



The Rice Food Experts

14 August 2013

Dear Shareholder,

RE: AGM resolutions - Appointment and Removal of Directors and Directors' Remuneration

Since the AGM Notice of Meeting was issued to shareholders there has been discussion in the media and elsewhere regarding the above resolutions.

I also had the opportunity to discuss the resolutions with some of you at the recent RGA Annual Conference. Following the conference I have decided to take the opportunity to further explain the background and the intent of these resolutions.

Appointment and Removal of Directors

Firstly I would like to clarify that the proposed reconfiguration of the Board is about having the right people and the right mix of people running the business.

At consultation meetings last year, the Board received very clear feedback that shareholders could see the benefit in adding the knowledge and skills of an additional External Director, provided that grower control of the Board was maintained.

As a result, we are asking you to reconfigure the SunRice Board to comprise 11 Directors:-

- Seven of whom are grower Directors; and
- Four of whom are non-grower Directors.

SunRice has a lot of very good Directors, however with seven grower Directors at the table we also have a lot of very similar skills. Therefore the Board is recommending the addition of one non-grower Director to broaden and build on our existing expertise. While the current fee pool does not provide for this appointment, we see this as an important step as we look to strengthen SunRice for the long term.

However, it must be acknowledged that a Board of 11 is large by Australian standards. We are therefore recommending a mechanism that allows future Boards and shareholders flexibility in reducing the number of Directors, provided the majority of grower Directors on the Board is preserved.

- The proposed flexibility is achieved by requiring that any reduction be approved by A Class shareholders *in general meeting* which necessitates a 50% majority of voting A Class shareholders.
- The alternative would be to require any reduction by way of *amendment to the constitution* which necessitates a 75% majority of voting A Class shareholders.

We wish to emphasise that, like you, the Board considers it very important that there is a majority of grower Directors and this is reflected in SunRice's constitution. If this proposal is endorsed, the 50% voting threshold allows A Class shareholders only to consider a potential reduction in Director numbers that preserves grower control of the Board. Any change to the majority of grower Directors condition would require an *amendment to the constitution* which, as outlined above, necessitates a 75% majority of voting A Class shareholders.

Remuneration of Directors

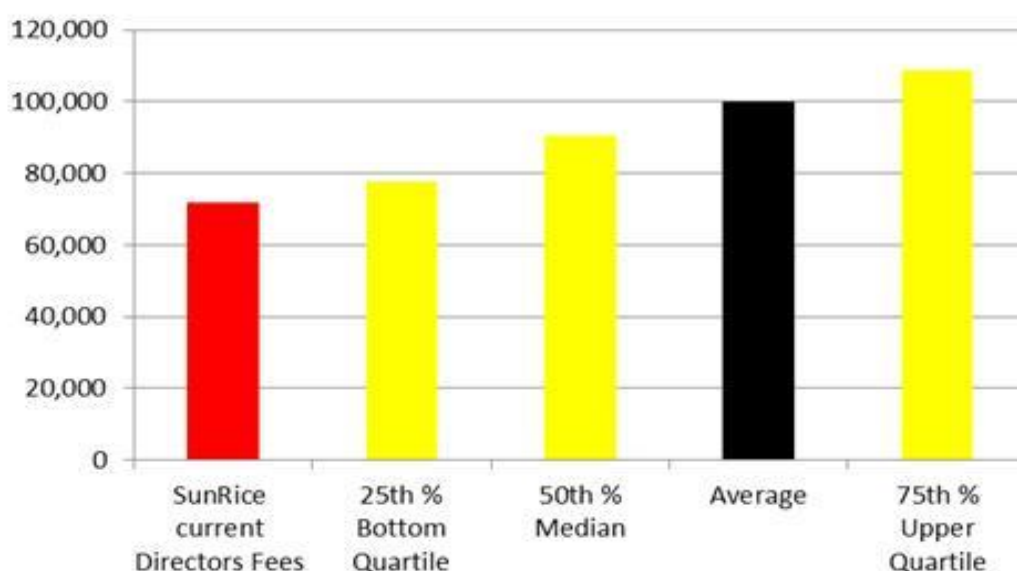
Some recent commentary has misrepresented what the Board is trying to achieve with this proposed resolution – and that is simply to have and retain the best Directors for the job.

As part of the review of SunRice's Board structure, we have considered the remuneration required to attract and retain the highest quality Directors to guide what is now, a complex international company.

As part of this, the Board engaged expert remuneration consultants to consider the remuneration practices of comparable companies. In addition, Directors also considered the Board's workload and responsibilities as a result of SunRice's international operations and increasingly complex regulatory and legislative requirements.

The remuneration consultants noted that SunRice's Directors' fees were on average below those of comparable companies and as demonstrated in the graph below, in the bottom quartile of comparable fees.

Benchmarking Results for Director Fees (companies with comparable financial data within the Consumer Staple Sector)



Source: Egan & Associates, July 2013

In response to these findings the Board is recommending an increase in the Directors' total fee pool from \$750,000 to \$1.1 million. We realise that this is a sizeable fee pool, but it is also the reality that we have a sizeable Board.

The Board also wants to clarify that this increase will not translate into a comparable pay rise for each Director. Rather it will allow the Board to do three things:-

- To recruit an additional non-grower Director at a fair rate, should the earlier resolution be passed;
- To increase existing Directors' individual fees to fair rates; and
- To provide some headroom for growth in Directors' fees for the future.

If approved, these changes will ensure SunRice's Directors are remunerated at reasonable rates that are in line with comparable companies, while also ensuring SunRice can attract and retain the highest quality candidates in the future.

It shouldn't be assumed that by reducing the size of the Board in the future, we are seeking to increase Directors' fees. There is no requirement to expend the fee pool in full in any one year.

We will of course discuss these resolutions in full at the AGM in Jerilderie on 23 August and encourage you to attend. If you have further questions or concerns, please contact me or my fellow Directors to discuss these in more detail. As always we welcome your involvement and input on these important matters.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Gerry Lawson'.

GERRY LAWSON AM
Chairman