



Australian Agricultural Company Limited
ABN 15 010 892 270

Amendments to Managing Director/CEO Remuneration Structure

ASX Announcement No. 04/2014

17 April 2014

Australian Agricultural Company Limited (**AACo** or the **Company**) announced today that it has agreed to amend the employment terms for the Managing Director/CEO, Jason Strong, to reflect an updated and rebalanced remuneration structure.

Following Jason Strong's appointment as Managing Director/CEO earlier this year (as announced on 24 January 2014), the Board of AACo has given careful consideration to its remuneration practices for the role of Managing Director/CEO. The Board has determined that the remuneration structure for the Managing Director/CEO role should be rebalanced to better align with the Company's strategic goals, Managing Director/CEO remuneration opportunity and market expectations. Jason Strong has agreed and the terms of his executive employment agreement have been amended accordingly.

Overall, the restructured remuneration has resulted in a decrease to the aggregate potential total remuneration which Jason Strong is eligible to receive. Under the revised structure, the value of Jason Strong's total fixed remuneration (TFR), short term incentive (STI) component and deferred equity award (DEA) component will increase, however he will no longer be invited to participate in any long term incentive (LTI) plan. The Board confirms he has not received any LTI offers to date.

Given the inherently cyclical and often volatile nature of AACo's business, the Board has formed the view that the award of LTIs does not operate as an appropriate incentive to drive shareholder value growth, and that the 'at risk' components of the MD/CEO's remuneration are more effectively delivered via the Company's STI and DEA programs. A material feature of any DEA grant is the deferral of any benefit until vesting at 2 years (50%) and 3 years (50%) which is comparable to the 3 year vesting date of the discontinued LTI.

The changes are set out in more detail in the table below and an updated summary of Jason Strong's employment terms is set out in Annexure A.

| Component of remuneration | Previous remuneration as at 28 January 2014 | Restructured remuneration from 1 April 2014 |
|---|--|--|
| Total fixed remuneration (TFR) inclusive of superannuation | \$550,000 | \$600,000 |
| Short Term Incentive (STI) cash bonus | \$200,000 max | \$300,000 max (50% of TFR) |
| Deferred Equity Award (DEA) performance rights | \$100,000 max (50% of STI actually paid) | \$150,000 max (50% of STI actually paid) |
| Long Term Incentive (LTI) performance rights | \$275,000 | Nil |
| Total | \$1,125,000 | \$1,050,000 |

As part of its review and consideration of this issue, the Board received independent external advice from the Company's remuneration advisers, who confirmed that the restructured remuneration, while differing from common market practice was both 'fair and reasonable' in the circumstances and appropriate for a volatile agricultural sector.

Media enquiries:

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Annexure A

Updated summary of material terms and conditions of the appointment of Mr Jason Strong as CEO and MD – pursuant to ASX Listing Rule 3.16.4

| | |
|---|---|
| Term and termination | Mr Strong's appointment as CEO and MD commenced on 24 January 2014 and has no fixed term. Mr Strong may resign at any time by giving 6 months' written notice. AACo may terminate Mr Strong's employment at any time by giving 6 months' written notice. AACo may terminate Mr Strong's employment without notice in the case of serious or wilful misconduct or in other limited circumstances. |
| Fixed remuneration | Mr Strong's total fixed remuneration is \$600,000 per annum inclusive of superannuation, subject to annual review by the Board. |
| Variable or 'at risk' remuneration – Short term incentive (STI) plan | Mr Strong will be eligible to earn STI benefits each year, in the form of a potential cash bonus. The actual cash bonus earned by Mr Strong (if any) will be determined at the discretion of the Board after assessing the performance of AACo and the performance of Mr Strong against agreed performance hurdles. The minimum possible cash bonus outcome is zero and the maximum possible cash bonus outcome is \$300,000 per annum (being 50% of his fixed remuneration). |
| Variable or 'at risk' remuneration – Deferred equity award (DEA) | Mr Strong will be eligible to earn DEA benefits each year, in the form of performance rights. The actual DEA earned by Mr Strong (if any) will generally be set at 50% of the amount of the STI cash bonus actually earned. The performance rights granted to reflect this value are generally subject to two-year (50%) and three-year (50%) service vesting conditions. Accordingly, the minimum possible DEA outcome is zero and the maximum possible DEA outcome is \$150,000 per annum. Any DEA outcome resulting in an issue of securities to Mr Strong will be subject to security holder approval. |
| Variable or 'at risk' remuneration – Long term incentive (LTI) plan | Mr Strong will no longer be participating in the LTI Plan and will not eligible to receive LTI benefits. |
| Payments post-employment | AACo will pay all payments in lieu of notice, accrued leave or redundancy in accordance with applicable laws. AACo has a Good Leaver and Bad Leaver Policy and if Mr Strong is determined to be a Good Leaver then the Board will consider the circumstances and may exercise its discretion to allow some or all of any unvested performance rights to vest (and be exercised). |
| Restraint provisions | Mr Strong will be subject to 12 months' restrictions for competition, employee inducement and client solicitation, following termination of his employment. |
| Other provisions | The agreement also contains general provisions regarding confidentiality and privacy, intellectual property and moral rights. |