



# 1. GROUP CHAIRMAN'S ADDRESS – LAURIE ARTHUR

After a difficult period for the business with consecutive years of low rice production in the Riverina driven by drought, low water availability, high water prices and the impacts of water reform – it is good to be here today able to focus on recovery.

Despite the challenges in our Australian rice business, it is pleasing that we have been able to leverage our strong balance sheet to pursue our Growth Strategy without yet needing to access capital via the ASX following our listing in 2019.

Our unique business structure has meant that we have been able to weather the dual challenges of COVID-19 and low Australian production, while ensuring we maintained a sustainable company still controlled by growers.

As we stand here today, with a close to tenfold recovery in Riverina rice production in the last crop just harvested, and positive conditions coupled with strong interest from our growers as we look ahead to planting for the 2022 crop, there is cause for optimism.

There is no escaping the impact the low production in the Riverina has had on our business.

In 2019 and 2020 we harvested crops of 54,000 and 45,000 tonnes respectively, meaning that in the last Financial Year just 5% of our global rice needs were able to be met with supply from Australia.

When we drop back to a minimal crop in Australia due to drought and the increasing vagaries of water reform, it is not without cost in these international markets.

The fact is that the Australian water reform process has turned all Murray-Darling Basin irrigators into high-cost producers.

The early indications are that the impacts of climate change will be focused on annual croppers despite guarantees from government that this would not be the case.

We could just accept this as the new normal – but that is not the SunRice way.

So what are we doing about it?

Firstly, Management has developed a multiple supply chain strategy to ensure we could continue to meet demand despite the extremely low Australian production. This has proved effective, and allowed the company to still deliver a profit and declare a fully franked dividend to

our B Class Investors while paying record high rice prices of \$750 to our Riverina growers in Financial Year 2021.

While profitability was impacted, it is a credit to the Management team that they have been able to navigate the challenges of the agricultural production cycle, foreign exchange fluctuations and the multitude of COVID-19 related issues, including disruption to global shipping.

It also speaks to the success of our diversified and complementary business structure.

The company is also actively pursuing strategies to reduce the impacts of future drought in Australia, including:

- Seeking new market opportunities and establishing new supply chains;
- Continually pursuing efficiencies in our Riverina manufacturing operations;
- Partnering with our growers, Government and other organisations to invest heavily into research & development to increase the amount of tonnes of rice that can be produced for each megalitre of water used;
- Advocating the severe and unintended consequences of water reform on Australian rice growers and other annual irrigators to Government, in close partnership with the Ricegrowers' Association of Australia; and
- Developing programs like GrowRice, that facilitate rice production.

Of course, the Riverina rice industry is already the most water efficient rice industry in the world, but we need to continue improving on this front to cope with the seemingly increasing volatility of water availability.

But as we look towards planting for the 2022 crop in October of this year, it is pleasing that the company is able to respond to the strong desire out there to grow rice.

Conditions are favourable for a 2022 crop that exceeds the 417,000 tonne crop harvested last year, with improving water availability, lower water pricing and a positive outlook for the next few months of increased rainfall and inflows.

The increased production from 2021 and positive outlook for 2022 has allowed us to move out of 'band-aid' mode and focus on getting back to what we do best – selling high-quality branded Australian rice products to customers and consumers in our most premium markets.

The company was pleased to announce recently that we will again offer fixed price contracts to our Riverina growers, and also open a pool.

There was a strong response from growers to the contract offer, which closed on 23 August, and we look forward to opening seed orders in coming weeks for the 2022 pool.

We have been working closely with our partners to chart a future direction for research, development and extension in the Australian rice industry to coordinate our efforts for maximum effect. Growers will learn more about this over the coming year.

It is particularly pleasing that we will be in a position to offer a new variety for the 2022 season – a new bold medium grain called V071 at this point which has been under development for many years.

The development of this variety is an outcome of the commercialisation of our ongoing investment in research & development, which as I outlined earlier is of fundamental importance to the future of the Australian rice industry.

Keeping a strong connection with our growers and A Class Shareholders, while ensuring that we continue to maintain alignment with and create value for our B Class Shareholders, is fundamental to the ongoing success of SunRice.

That is why we are putting forward a resolution today to make amendments to the A Class Share criteria, which the Board believes will achieve the following important objectives:

- Encourage more consistent Riverina supply to maximize benefits to the company;
- Reduce the Board's discretion in managing the A Class Share register; and
- Stabilise the A Class Share register.

The recent droughts and emerging impacts of water reform have demonstrated that the current criteria are no longer fit for purpose, with the Board required to exercise its discretion to not redeem A Class Shares in three of the past five years.

We are also seeking support of A Class Shareholders to fully implement a key recommendation from the 2019 review of the Board, to reduce the number of Directors from 10 to 9. At the 2020 AGM A Class Shareholders voted overwhelmingly in favour of a resolution to reduce the size of the SunRice Board from 11 to 10 Directors.

The resolution at this year's AGM will fully implement the recommendation from the 2019 review.

The Board remains strongly of the view that there should always be a majority of Grower Directors and welcomes support from A Class Shareholders for this change.

Lastly, I note that Dr Andrew Crane is seeking re-election as an Independent Non-Executive Director for a further three-year term.

As the former Chief Executive Officer of the CBH Group and as a senior executive with more than 30 years' experience, Andy is a strong contributor to the SunRice Board and I welcome his intention to continue as one of our Directors.

As we look forward, COVID is clearly back with a vengeance, not only here in Australia but also in many of the countries around the world where we have operations and sell products.

The pleasing thing is that we have demonstrated the capacity to manage these impacts through the past couple of years, and I am confident in the company's ability to continue doing so.

One of the unique features of the Australian rice industry which allows it to successfully navigate highly complex international rice markets are the NSW Government's vesting or single desk marketing arrangements.

These arrangements ensure a coordinated approach to market access, and allow SunRice as the sole exporter of rice grown in NSW to deliver significant export price premiums and freight scale advantages to growers through higher farm-gate prices.

The NSW Government is currently reviewing these vesting arrangements with a view to making a decision about whether they continue or not into the future.

SunRice has been working closely with Government to highlight that the vesting arrangements remain the most effective and appropriate way for the Riverina rice industry to compete in world markets, and we welcome the strong support for the continuation of these arrangements from

the Ricegrowers' Association on behalf of their grower members.

A core principle for our company is to continue supplying growth and returns to our investors, while at the same time providing a strong paddy price for our Australian growers.

I am confident as I reflect on the past few years and look ahead at the future that the strong international business that we have built, underpinned by the qualities of Australian rice, will continue to achieve these goals. There remains strong synergies and alignment between our Australian rice growers and investors, which continues to ensure our company is robust.

I thank my fellow Directors, our growers, shareholders, the Ricegrowers' Association of Australia, Rice Marketing Board and our dedicated employees for ensuring the company's continued success.

I look forward to working with you all in the coming year.

Thank you for your time today.