

**INTRODUCTION TO THE REMUNERATION REPORT BY THE CHAIR OF THE  
NOMINATION & REMUNERATION COMMITTEE  
TRUDY VONHOFF MBA, BBUS (HONS), GAICD, SF FIN  
AT THE 87<sup>TH</sup> ANNUAL GENERAL MEETING OF  
RURALCO HOLDINGS LIMITED  
FRIDAY 2 FEBRUARY 2018**

## **Welcome**

Good afternoon and thank you Rick. On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 30 September 2017 and seek its adoption by shareholders.

The Remuneration Report can be found on page 51 of the Annual Report. I don't propose to repeat all the information that appears in the Annual Report, but I'd like to cover some key points and answer any questions you may have.

Firstly – a brief re-cap on the role of the Nomination & Remuneration Committee.

## **Committee Responsibilities**

The role of the Committee is set out in its Charter – it has two main aims of ensuring:

- that the Board is comprised of persons with a suitable range of skills, expertise and experience; and
- that remuneration policies, strategies and practices for directors and executives are transparent, consistent with broader market practice and, in the case of executives, reward the creation of value for shareholders.

In short, this means:

- having the right people, with the right skills, in the right roles; and
- having a sound remuneration framework that delivers a fair day's pay for a fair day's work.

Our job is to deliver the right outcomes for Ruralco, our shareholders and our employees.

So what have we done this year? My covering letter attached to the Remuneration Report (which is on page 51 of your Annual Report) summarises the Committee's major activities. Of those activities, I would like to highlight two.

### **Firstly – Filling the Board vacancy**

As Rick touched on earlier, we are pleased to welcome Andrew Macpherson to the Ruralco Board. Let me share with you how we arrived at that decision.

Keeping Ruralco's strategic goals firmly in mind (and these are summarised on page 16 of your Annual Report) and with the assistance of an external consultant, we conducted an independent Board evaluation and critically re-assessed what skills we had around the Board table and what skills we needed to deliver on our strategy.

This process helped us identify the need to fill the casual vacancy on our Board with a candidate that added a breadth of commercial experience and increased the Board's collective knowledge of technology and innovation, a key pillar of our Future Farming Strategy. After a comprehensive search & interview process, we now welcome Andrew.

## Secondly – Remuneration, Policies and Equity Ownership

The Committee continues to focus on ensuring that our remuneration framework remains responsive, robust and appropriate for current market practices and expectations.

2017 was a successful year for Ruralco – the financial results speak for themselves. The Board has been pleased with the disciplined focus by management on controlling what we can control in an industry that can be quite volatile in terms of commodity prices and seasonal conditions. The business has taken some significant steps forward in achieving its Future Farming Strategy objectives.

For our Executives, this strong performance is reflected in their remuneration outcomes - particularly their **Short** Term Incentive outcomes - with Executives receiving between 64% and 96% of their maximum STI opportunity.

However, this year – no **Long Term** Incentives met the hurdles set by the Board when these incentives were issued in 2014. As a result, no Executive received shares from Long Term Incentive Plans this year. Historically, for LTI, vesting has only occurred with 1 of the last 5 grants – thus Executive share ownership via this mechanism remains very low.

Against this backdrop – strong financial results leading to ‘close to maximum’ short term incentive payments to Executives; and a lack of ‘skin in the game’ (with respect to equity ownership) by those Executives – the Board considered ways to shift the balance towards greater equity ownership by Executives.

At this point, I would like to talk a little about why getting shares in the hands of our Executives sooner actually matters. In a nutshell, it means our Executives experience what you experience; and their focus will be on making decisions that, over the long term, will drive growth. With Executives building a portfolio of Ruralco shares, we believe this will align interests (yours, theirs and ours) and have them “walking in your shoes”.

Taking advantage of the comparatively healthy Short Term Incentive payments this year, the Board wished to encourage Executive share ownership via an Executive Share Matching Plan. Under this plan, Executives who elect to purchase shares with the **after-tax proceeds of their Short Term Incentive payment** will receive a grant of an equal value of Matched Shares to a maximum value of \$20,000 per year – provided the Executive remains in Ruralco employment for 3 years. This plan will operate for the STI payments for 2017 and 2018 performance years only. Grants to Travis Dillon (MD and CEO) under this plan are presented for shareholder approval at this Meeting (see Resolution 3 of the Notice of Meeting, with relevant details set out under Item 4 of the Explanatory Statement accompanying the Notice of Meeting).

The Board believes this is an appropriate offer - modest equity grants without performance hurdles, to encourage Executives to use their STI rewards to build meaningful shareholdings in the company they work for as well as demonstrate their commitment to the growth of the company.

The pleasing response from Executives to this offer is outlined in the table on page 66 of the Annual Report.

And finally on the topic of equity ownership, subsequent to the end of the financial year the Committee approved a Minimum Shareholding Policy for Non-Executive Directors. Non-Executive Directors are expected to acquire shares to the value of 100% of annual base NED fees (100% of annual Chair fees for the Chairman) within three years of joining the Board.

## Looking to the future

In terms of the **overall remuneration framework** – we strive to ensure our remuneration practices are the best fit to drive the business and ensure the interests of our Executives are aligned with Ruralco’s strategic goals and importantly, the interests of shareholders.

The Committee will review the overall Executive remuneration framework in 2018 from the quantum and mix of remuneration to performance hurdles and delivery mechanisms. As demonstrated by our actions this year, we are committed to the philosophy of Executive share ownership and remuneration elements to promote greater equity participation will likely be included in any revised remuneration framework.

My **thanks** to the Board, Committee members, Travis and the Executive Team for their contribution to the Committee's activities this year.

I’d be happy to take any questions now, or if anyone would like to discuss Ruralco’s remuneration report with me, I will be available after the meeting.

Any questions?

Thank you, Rick as Chair will now put the resolution to the meeting.