



A Class Share Policy

December 2021



1. POLICY BACKGROUND

- 1.1.1 Under the Constitution, the Board has the power to issue and redeem A Class Shares. A Class Shares are defined in the Constitution to mean either a “First A Class Share” or a “Second A Class Share”, which are shares of the same class and rank equally. The Board considers it appropriate to set policies and guidelines concerning the manner in which it will generally approach the issue and redemption of A Class Shares, with a view to promoting consistency.
- 1.1.2 This Policy sets out the policies and guidelines that the Board intends to apply to the issue and redemption of A Class Shares.
- 1.1.3 To this end, the Board has established a Independent Committee (“Committee”), being a Committee that only comprises Non-Grower Directors (including the Chief Executive Officer of the Company, whilst they hold office as a Director) and that meets to assist the Board with issues in relation to which Grower Directors may have an actual or perceived material conflict of interest, such as:
- crop planning decisions (e.g. pricing for fixed price contracts, volumes, the processes for fixed price contracts and pool contracts to be entered into);
 - determinations as to critical years;
 - determinations as to whether a supplement will be paid from the profit business to the rice pool business;
 - the issue and redemption of A Class Shares, including growers’ satisfaction of the First A Class Share Criteria and Second A Class Share Criteria; and
- 1.1.4 Some of these matters are addressed in other policies, such as the Paddy Pricing Policy and Conflicts of Interest Policy. This Policy addresses the matters set out below.

Topic	Reference
Criteria for the issue of First A Class Shares and Second A Class Shares to Active Growers	Section 2
Retention and redemption of A Class Shares, including in light of the: <ul style="list-style-type: none"> • First A Class Share Criteria and Second A Class Share Criteria (i.e. production volume requirements) • Minimum B Shareholding and Additional Minimum B Shareholding (i.e. B Class Share requirements) 	Section 3
Assessment of a ‘Critical Year’	Section 4

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

2. ISSUE OF A CLASS SHARES

2.1 Criteria for issue of A Class Shares

- 2.1.1 Following changes to the Constitution approved at the Company's Annual General Meeting in August 2021, a person may hold a First A Class Share and Second A Class Share. **First A Class Shares and Second A Class Shares are both A Class Shares and rank equally.**
- 2.1.2 The person applying for a First A Class Share 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 at least 50 metric tonnes of paddy rice (being the produce of that Active Grower and not acquired for delivery) to the Company in a Delivery Period on or before a particular test date.
- 2.1.3 To retain the First A Class Share, the holder must meet the First A Class Share Criteria and Minimum B Shareholding as described in the Constitution and Section 3.
- 2.1.4 A person may apply for a Second A Class Share if they supply at least 400 metric tonnes of paddy rice (being the produce of that Active Grower and not acquired for delivery) to the Company in a Delivery Period on or before a particular test date.
- 2.1.5 To retain the Second A Class Share, the holder must meet the Second A Class Share Criteria and Additional Minimum B Shareholding as described in the Constitution and Section 3.
- 2.1.6 The Board has discretion as to when, and at what price (if any) 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. The Constitution expressly provides that the Board may refuse an application for an A Class Share without assigning a reason for that refusal. The Directors will exercise that power in the best interests of the Company and for a proper purpose.
- 2.1.7 Without limiting the Board's discretion in determining whether to issue A Class Shares to a person, the Board may consider the extent to which that person previously failed to satisfy the Minimum B Shareholding or Additional Minimum B Shareholding and may determine not to issue A Class Shares on that basis.

2.2 Issue of A Class Shares

- 2.2.1 The Committee has a practice of undertaking annual reviews to determine if there are Active Growers who ought to be invited to apply for a First 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 a First A Class Share. The Committee will undertake a similar annual review to determine if there are any growers who ought to be invited to apply for a Second A Class Share. The Committee makes recommendations to the Board for these purposes.
- 2.2.2 As part of the process of identifying Active Growers and persons who may become Active Growers that do not already hold a First A Class Share, the Committee 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 a First 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 First A Class Shares to be issued only to Active Growers, First A Class Shares should be issued in the same name as the deliverer of paddy rice.

- 2.2.3 If a grower delivers at least 50 tonnes of rice in a Delivery Period, the grower will be an Active Grower and may be invited to apply for a First A Class Share. If a grower delivers less than 50 tonnes of rice in a Delivery Period, and the Board does not reasonably believe the grower will become an Active Grower, then the grower will not be invited to apply for a First A Class Share.
- 2.2.4 If a grower delivers at least 400 tonnes of rice in a Delivery Period, the grower may be invited to apply for a Second A Class Share. If a grower delivers less than 400 tonnes of rice in a Delivery Period, the grower will not be invited to apply for a Second A Class Share. Second A Class Shares should be issued in the same name as the deliverer of paddy rice.
- 2.2.5 The Board confirms its processes for the issue of A Class Shares to Active Growers prior to the annual review.
- 2.2.6 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, late applications may be accepted and considered by the Board for the period up until mid-August.
- 2.2.7 The Board issues A Class Shares to approved applicants on recommendation from the Committee, whose applications have been received by the nominated closing date, prior to the despatch of the Notice of Annual General Meeting and any ballot papers for Director elections.
- 2.2.8 The Board issues A Class Shares to any approved applicants, whose applications have been received by mid-August, as the applications are approved.
- 2.2.9 The Board advises holders of newly issued A Class Shares in writing that their A Class Share has been issued.
- 2.2.10 The Constitution provides that a person must not hold more than 5 A Class Shares, which may include no more than one Second A Class Share. However, notwithstanding this limit, the Board will generally not issue more than one First A Class Share to the same person.
- 2.2.11 A person will be deemed to hold an A Class Share if that person has a relevant interest in that A Class Share, or the Board determines that the relationship of that person (“first person”) with a second person is such that, in the Board’s opinion, the first person should be treated as having a relevant interest in a Share held by the second person.
- 2.2.12 A Class Shares will not be issued if a person is in breach of a shareholding limit or if the issue of A Class Shares would cause a person to be in breach of a shareholding limit.

3. RETENTION AND REDEMPTION OF A CLASS SHARES

3.1 Retention – First A Class Share Criteria and Second A Class Share Criteria

- 3.1.1 To retain a First A Class Share, a grower must satisfy the First A Class Share Criteria. To do so, the grower must supply a rolling average of at least 50 metric tonnes of paddy rice (being the produce of that grower and not acquired for delivery) to the Company over a Four Year Delivery Period on or before a particular test date, totalling at least 200 metric tonnes of paddy rice in that Four Year Delivery Period.

- 3.1.2 Subject to this Policy, the Board may redeem a Member's First A Class Shares where the Member ceases to satisfy the First A Class Share Criteria, on recommendation from the Committee.
- 3.1.3 **Example:** A person supplies 60 tonnes in Year 1 and they receive their First A Class Share as they meet the definition of 'Active Grower' referred to above. If they then supply 10 tonnes in Year 2, their First A Class Share may be redeemed, as this is only a rolling average of 35 tonnes each year. However, if they supply 40 tonnes in Year 2 they will keep their First A Class Share, as this is a rolling average of 50 tonnes each year. The grower must provide an additional 100 tonnes by Year 4 and have maintained a rolling base average of 50 tonnes each year to keep their First A Class Share (to reach 200 tonnes over the four years).
- 3.1.4 To retain a Second A Class Share, a grower must satisfy the Second A Class Share Criteria. To do so, the grower must supply a rolling average of at least 400 metric tonnes of paddy rice (being the produce of that grower and not acquired for delivery) to the Company over a Four Year Delivery Period on or before a particular test date, totalling at least 1,600 metric tonnes of paddy rice in that Four Year Delivery Period, where paddy rice is supplied in at least two of the Delivery Periods in that Four Year Delivery Period.
- 3.1.5 Subject to this Policy, the Board will redeem a Member's Second A Class Share where the Member ceases to satisfy the Second A Class Share Criteria, on recommendation from the Committee.
- 3.1.6 **Example:** A grower supplies 500 tonnes in Year 1 and receives their Second A Class Share as they will meet the criteria to be issued a Second A Class Share referred to above. If they supply 200 tonnes in Year 2 their Second A Class Share will be redeemed, as this is only a rolling average of 350 tonnes each year. However, if they supply 300 tonnes in Year 2 they will keep the Second A Class Share, as this is a rolling average of 400 tonnes each year. They must provide an additional 800 tonnes by Year 4 to keep their Second A Class Share (to reach 1,600 tonnes over the four years).
- 3.1.7 **Example:** A grower supplies 1,600 tonnes in Year 1 and receives their Second A Class Share. They must supply paddy rice (any amount) in Year 2 or Year 3 or Year 4 to keep their Second A Class Share. If they do not supply any additional paddy rice by Year 4, their Second A Class Share will be redeemed even though they provided 1,600 tonnes in Year 1, because the requirement to supply paddy rice in at least two of the 4 years has not been met.

3.2 Redemption – First A Class Share Criteria and Second A Class Share Criteria

- 3.2.1 The Committee will assist the Board in undertaking annual reviews at the beginning of each new crop year to determine:
- if there are Members who no longer meet the First A Class Share Criteria and/or Second A Class Share Criteria; and
 - if there are circumstances under which the Board should exercise its discretion and defer redemption of a First A Class Share because the First A Class Share Criteria is not met (for example, because it is a 'critical year'). The Board will not defer redemption of a Second A Class Share if the Second A Class Share Criteria is not met.
- 3.2.2 The Board is not obliged to redeem a Member's First A Class Share immediately upon the Member ceasing to satisfy the First A Class Share Criteria. The Board may use its discretion

to defer redemption of a First A Class Share on recommendation from the Committee and only if the Board believes that the Member will resume satisfying those criteria (for example, after a declared critical year has passed). This discretion will not be exercised in respect of any Second A Class Shares.

- 3.2.3 As part of the process of identifying if there are A Class Shareholders who no longer satisfy the First A Class Share Criteria and/or Second A Class Share Criteria, the Committee will seek to identify the actual person (defined as an individual, company, incorporated partnership or other body) that has delivered paddy rice to the Company 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.
- 3.2.4 The Board, on recommendation from the Committee, will consider and confirm to A Class Shareholders information regarding the redemption of A Class Shares, prior to the annual review. This may include the following:
- the review date;
 - the relevant crop years for delivery;
 - if there has been a declaration of a critical year; and
 - the redemption date.
- 3.2.5 The Board will only exercise its discretion to defer redemption of First A Class Shares after it has:
- received a recommendation from the Committee setting out the relevant circumstances (e.g. satisfaction of the criteria for declaring a critical year);
 - considered the relevant circumstances and passed a resolution to exercise its discretion in that way;
 - contacted relevant A Class Shareholders in writing or other electronic means about the redemption or deferral of First A Class Shares; and
 - undertaken any other steps recommended to the Board by the Committee.

The Board, on recommendation from the Committee, may also require a grower to provide a declaration confirming various matters. This may include a declaration that the grower reasonably believes that they will increase their supply amount to meet the First A Class Criteria in future years, or any other matter recommended by the Committee.

- 3.2.6 The Committee may take steps to gather information that is relevant to making a decision on whether to redeem or defer the redemption of the First A Class Shares of a Member who has ceased to satisfy the First A Class Share Criteria, and/or whether to redeem the Second A Class Share of a Member who has ceased to satisfy the Second A Class Share Criteria. As part of this review the Committee may take steps to gather information from Grower Services. For example, the Company may contact a Member who has failed to satisfy the minimum delivery requirements in writing and request the Member to provide a written declaration of an intention to resume growing and supplying the requisite quantum of rice in order to retain their A Class Share.
- 3.2.7 Following the annual review, the Board will either redeem the A Class Share in accordance with the Constitution and notify the Member of this redemption, or advise the Member that

redemption has been deferred. This will occur prior to despatch of the Notice of Annual General Meeting or of ballot papers for the Director elections, if timing permits.

3.3 Retention – minimum number of B Class Shares

- 3.3.1 To retain a First A Class Share, the Minimum B Shareholding must be met. To retain a Second A Class Share, the Additional Minimum B Shareholding must be met.
- 3.3.2 The Board, on recommendation from the Committee, will redeem a Member's First A Class Share where the Member or their Approved Entity does not satisfy the Minimum B Shareholding within three years of obtaining their First A Class Share or at any time thereafter. This means a Member who holds a First A Class Share has three years to acquire at least 3,000 B Class Shares.
- 3.3.3 The Board, on recommendation from the Committee, will redeem a Member's Second A Class Share where the Member or their Approved Entity does not satisfy the Additional Minimum B Shareholding within one year of meeting the Minimum B Shareholding or receiving their Second A Class Share (whichever is later) or at any time thereafter. This means any Member who holds a Second A Class Share will be required to hold an additional 1,000 B Class Shares (to reach a total of 4,000 B Class Shares) within one year of the grower acquiring the Second A Class Share or meeting the Minimum B Shareholding (whichever occurs later).
- 3.3.4 **Example:** If an Active Grower holds 3,000 B Class Shares and is issued a Second A Class Share, they have one year from the date the Second A Class Share was issued to acquire the additional 1,000 B Class Shares.
- 3.3.5 **Example:** If an Active Grower receives their First A Class Share in Year 1, they have three years to acquire 3,000 B Class Shares (i.e. until Year 3). In Year 2, the Active Grower supplies sufficient paddy rice to receive a Second A Class Share. By Year 3, they have acquired 3,000 B Class Shares to satisfy the Minimum B Shareholding. They have one year from the date they acquired the 3,000 B Class Shares to acquire the additional 1,000 B Class Shares (i.e. until Year 4).

3.4 Redemption – Minimum B Shareholding and Additional Minimum B Shareholding

- 3.4.1 The Committee has a practice of undertaking annual reviews to determine if there are Members who do not hold the Minimum B Shareholding or the Additional Minimum B Shareholding (as applicable).
- 3.4.2 Members who do not meet those requirements may be sent a notification in advance of the relevant deadline falling due, reminding them to acquire additional B Class Shares in order to meet their Minimum B Shareholding or Additional Minimum B Shareholding (as applicable).
- 3.4.3 The Committee may take steps to gather information that is relevant to the redemption of the First A Class Shares of a Member who has ceased to satisfy the Minimum B Shareholding and the Second A Class Share of a Member who has ceased to satisfy the Additional Minimum B Shareholding.

3.5 Redemption – other circumstances

- 3.5.1 The Board may, upon the Committee's recommendation, redeem A Class Shares held by a Member if the whereabouts of the Member are not presently known to the Company and have

not been known to the Company for a continuous period of at least two years before the date on which redemption takes place.

- 3.5.2 The Board may, upon the Committee's recommendation, redeem A Class Shares held by a Member if a breach of the A Class Shareholding Limit exists in relation to the A Class Share.
- 3.5.3 The Board is required to redeem A Class Shares upon the occurrence of a Transmission Event in relation to a Member.
- 3.5.4 Further information about redemption of A Class Shares is set out in the Constitution.

4. DETERMINATION OF A CRITICAL YEAR

In each year, the Committee will review current growing conditions (including weather patterns, and water availability and pricing) including against the pre-determined criteria set by the Board and make a recommendation to the Board as to whether or not the Board should declare a critical year.

The Board's pre-determined criteria will include consideration of factors including:

- anticipated size of crop (including consideration of the prior year's carryover volume);
- requirements for supply of Australian rice; and
- competition for alternative crops and water use.

Those criteria will be determined by the Board and the Committee will review the relevant circumstances against those criteria prior to the end of September/the planting window and make a recommendation to the Board as to whether a critical year should be declared.

If a crop year is declared as a 'critical year' it:

- allows for the deferral of redemption of First A Class Shares (see section 3);
- may lead to other incentives being offered to Growers, such as discounted seed and early access to seed purchasing windows; and
- does not automatically lead to a supplement being declared in that year.

This Policy is designated a key policy of SunRice and is subject to the periodic review and approval of the SunRice Board.