



A Class Share Policy

June 2019



1. ISSUE AND REDEMPTION

Under the Constitution the Board has the power to issue and redeem A Class Shares. The Board considers it appropriate to set policies and guidelines concerning the manner in which it will approach these matters, with a view to promoting consistency. The following sets out the policies and guidelines that the Board intends to apply to the issue and redemption of A Class Shares in normal circumstances. However, the Board reserves the right to exercise its discretionary powers in a different manner if it considers that appropriate.

Please note that capitalised terms are defined in the Ricegrowers Limited Constitution.

2. POLICY BACKGROUND

2.1 Issue of an A Class Share

- The person applying for an A Class Share (Applicant) must be an Active Grower, or a person who the Board believes will become an Active Grower. An Active Grower is a person who has supplied paddy rice (being the produce of that grower and not acquired for delivery) to the Company on or before a particular date (“Test Date”):
 - where the Test Date is on or before 30 June 2016, the paddy rice so supplied is one (1) tonne in the Two Year Delivery Period before that Test Date; and
 - where the Test Date is after 30 June 2016, the paddy rice so supplied is two hundred (200) tonnes in the Two Year Delivery Period before that Test Date;
- The Board has discretion as to when, and at what price it will issue an A Class Share. There is no obligation to issue an A Class Share to a person who is an Active Grower, as the Board retains a discretion. The Constitution expressly provides that the Board may refuse an application for an A Class without assigning a reason for that refusal. However, the Directors need to exercise that power in the best interests of Ricegrowers Limited and for a proper purpose.
- The Board has a practice of undertaking regular reviews to determine if there are Active Growers who ought to be invited to apply for an A Class Share. As part of this review the Board may take steps to gather information that is relevant in making a decision to determine if a potential applicant would become an Active Grower.
- If a grower has applied for an A Class Share after 30 June 2016 and they have delivered at least 100 tonnes of rice, in year one of the relevant Two Year Delivery Period, the Board will take the view that it has reasonable grounds to believe that the grower will become an Active Grower.
- If a grower has applied for an A Class Share after 30 June 2016 and they have delivered less than 100 tonnes of rice in year one of the Two Year Delivery Period, the Board will take the view that it does not have reasonable grounds to believe that the grower will become an Active Grower.
- If a grower has applied for an A Class Share after 30 June 2016 and they have delivered at least 100 tonnes of rice in year one of the relevant Two Year Delivery Period, but less than the amount required in year two to make up the minimum two hundred (200) tonnes of rice over the Two Year Delivery Period, the Board may still investigate and assess whether there are reasonable grounds

for it to form a view that the grower will become an Active Grower if year two is a year in respect of which the Board has determined to exercise its discretion to defer redemption of A Class Shares under paragraph 3.2.4 on the basis of drought or other adverse growing conditions. This would involve an assessment and verification of information relating to the grower including their record of rice production and delivery to SunRice.

2.2 Redemption of an A Class Share – Active Grower Status

- The Board may redeem A Class Shares under certain circumstances, including the Member ceasing to be an Active Grower.
- The Board has a practice of undertaking annual reviews to determine if there are Members who are no longer Active Growers.
- The Board is not obliged to redeem the A Class Share immediately upon the Member ceasing to be an Active Grower.
- The Board may use its discretion to defer redemption of an A Class Share if the Directors believe that the Member will resume being an Active Grower. This discretion is only exercised if the circumstances are objective, verifiable, consistent and transparent.
- The Board may take steps to gather information that is relevant in making a decision to determine if the Member may resume growing rice.

2.3 Redemption of an A Class Share – minimum number of B Class Shares

- Rule 5.3 in the Constitution provides that the Board may redeem A Class Shares under certain circumstances, including the Member not holding the minimum number of B Class Shares within three years of becoming a Member.
- The Board has a practice of undertaking regular reviews to determine if there are Members who do not hold the minimum number of B Class Shares.

2.4 Redemption of an A Class Share – Transmission Event

- The Board is required to redeem A Class Shares upon the occurrence of a Transmission Event in relation to a Member.
- A Transmission Event includes the death of a Member who is an individual; and the dissolution or succession by another body corporate to the assets and liabilities of a Member who is a body corporate.

3. POLICY

3.1 Issue of A Class Shares

- 3.1.1 The Board undertakes annual reviews to determine if there are Active Growers who ought to be invited to apply for an A Class Share at the earlier of the close of the pool or 30 June and only Active Growers or persons whom the Board reasonably believes will become Active Growers will be invited to apply for an A Class Share.
- 3.1.2 As part of the process of identifying Active Growers and persons who may become Active Growers that do not already hold an A Class Share, the Board will seek to identify the actual person (defined as an individual, company, partnership or other body) that has delivered the paddy rice, confirm that the paddy rice is the produce of that person and determine whether that person already owns an A Class Share. The identity of the person for this purpose will be determined primarily by reference to the ABN that they have quoted in relation to their delivery of paddy rice. Given the requirement for an A Class Shareholder to be an Active Grower, A Class Shares should be issued in the same name as the deliverer of paddy rice. While the Constitution allows a person to hold up to 5 A Class Shares, the Board will generally not issue more than one A Class Share to the same person.
- 3.1.3 If a grower delivers at least 100 tonnes of rice in year one of the relevant Two Year Delivery Period the Board will take the view that the grower will become an Active Grower and, accordingly, the grower may be invited to apply for an A Class Share. The grower will be reminded of the ongoing requirement to deliver 200 tonnes over the Two Year Delivery Period/s to achieve and maintain Active Grower status.
- 3.1.4 If a grower delivers less than 100 tonnes of rice in year one of the relevant Two Year Delivery Period the grower will not be invited to apply for an A Class Share. The grower will be reminded that if they are able to deliver 200 tonnes over the Two Year Delivery Period they will be able to achieve Active Grower status and may be invited to apply for an A Class Share.
- 3.1.5 If a grower delivers at least 100 tonnes of rice in year one of the relevant Two Year Delivery Period, but less than the amount required in year two to make the minimum two hundred (200) tonnes of rice over the Two Year Delivery the Board may still investigate and assess whether there are reasonable grounds for it to form a view that the grower will become an Active Grower if year two is a year in respect of which the Board has determined to exercise its discretion to defer redemption of A Class Shares under paragraph 3.2.4 on the basis of drought or other adverse rice growing conditions. This would involve an assessment and verification of information relating to the grower including their record of rice production and delivery to SunRice. Should the Board take the view that the grower will become an Active Grower, the grower may be invited to apply for an A Class Share.
- 3.1.6 The Board confirms its processes for the issue of A Class Shares to Active Growers prior to the annual review.
- 3.1.7 At the annual review the Board nominates a closing date for applications for A Class Shares to be eligible to vote at the Annual General Meeting, or in Director elections. However, applications may be accepted and considered by the Board for the period up until the end of August in each year.

- 3.1.8 The Board issues A Class Shares to approved applicants, whose applications have been received by the nominated closing date, prior to the dispatch of the Notice of Annual General Meeting and any ballot papers for Director elections.
- 3.1.9 The Board issues A Class Shares to any approved applicants, whose applications have been received by the end of August, as the applications are approved.
- 3.1.10 The Board advises new Members in writing that the A Class Share has been issued.

3.2 Redemption of A Class Shares

- 3.2.1 the Board undertakes annual reviews to determine:-
- 3.2.1.1 if there are Members who are not Active Growers, and if there are circumstances under which the Board should exercise its discretion and defer redemption of an A Class Share if it believes that inactive Members will resume growing rice. Examples of such circumstance that may be designated by the Board include:-
- Periods of drought when there is inadequate water availability to grow summer crops; and
 - Floods, rice disease or world rice prices being so slow that SunRice is unable to offer an adequate price to produce rice.
- 3.2.2 As part of the process of identifying if there are A Class shareholders who are no longer Active Growers the Board will seek to identify the actual person (defined as an individual, company, partnership or other body) that has delivered paddy rice and whether they are the same person as the A Class shareholder. The identity of the person for this purpose will be determined primarily by reference to the ABN that they have quoted in relation to their delivery of paddy rice.
- 3.2.3 The Board considers and confirms its processes for the redemption of A Class Shares from Members who cease to be Active Growers, prior to the annual review. These include the following:-
- the review date;
 - the relevant crop years for delivery; and
 - the redemption date.
- 3.2.4 If the Board determines to exercise its discretion and defer redemption of any A Class Shares it will only do so after it has undertaken the due diligence procedures outlined below:-
- Resolved the circumstances that have led to it exercising its discretion e.g. period of drought
 - The due diligence procedures for assessing if the inactive A Class shareholder will resume growing rice will include:
 - Review of the A Class shareholders who do not meet the Minimum Delivery Requirements under the constitution

- Contacting each of the above to notify them that their A Class Share will be redeemed unless they sign and provide a declaration by a specified date (Preliminary Redemption Communication)
- Providing reminder communication before the specified date
- Providing follow up communication to anyone who has not replied within a reasonable time after the specified date
- Consideration of the A Class shareholders who have indicated that they do not intend to grow rice again or who have not replied to the Preliminary Redemption Communication

3.2.5 Following the annual review the Board redeems any A Class Shares that are not held by Active Growers, or that do not meet the pre-determined criteria for deferral of redemption, after it has gathered and considered the information it required to make its decision.

3.2.6 Following the annual review the Board redeems the A Class Shares held by Members who cease to be Active Growers prior to dispatch of the Notice of Annual General Meeting or of ballot papers for the Director elections, if timing permits.

3.2.7 Following the annual review the Board advises the affected former Members in writing that the A Class Share has been redeemed.

3.3 Issue and Redemption of A Class Shares and the Minimum B Shareholding

3.3.1 Rule 5.3 in the Constitution provides that A Class shareholders must hold at least the Minimum B Shareholding within three years of becoming a Member.

3.3.2 The Board conducts regular reviews to determine if there are Members who do not hold the Minimum B Shareholding.

3.3.3 Members who do not hold the Minimum B Shareholding within three years of becoming a member are given a reminder letter with at least 30 days' notice to buy or transfer the Minimum B Shareholding, or their A Class Share is redeemed.

3.4 Review by A Class Share Committee

All a Class Share Applications and Redemptions are considered by the A Class Share Committee, being a Committee which only comprises Non-Grower Directors, before being recommended to the Board for approval.