



Remuneration Policy

1. Introduction

The Board and the Nomination & Remuneration Committee recognise that to prosper, the Company must be able to attract, motivate and retain key executives. Therefore the Board has structured the remuneration of non-executive directors and executives to achieve this result.

Remuneration of non-executive directors and executives is to be determined and structured in accordance with this Policy.

2. Key Principles

The key principles that underpin Ruralco's Remuneration Policy are:

- a. remuneration must reflect the market in which the Company operates;
- b. key performance indicators will apply to deliver results to the Company;
- c. remuneration is to be linked to the creation of value to shareholders; and
- d. remuneration is to reward both financial and non financial performance.

3. Executive Remuneration

3.1 Aim of Remuneration Policy

To achieve its goals in relation to executive staff, the remuneration Policy is designed to:

- encourage executives to align their interests with those of shareholders and, where appropriate, trading members;
- align individual and team reward with business performance in both the short term and long term;
- encourage executives to perform to their fullest capacity;
- be business focused and flexible;
- be competitive and cost effective in each relevant employment market; and
- be internally consistent.

3.2 Content of Remuneration Packages

Remuneration will incorporate fixed and variable pay performance elements with both a short term and long term focus.

Remuneration packages may contain any or all of the following:

- annual salary based on conditions and the relevant market - with provision to recognise the value of the individuals' personal performance and their ability and experience;
- ad hoc rewards, special payments and other measures available to reward individuals and teams following a particular outstanding business contribution;
- bonuses - a lump sum payment related to achieving target achievement of identified business drivers and personal key performance indicators measured over a year;

- share participation - various share plans that were approved by shareholders have not been extended. The Company may re-introduce further plans as economic conditions improve; and
- other benefits such as holidays, sickness benefits, superannuation payments, long service benefits and motor vehicles.

3.3 Setting remuneration and review

The Nomination & Remuneration Committee will work with the Managing Director to determine the appropriate level and structure of remuneration of the senior executive team.

Executive remuneration is set at levels and structured to attract, motivate, reward and retain good performers to drive the business effectively.

Each year, the Nomination & Remuneration Committee will review the nomination and remuneration of executives on the recommendation of the Managing Director (other than in relation to the Managing Director). The Committee's review will consider individual performance, comparative remuneration in the market and where appropriate, external advice.

Remuneration of the Managing Director will be reviewed annually. The Nomination & Remuneration Committee will gather and review relevant information, comparative remuneration, individual performance and, if required, obtain external advice.

4. Non Executive Director remuneration

4.1 Introduction

The Board's focus is on long-term strategic direction and overall performance of the Company. As a consequence, non-executive director remuneration is not directly related to short term results, instead it is related to long-term performance.

4.2 Determination of non-executive director remuneration

Remuneration of non-executive directors is determined with regard to the Company's need to maintain appropriately experienced and qualified Board members and in accordance with competitive pressures in the marketplace. The Remuneration Policy is designed:

- to attract and retain directors;
- to motivate directors to achieve the Company's business objectives; and
- to align the interests of directors with the long term interests of shareholders.

The Nomination & Remuneration Committee may from time to time seek independent advice in relation to the remuneration of non-executive Board members and may make recommendations to members in relation to any total fee increase.

The Board accepts that, given the size of the Company, directors' fees and associated costs must not place an inappropriate burden on the Company's finances. However, the Company operates in a complex market and the duties and obligations of directors are increasing at an increasing rate.

4.3 Extra duties and expenses

From time to time, the Board may ask individual directors to devote extra time or to undertake extra duties. Directors who undertake these tasks at the Board's direction may receive extra amounts. Directors are also to be reimbursed for expenses associated with undertaking their duties.

4.4 Review

Each year, the Board reviews director remuneration. The shareholders are asked to consider, and if they think it appropriate, approve any increase in gross directors' fees. The total amount of remuneration paid to non-executive directors

must not exceed the maximum amount the shareholders authorise at general meeting.

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Updated as at 15 February 2007.