF POLICY**

16. Any breach of this Policy will be reported to the Board and the Compliance Committee, by the Compliance Team. The Board will decide the best course of action in response to a breach.
17. Any Employee in breach will be dealt with pursuant to the Employee Code of Conduct.

## DEFINITIONS

Term	Definition
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange Limited
Board	RFM Board of Directors
Company (RFM)	Rural Funds Management Limited ACN 077 492 838
Compliance Committee	means an internal compliance committee established by RFM to monitor compliance with RFM's Australian financial services licence, compliance plan and improve systems on a practical level
Compliance Manager	a person appointed by RFM to that position
Compliance Team	includes the Company Secretary, Assistant Manager – Compliance & Risk and Compliance Officer
Conflict of Interest	will arise in circumstances where: <ul style="list-style-type: none"> <li>a) the interests of the Directors or Employees or Related Parties are inconsistent with, or diverge from, the interests of RFM; or</li> <li>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</li> <li>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.</li> </ul> A conflict of interest may be actual, apparent or potential
Conflict of Interest Register	a register which contains details of actual or potential Conflicts of Interest
Corporations Act	the <i>Corporations Act 2001</i> (Cth)
Director	a director of the Company
Employee	an employee of the Company
Employee Code of Conduct	the employee code of conduct applying to Employees as approved by RFM, from time to time
FSG	Financial Services Guide in accordance with Div 2 Part 7.7 Corporations Act
the Funds or Schemes	RF Active ARSN168 740 805; RFM Poultry ARSN 164 851 218; Rural Funds Trust ARSN 112 951 578; RFM Almond Fund ARSN 117 859 391; and, 2007 Macgrove Project ARSN 119 560 235
IM	Information memorandum
Influential Persons	<ul style="list-style-type: none"> <li>• 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>);</li> <li>• 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;</li> <li>• 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.</li> </ul> a person nominated by the NSX
Member	a person who holds an interest in a Fund

<b>PDS and SPDS</b>	Product Disclosure Statement (or Supplementary Product Disclosure Statement) or other disclosure document seeking to raise funds prepared in accordance with the Corporations Act
<b>Related Party</b>	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
<b>Related Party Transaction</b>	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
<b>Related Party Transaction Register</b>	a compliance register which contains details of any Related Party Transactions

## APPENDIX 1: SPECIFIC CONFLICTS OF INTEREST

This non-exhaustive list provides example procedures to deal with more likely potential Conflicts of Interest.

Identified Conflict of Interest	How to manage	How to monitor
<b>Conflicting interests between the Funds and another entity within the RFM Group</b>	Disclosure <ul style="list-style-type: none"> <li>• Ensure sufficient disclosure in (as applicable) FSG, and any 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</li> <li>• Internal controls</li> <li>• Require the Board or Members approval (as applicable) before any transaction may proceed</li> <li>• The Directors must ensure RFM acts in the best interests of Members in each of the relevant Funds</li> <li>• Ensure compliance procedures are being carried out in accordance with RFM compliance policies and procedures.</li> </ul>	Disclosure <ul style="list-style-type: none"> <li>• Review disclosures in FSG and PDS, SPDS or IM at least annually to ensure accurate.</li> <li>• 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.</li> <li>• Internal controls</li> <li>• Compliance Team to report to the Compliance Committee and the Board any occurrences of non-compliance or breaches.</li> <li>• Annual review and audit of compliance procedures by the Compliance Committee to ensure adequacy and compliance.</li> </ul>
<b>Conflict between personal interest of a Director and the Funds</b>	Disclosure <ul style="list-style-type: none"> <li>• Ensure sufficient disclosure in (as applicable) FSG and PDS, SPDS or IM.</li> <li>• The Directors must ensure RFM acts in the best interests of Members in the relevant Funds.</li> <li>• Directors are required to disclose Conflicts of Interest to the Board.</li> <li>• Ensure interests in Funds acquired by Directors on arm's length terms or as part of remuneration package.</li> <li>• Internal controls</li> <li>• Exclude the conflicted Director from vote depending on the size and nature of the financial benefit (materiality threshold).</li> </ul>	Disclosure <ul style="list-style-type: none"> <li>• Review disclosures in FSG and PDS, SPDS or IM to ensure accurate disclosure of Directors' interests.</li> <li>• All Conflicts of Interest to be recorded in Conflict of Interest Register.</li> <li>• Internal controls</li> <li>• Review materiality threshold.</li> <li>• Obtain legal advice when required to consider relevant issues, such as voting on resolutions.</li> </ul>

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