Dividend Distribution Policy

February 2019

1. Purpose and Objectives

The purpose of this policy is to layout the set of guidelines and considerations management will apply in recommending a dividend to Ricegrowers Limited ("Company") board of directors.

This policy is a guidance and does not constitute a constructive obligation to pay dividend every year.

2. Scope

This policy applies to the dividend distributed to the B class shareholders (or B security holders when the capital restructure is completed). It does not apply to the dividend distributed by subsidiaries within the SunRice group.

This policy deals with the determination and payment of a dividend in cash or in share through a Dividend Reinvestment Plan.

While this policy does not specifically addresses other forms of return to shareholders the determination of a dividend amount can be influenced by other strategies such as (but not limited to):

- Repurchase (buy-back) of shares;
- Issuance of bonus shares;
- Issuance of shares at discount.

3. Distribution Policy

3.1 General Principle

The Company's policy is aiming to distribute to its B class shareholders a dividend representing a target payout ratio of up to 50% of the annual Net Profit After Tax.

The Company's policy is to frank dividends with Australian tax credits to the extent that there are sufficient franking credits available for distribution.

In its sole discretion the board may decide to declare only one dividend per year or to proceed to the payment of an interim dividend before the end of the financial year.

The board of directors also reserves the right to amend or depart from the dividend policy at any time by increasing, reducing, not distributing or not franking dividends based on the Company's financial position and future prospects.

3.2 Considerations when determining the dividend amount

In determining the dividend amount to be declared and distributed, management and ultimately the board, may consider the following aspects:-

3.2.1 Financial position and performance outlook

SunRice group is subject to financial requirements whether contractual or to support its future growth and maintain continuous remuneration to the B class shareholders.

In this context the following factors may move the actual pay-out ratio away from the objective set in this policy:

- Economic conditions in all countries where SunRice operate;
- Maintaining the group gearing (debt equity positon) around its optimum ratio;
- Comply with bank covenants;
- Strategic priorities and value-creating investment projects for the B class shareholders (which in return should increase the share price).

3.2.2 B Class Shareholders Return

The overall return for shareholders is traditionally measured as being the combination of dividend and capital gain (share price appreciation). As the Company aspires to increase the overall return to its B class shareholders it can influence the dividend amount distributed and the actual pay-out ratio.

Factors influencing the pay-out ratio:

- Consistent dividend per share (DPS) amount year on year factoring increases where circumstances permit it. While the Company's dividend policy is not "progressive" it is a factor that could influence the determination of the dividend;

- Arbitrage between dividend, special dividend and other forms of shareholders return. This arbitrage could be driven by multiple considerations such as –
    - tax consequences for the B class shareholders (dividend versus capital gain);
    - adjustment of the Company's share price;
    - signalling power versus managerial flexibility (dividend increase is well perceived by the market but creates more on-going expectations than one-off special dividend or share repurchase plan).

4. Legal Obligations

4.1 Corporations Act requirements

As per the Corporations Act 2001 (section 254T and 254U) dividends can only be paid if:

- *the company's assets are sufficiently in excess of its liabilities immediately before the dividend is declared; and*
- *the payment of the dividend is fair and reasonable to the company's shareholders as a whole and does not materially prejudice the company's ability to pay its creditors.*

In other words the Company must have surplus net assets both before and after a dividend is paid.

As reference is not made to profits of a specific period, dividends can be distributed out of retained earnings (i.e. accumulated profit over time) if the current year profit is insufficient.

4.2 Ricegrowers Limited Constitution

Section 14 of the Company's Constitution deals with the distribution of profits and more specifically that:

- The directors may determine that a dividend is payable and fix the amount;
- The determination of dividend by the directors does not constitute a liability for the Company because the decision can be revoked before the distribution date.

The Company does not incur a debt merely by the Directors fixing the amount or time for payment of a dividend. The debt only arises when the time fixed for payment arrives and the decision to pay the dividend may be revoked at any time before then;

- The distribution of dividend can be funded by any source and is not necessary linked to the profit of the year.

  The Directors may:

  - *direct payment of the dividend wholly or partly by the issue of shares, the grant of options or the transfer of assets, either generally or to specific shareholders; and*
  - *direct that the dividend be paid to particular shareholders wholly or partly out of any particular fund or reserve or out of profits derived from any particular source and to the remaining shareholders wholly or partly out of any other particular fund or reserve or out of profits derived from any other particular source or generally.*