



Australian Agricultural Company Limited

ABN 15 010 892 270

## Update to Managing Director/CEO Remuneration Structure

ASX Announcement No. 9/2017

26 June 2017

Australian Agricultural Company Limited (**AACo** or the **Company**) has agreed to update the employment terms of the Managing Director and Chief Executive Officer (**MD/CEO**), Mr Jason Strong, to reflect an updated and rebalanced remuneration structure.

After an extensive review of its remuneration practices for employees and executives, including the role of MD/CEO, the Board of AACo has introduced a Long Term Incentive (**LTI**) Plan. The LTI Plan better aligns remuneration of the Company's senior executives with the long-term strategic goals of the Company.

The introduction of an LTI Plan is consistent with the Company's objectives for remuneration, which include providing competitive total rewards to attract and retain high calibre senior executives, having a meaningful portion of remuneration "at risk" and, above all, creating value for shareholders.

### **MD/CEO participation in LTI Plan**

Jason Strong's executive employment agreement has been updated to provide for his eligibility, as MD/CEO, to participate in the LTI Plan.

Mr Strong has been offered 27.5% of the "Total Available Performance Rights" in the first grant round under the LTI Plan (the "Total Available Performance Rights" being the number of AACo shares acquired on market by the AACo Employee Share Trust in respect of the first grant round having an aggregate share acquisition price of \$5 million). The performance condition which applies to the vesting of these performance rights is the achievement of a targeted market capitalisation of AACo of \$1 billion (determined using a 20 day volume weighted average price (**VWAP**) of AACo shares) during a performance period of two quarters commencing on 9 May 2017 (the date on which the Board approved the Company's adoption of the LTI Plan). The performance period has been calculated by reference to the targeted market capitalisation and an assumed annualised growth rate of 20%. The performance condition for this first grant round was satisfied on 5 June 2017. There is a four-year staggered vesting period for these performance rights, which commenced on satisfaction of the performance condition.

### **MD/CEO eligible to participate in subsequent grant rounds under the LTI Plan**

Mr Strong will also be eligible to participate in each subsequent grant round under the LTI Plan. It is currently contemplated by the Board that:

- there will be four grant rounds in total;
- grants for a subsequent grant round will not be made unless and until the specified 'commencing' market capitalisation of AACo for that grant round is achieved;
- a 20 day VWAP of AACo shares will be used to determine the achievement of the commencing market capitalisation of AACo and the targeted market capitalisation of AACo for each grant round; and

- the applicable commencing market capitalisation of AACo, performance condition and performance period for each contemplated grant round are as set out in the table below.

	Commencing market capitalisation of AACo	Performance condition (targeted market capitalisation of AACo)	Performance period (calculated using an assumed annualised growth rate of 20%)
<b>First Grant Round</b>	The market capitalisation of AACo on the LTI Plan Implementation Date	\$1 billion	Within 2 quarters of the LTI Plan Implementation Date
<b>Second Grant Round</b>	\$1 billion	\$1.5 billion	Within 9 quarters of the LTI Plan Implementation Date
<b>Third Grant Round</b>	\$1.5 billion	\$2 billion	Within 16 quarters of the LTI Plan Implementation Date
<b>Fourth Grant Round</b>	\$2 billion	\$2.5 billion	Within 22 quarters of the LTI Plan Implementation Date

The number of performance rights (if any) granted to eligible persons in each grant round and the performance conditions applying to the vesting of those performance rights will be determined at the discretion of the Board.

#### MD/CEO updated remuneration structure

An overview of Mr Strong's updated remuneration structure is set out below, and a summary of the material terms of the variation are set out in Annexure A.

Component of remuneration	Remuneration amount or value prior to 26 June 2017	Restructured remuneration amount or value from 26 June 2017
Total fixed remuneration ( <b>TFR</b> ) (comprising annual salary and superannuation)	\$600,000	\$600,000
Cash bonus under the AACo Short Term Incentive ( <b>STI</b> ) Plan	\$300,000 max (50% of TFR)	\$300,000 max (50% of TFR)
Deferred Equity Award under the AACo Performance Rights Plan	\$150,000 max (50% of STI actually paid)	\$150,000 max (50% of STI actually paid)
Performance Rights under the AACo Long Term Incentive ( <b>LTI</b> ) Plan	Nil	Eligibility to participate in the LTI Plan, pursuant to which Jason Strong: <ul style="list-style-type: none"> <li>has been offered 27.5% of the Total Available Performance Rights* in the first grant round under the LTI Plan; and</li> <li>is eligible to participate in subsequent grant rounds under the LTI Plan</li> </ul>

\* The "Total Available Performance Rights" are the number of AACo shares acquired on market by the AACo Employee Share Trust in respect of the first grant round having an aggregate share acquisition price of \$5 million.

## **Annexure A**

### **Summary of material terms of a material variation to the terms and conditions of the appointment of Mr Jason Strong as MD/CEO – pursuant to ASX Listing Rule 3.16.4**

<b>Variable or 'at risk' remuneration – Eligibility to participate in Long Term Incentive (LTI) Plan</b>	<p>Subject to the terms of AACo's LTI Plan and any required shareholder approval, Mr Strong is eligible to participate in the LTI Plan.</p> <p>The number of performance rights granted to Mr Strong under the LTI Plan and the performance conditions applying to the vesting of those performance rights will be determined at the discretion of the Board.</p> <p>Mr Strong will be entitled to exercise any performance rights granted to him under the LTI Plan if they have vested and have not otherwise lapsed.</p> <p>The circumstances in which performance rights may lapse include non-satisfaction of performance conditions or ceasing employment with the AACo group. If Mr Strong ceases to be an employee as a result of an "Uncontrollable Event" (e.g. death, permanent disablement, retirement, retrenchment, or such other circumstances which the Board determines is an Uncontrollable Event), any unvested performance rights held by him are expected to continue to be subject to the requirements for vesting and exercise applying to those performance rights, unless the Board determines that the vesting conditions applying to some or all of those performance rights will be waived or that some or all of those performance rights will lapse.</p> <p>If a change of control event for AACo occurs, the treatment of any unvested performance rights will be within the discretion of the Board to determine.</p> <p>The requirement to deliver AACo shares upon the vesting and exercise of performance rights under the LTI Plan must be satisfied by way of on market acquisition of AACo shares.</p>
--	--

Bruce Bennett  
General Counsel Company Secretary