



1. CHAIRMAN'S ADDRESS – LAURIE ARTHUR, CHAIRMAN

As we celebrate 70 years of SunRice, I acknowledge that Financial Year 2020 was a challenging year.

The Board was clear from the outset that it would be difficult 12 months given the impacts of successive years of low water availability and high water prices on Australian rice production.

However, as Rob will speak to, FY2020 also brought with it deteriorating conditions in key global markets and a series of unexpected impacts on the Group, not least of which was COVID-19.

There would be few companies in Australia that would be able to retain their profitability when faced with a 91% reduction in the availability of their core input, even before the other challenges we faced are factored in.

As Chairman, this is a clear demonstration of the underlying resilience of our company and the performance of our management team, led by our CEO. As you will hear later, we were pleased to see our management team exceed almost all of the KPIs we set for them and deliver what was a creditable result in a challenging context.

The Board has had a strong focus on the Riverina cyclical downturn; but also, for the past three years, the execution of the Group's 2022 Growth Strategy. This is designed to strengthen and grow the company to provide sufficient scale to navigate challenges and meet the needs of customers in a dynamic global environment.

In FY2020, we continued to leverage the Group's strong balance sheet to pursue strategic growth and build value for our growers and investors following our listing on the ASX in 2019. Despite the operational challenges of the past 12 months, we were pleased to declare a fully franked dividend of 33 cents per B Class Share, representing a dividend yield of 6.4 per cent.

This was largely made possible due to the diversification of earnings across the Group's portfolio and our global sourcing capabilities in a year in which Australian crop was scarce.

We remain focused on delivering value for our B Class Shareholders, particularly in the context of lower volumes of Australian rice, which impact on our Profit Businesses in the form of underutilised milling and storage assets.

While our stated revenue goal of \$2 billion under the 2022 Growth Strategy will now take longer to achieve, our innovation pipeline remains strong and we have the balance sheet strength to continue to pursue and integrate value accretive merger and acquisition opportunities.

We have also taken the decision to cancel the Share Buy Back Scheme, which we announced in December 2019. The scheme was launched as part of our commitment to efficiently manage capital, while maintaining balance sheet flexibility to pursue future growth and investment opportunities. However, the recent improvement in B Class Share price meant it had not been necessary for us to participate in the market.

Understanding the impact of low water availability and high water prices on our A Class grower shareholders, as a Board we exercised our discretion to defer the redemption of A Class Shares during the year.

In order to incentivise production to maintain baseline Riverina operations, our growers were offered fixed price contracts of \$500 per paddy tonne for medium grain Reiziq and up to \$1,350 per paddy tonne for organic varieties in Crop Year 19.

However, only 54,000 paddy tonnes were harvested, which as I mentioned earlier, was a 91 per cent reduction on the 623,000 tonnes harvested the prior year.

In August 2019, the Board took the decision to offer record fixed price contracts to stimulate C20 plantings. This crop, harvested in mid-2020 and being marketed in Financial Year 2021, was smaller again, at approximately 45,000 tonnes.

The Board is cognisant that the impact of low production is not only felt by our growers, but across our NSW rice growing regions.

In crop years of around 600,000 tonnes, SunRice directly contributes close to \$400 million to the Riverina economy in the form of payments to growers, shareholders, employees and other suppliers. In contrast, in crop years such as those we are currently experiencing, our direct contribution is significantly smaller.

While there have been ongoing drought conditions, there is growing evidence that the allocation yield of NSW General Security water entitlements has been significantly eroded as a by-product of Australian water reform.

Despite assurances contained in the 2004 National Water Initiative, the burden of these NSW and Federal reforms are not being shared equally. This, combined with the complexity and lack of clarity in the water allocation process, has led to a loss of confidence by our Riverina growers in the management of the Southern Connected Murray-Darling Basin system.

As such, the Board intensified its advocacy efforts with the NSW and Federal Governments in FY2020 to address these unintended consequences and will continue to do so in conjunction with the Ricegrowers' Association of Australia.

Beyond our focus on Group strategic direction and performance, there were changes to Board membership following the Grower Director Elections and a review of Board composition, size and tenure during FY2020.

This included welcoming new Non-Executive Grower Directors Jeremy Morton and Julian Zanatta.

We are clear that at 11 Directors, the Board is too large for a company of our size and took steps to ensure that we right size the Board and our governance frameworks for the future.

Today's resolution on this matter is designed to ensure that we are well placed to oversee the Group's growth and the many cycles our company faces – from foreign exchange impacts and drought, and economic fluctuations in key global markets, to unforeseen jolts such as those experienced in FY2020.

As a Board, we also strengthened our risk management framework and continued to monitor the Group's performance under the Board's 2017 Sustainability Charter. This included our commitment to mitigating the risks of a variable climate and the approval of a new SunRice Supplier Sustainability Code. I note we are now well placed to issue our first Modern Slavery Statement in FY2021.

As FY2020 closed, COVID-19 demonstrated that the Australian public demands access to their preferred staple foods in times of crisis.

The cleanout of rice from supermarket shelves in the first weeks was a stark example of the importance of our rice industry, not only to Australia, but also potentially to our nearest neighbours. Our rice industry has taken nearly a century to build and should not be taken for granted.

With reasonable access to water, we can play a significant role in the recovery of rural Australia post COVID-19.

In line with this, I would like to briefly speak to the pricing offers we have made Riverina growers stimulate plantings for next year's C21 crop.

As many of you will know, we received significant interest in our recent fixed price offer of \$475 per tonne for Reiziq, \$525 per tonne for Doongara and \$625 per tonne for Koshihikari.

Contracts were opened on the 29th of July to 'Critical Year' growers who grew in the past two seasons, and then to all other growers on the 31st of July. The initial offer was fully subscribed in four days and as a result we have already contracted substantially more volume than was grown in the 2019 or 2020 seasons.

Following recent increased rainfall, inflows to major water storages and allocations, yesterday we announced the opening of a pool for the 2021 Riverina rice season ahead of the October planting window.

Significantly, this is the first pool that the Group has run since 2018 and we are pleased to provide an estimated range of \$390 to \$450 per tonne for medium grain Reiziq.

With pricing for other annual crops under pressure, SunRice's reputation for always paying, the demonstrated suitability of rice to our farming systems, and conditions turning in our favour – the Board believes the estimated range for the pool is a compelling proposition for growers.

Pool No. 1 will open to Critical Year growers at 7 September 2020, and to all other growers on 9 September 2020.

We are seeking commitments from our growers so that we can undertake critical planning, including determining how much seed will remain after the CY21 crop is planted. The small

volume from past crops, which is currently being milled, is expected to be exhausted in early 2021.

Our intention is to utilise any excess seed to maintain a milling program at Leeton and Deniliquin for the period between the exhaustion of our current paddy, and the CY21 harvest.

It is clear that there is the desire to grow rice, provided the economics work for individual farmers and we are increasingly optimistic of a much larger rice crop being planted in CY21.

We look forward to receiving a strong response from our growers, particularly given the positive flow on effects for both A and B Class Shareholders that increased volume delivers for our facilities in the Riverina.

I am proud to be Chairman of a company that has consistently demonstrated resilience and innovation across multiple cycles of adversity and opportunity.

We have not only endured, but thrived, for 70 years and will continue to do so.

I thank my fellow Directors, our growers, shareholders, the RGA and RMB and our dedicated employees, led ably by CEO Rob Gordon, for ensuring the company's continued success.

We have an excellent team at the helm and are firmly focused on executing our growth strategy for the benefit of both A and B Class Shareholders, as well as the many communities that rely on us across the Riverina and around the world.

Thank you for your support today. I look forward to the journey ahead.