

## Introduction

GrainCorp Limited's ('**GrainCorp**' or '**the Company**') Corporate Governance Statement outlines the governance framework the Board has adopted for all entities in the GrainCorp Group.

GrainCorp remains committed to ensuring that its systems, procedures and practices reflect a high standard of corporate governance. The Board believes that its governance framework provides clear guidance on how authority is exercised and promotes a culture of compliance, ethical behaviour, integrity and respect to protect shareholder and other stakeholder interests.

### Annual Overview

For the year ended 30 September 2019, GrainCorp considers that its governance structure complies with the third edition of the ASX Corporate Governance Principles and Recommendations ('Recommendations').

Copies of GrainCorp's Constitution, Charters and related governance materials are available on GrainCorp's website at [www.graincorp.com.au/about-graincorp/company/cgs](http://www.graincorp.com.au/about-graincorp/company/cgs).

The following sections provide details of GrainCorp's compliance with the adopted governance framework and its practices in accordance with the Recommendations.

## Principle 1: Lay solid foundations for management and oversight

### a) Primary objective of the Board

To build long term shareholder value with due regard to other stakeholder interests. The Board provides governance and strategic guidance for GrainCorp and effective oversight of management. The governance structure determines how GrainCorp sets and monitors its profit and growth targets, while appropriately managing risk, and considering the interests of shareholders and other stakeholders.

### b) Board Charter

The Board has formalised its authority, responsibilities and processes in a Board Charter. The Charter includes the Board's role in strategy and planning, budgeting, financial reporting, employee and remuneration policies, risk management, governance, safety, health and environment, audit, compliance and performance monitoring. The Charter is consistent with GrainCorp's Constitution.

Under GrainCorp's Constitution, and as detailed in its Charter, the Board may delegate any of its powers to Committees of the Board. The standing Committees established by the Board are detailed below.

### c) Delegation to Chief Executive Officer ('CEO')

During the reporting period, the Board delegated authority for the day-to-day management of GrainCorp to the CEO, who manages GrainCorp according to strategies, budgets, policies and delegations approved by the Board.

The CEO and team of senior management ('Executive Team') implement GrainCorp's strategic plans and manage the business operations. The CEO provides reports to the Board to ensure it is fully informed of all material matters.

The Board and its Committees monitor the decisions and actions of the CEO and the performance of the business as a whole.

### d) Board composition, selection and appointment of new directors

It is the Board's policy to achieve a balance of relevant industry, technical and functional skills, experience, and diversity amongst its Directors. The People Remuneration and Nominations Committee ('PRNC') has the responsibility to review and make recommendations to the Board regarding composition and the nomination process for appointments. It regularly reviews the size, skills matrix and composition of the Board to assess the need for any new appointments or changes.

When considering a candidate, in addition to skills, experience and diversity, the PRNC considers personal qualities, ability to devote sufficient time to the Board, and professional reputation. Background checks are also performed to assess the character experience, education, criminal record and bankruptcy history of the candidate. The PRNC assesses potential candidates and makes recommendations to the Board for final determination by shareholders.

Through the Notice of Meeting, which is distributed to shareholders prior to the Annual General Meeting ('AGM'), the Board provides shareholders with all material information disclosed to the Board and relevant to a decision on whether or not to elect or re-elect a Director.

All Directors and members of the Executive Team are appointed subject to a written agreement with GrainCorp setting out the terms and conditions of their appointment.

### **e) The Company Secretary**

The appointment or removal of the Company Secretary is a decision made by the Board. The Company Secretary is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary works closely with the Chairman to manage the distribution of information between the Board, its Committees and the Executive Team. The Company Secretary provides advice and support to the Board and its Committees on governance-related matters and is responsible for organising the induction of new directors. All directors have a right of access to information and advice, which is facilitated through the Company Secretary and the Chair of each Committee. The Company Secretary's qualifications and experience are set out in the Directors' Report on page 20 of the 2019 Annual Report.

### **f) Evaluation of Board performance**

The Board reviews its performance and that of each Director on an annual basis. An external review of Board performance is conducted approximately every three years. This is in line with market practice. In those years that an external review is not conducted, the Board conducts an internal performance appraisal.

The review covers matters such as:

- The Board's contribution to developing strategy and policy
- The Board's performance relative to its responsibilities
- The interaction between Board members and between the Board and the Executive Team
- The Board's oversight of the business and performance of the Executive Team, controls and compliance
- The operation of the Board including the conduct and content of Board meetings
- The performance of each Board Committee against the responsibilities of its Charter, and
- The individual contribution of each Director.

An internal performance appraisal was conducted by the Board in FY19 in accordance with this process.

Each Committee reviews its performance annually through discussion and stakeholder feedback. The Chair of the PRNC reviews the performance of the Chairman of the Board in consultation with other Directors.

In addition, the performance of a Non-executive Director is assessed when nominating for election or re-election at an AGM. In the particular Director's absence, the Board, following recommendations from the PRNC, assesses whether to endorse the Director's election or re-election to shareholders.

### **g) Evaluation of Executive Team performance**

The CEO is responsible for monitoring the performance of each member of the Executive Team. The CEO is also responsible for ensuring there is an effective succession planning process for each Executive Team member.

During the reporting year the members of the Executive Team comprised the individuals listed on pages 18 and 19 of the 2019 Annual Report. The Executive Team meets regularly to review performance and strategic issues, and to build alignment across the business. Each Executive has a written position description, employment contract and annual Key Performance Indicators ('KPIs').

The CEO reviews the performance of the Executive Team individually and collectively against their agreed KPIs, the Company's leadership framework and GrainCorp's Values. The PRNC reviews the performance of the Executive Team through reporting of end-of-year performance appraisals. Performance reviews of the Executive Team were conducted by the CEO for the year ended 30 September 2019.

The PRNC and the Board reviews the performance of the CEO against agreed KPIs.

### **h) Board and Committee Meetings**

The Board and its Committees meet regularly throughout the year according to an annual schedule of meetings, and at other times as required. Details of the number of meetings held and the attendance record of each Director are on page 22 of the Directors' Report in the 2019 Annual Report.

**i) Diversity and Inclusion**

GrainCorp aims to foster a diverse and inclusive workplace that facilitates opportunity, respect and innovation, helping our people, customers and communities to prosper and grow. GrainCorp’s focus on diversity and inclusion is active across all operating geographies. During the year membership of our Diversity and Inclusion (‘D&I’) Committee was strengthened to include more senior leaders and our employee network groups continued to engage a wide cross section of employees in identifying ways that we can improve diversity and inclusion across the Group.

GrainCorp’s D&I Strategy focuses on inclusive leadership and flexible work practices. A culture of inclusion is critical to driving positive outcomes for our all our stakeholders. As such, we take proactive steps to build the capability of our people leaders through our core leadership program (LEAD) focusing on developing empathy, multiple perspective taking, along with understanding and valuing different preferences and styles. In FY19, 200 of our leaders attended this training. In addition, anti-bullying and harassment training has been delivered to all Australian and New Zealand employees reinforcing our culture of inclusion.

We annually conduct internal pay equity analysis to ensure performance and reward outcomes are gender neutral, non-discriminatory and free from bias.

We know flexible work arrangements are a key driver to attracting and retaining employees across all our geographies and generations in our workforce. In FY19 (for Australian employees) we introduced Purchased Annual Leave of up to four weeks in recognition of the need for greater flexibility at different life stages. We have also modernised our Australian parental leave policy to provide 14 weeks paid leave for primary care givers and two weeks for secondary care givers, bringing GrainCorp in line with best practice employers.

**Gender diversity**

To improve and promote gender diversity, we set two targets in relation to the recruitment of vacant roles within the top two tiers of management below the CEO:

- Include at least two females in the candidate pool for these roles, and
- Fill at least 40 per cent of these roles with females.

In FY19, both targets were achieved, and overall female representation has increased from 24 per cent in 2018 to 27 per cent in 2019. The number and percentage of women employed in GrainCorp over the past three years, as at 30 September, were:

Groups	2019		2018		2017	
	Number	Percentage	Number	Percentage	Number	Percentage
<b>Non-executive Directors<sup>1</sup></b>	2	25%	2	25%	2	25%
<b>Executive Team<sup>2</sup></b>	2	33%	2	20%	1	10%
<b>CEO Leadership Group<sup>^</sup></b>	9	21%	11	22%	-	-
<b>People Leaders</b>	111	22%	106	21%	100	21%
<b>Total GrainCorp workforce</b>	836	27%	681	24%	905	27%

GrainCorp is compliant under the Workplace Gender Equality Act 2012 for the 2018-19 reporting period.

**Further information**

Further information on GrainCorp’s FY19 Diversity & Inclusion performance is documented in the 2019 Sustainability Report and it the Company’s Equity & Diversity and Preventing Harassment in the Workplace Policy, both of which are available on the Company’s website.

<sup>1</sup> Non-executive Directors excludes the CEO.

<sup>2</sup> The Executive Team includes the CEO. As the result of a restructure effective 4 April 2019, the Executive Team was reduced from a team of 9 permanent members (including the CEO) to a team of 6 members (including the CEO).

<sup>^</sup>The CEO Leadership Group was created in April 2019 and is comprised of 43 people plus the Executive Team.

## Principle 2: Structure the Board to add value

### a) Structure of the Board

GrainCorp's Constitution contains provisions concerning Board size, meetings, and the election, powers and duties of Directors. Collectively the Board aims to achieve a broad range and balance of skills, experience and expertise to oversee GrainCorp's operations. The Company's Constitution stipulates a minimum of four and a maximum of ten Directors.

At the beginning of the financial year, the Board comprised eight Non-executive Directors and one Executive Director, being the CEO. At the AGM on 20 February 2019, Messrs. McGauchie and Richards were re-elected as Non-executive Directors. Mr Palmquist was CEO and Managing Director at the commencement of financial year 2019. He resigned as Managing Director with effect from 26 April 2019. He continued to serve as CEO post that date.

The Chairman of the Board is an independent Non-executive Director. The skills, experience and responsibilities of each Director are on pages 14 to 16 of the 2019 Annual Report.

Details of the period of office held by each Director and the year of their last election are as follows:

Director	Appointed	Last Elected at an AGM	Independence
Graham Bradley AM	1 March 2017	15 February 2018	Independent
Rebecca Dee-Bradbury	29 September 2014	15 February 2018	Independent
Barbara Gibson	3 March 2011	15 February 2018	Independent
Peter Housden	17 October 2008	24 February 2017	Independent
Donald McGauchie AO	23 December 2009	20 February 2019	Independent
Daniel Mangelsdorf <sup>3</sup>	17 February 2005	15 February 2018	Independent
Peter Richards	9 November 2015	20 February 2019	Independent
Simon Tregoning	2 December 2008	24 February 2017	Independent
Mark Palmquist <sup>4</sup>	1 October 2014	Not Applicable	Not Independent

### b) Board independence

For the year ended 30 September 2019, all of GrainCorp's Non-executive Directors are considered by the Board to be independent. The Board Charter details the criteria to be used to assess whether a Director has a relationship with GrainCorp, which could, or could be perceived to, impede independent decision making.

All Directors are required to notify the Chairman and Company Secretary of their interests and other appointments as they arise.

During the reporting year, a number of Directors, through their association with other entities, entered into transactions with GrainCorp in the ordinary course of business. Those transactions were neither material nor impacted upon the independence of those Directors, and they were conducted on 'arms-length' commercial terms, being no more or less favourable than other users of GrainCorp's services. Details of transactions with Directors are shown in Note 4.5(d) of the 2019 Annual Report.

<sup>3</sup> Dan Mangelsdorf was appointed to the Board as a Director representing a major shareholder in 2005. Mr Mangelsdorf has subsequently served as an Independent Director since 2009.

<sup>4</sup> Mark Palmquist resigned as Managing Director with effect from 26 April 2019.

**c) Conflicts of interest**

Each Director has a responsibility to determine whether he or she has a potential or actual conflict of interest in relation to any matter which comes before the Board. The Company maintains a Register of Directors' Interests which is updated regularly.

The Board Charter and Group Conflict of Interest Policy details the obligations of Directors in dealing with any conflicts of interest. Should a conflict arise, the conflicted Director will not receive any Board papers relevant to such conflict and, unless the non-conflicted Directors resolve to the contrary, will not be present for Board deliberations on the matter and will not vote on any related Board resolutions. The same procedures apply in the event of a conflict relating to any matter to be considered by any Board Committee.

GrainCorp's Code of Conduct provides guidelines for dealing with conflicts of interest, for Executives and other employees.

**d) Access to information and independent advice**

Directors may access information and seek independent professional advice which they individually or collectively consider necessary to fulfil their responsibilities and allow independent, well informed judgement in decision making. All such information and advice will be shared with all other Directors unless precluded by a conflict situation and will be at GrainCorp's expense.

**e) Tenure and election at Annual General Meetings**

Non-executive Directors must retire from office and may seek re-election by shareholders at the third AGM after their election if they seek to continue in their role. The Constitution requires that there be an election of Directors at every AGM. If no Director is to retire from office in accordance with their tenure, the Director to retire will be the individual who has held office for the longest period since last elected or re-elected. GrainCorp's Constitution does not impose a maximum term of service on Directors.

The Chairman is appointed by his or her fellow Directors with the term of office determined by the remaining members of the Board. The Chairman is subject to the same Director re-election rules as other Non-executive Directors.

**f) Board Committees**

The Board has the ability to delegate any of its powers to Board Committees. The standing Committees are as follows:

- Board Audit Committee ('BAC')
- Business Risk Committee ('BRC')
- Safety Health Environment and Governance Committee ('SHEGC')
- People Remuneration and Nominations Committee.

Each Committee is comprised of a majority of Non-executive Directors and is chaired by an independent director.

The composition of each Committee is reviewed regularly by the Chairman of the Board and annually by the PRNC. Membership of each Committee is determined by each Director's skills and experience, their ability to add value and to commit the necessary time to the Committee.

Each Committee operates under a Charter detailing its responsibilities and has unrestricted access to GrainCorp's Executives, advisors and other employees as well as to information necessary for the discharge of its responsibilities.

All Directors are entitled to attend meetings of any Committee and the CEO attends all meetings as appropriate, but does not attend any meetings where his performance, any conflicts, appointment or remuneration are being considered.

Proceedings of each Committee meeting are reported by the respective Committee Chairman at the first Board meeting following the Committee meeting.

Details of the Directors' attendance at Committee meetings during the year are contained in the Directors' Report on page 22 of the 2019 Annual Report.

**g) People Remuneration and Nominations Committee**

The PRNC is the 'nominations committee' for the Board and is also responsible for assisting the Board in the oversight and evaluation of GrainCorp's people strategy and remuneration framework (detailed at Principle 8 of this Governance Statement). The full responsibilities of the PRNC are detailed in its Charter.

The current members of the PRNC are Rebecca Dee-Bradbury (Chair), Graham Bradley AM, Donald McGauchie AO and Simon Tregoning, all of whom are independent Non-executive Directors of GrainCorp. The CEO, Group General Counsel, Company Secretary and Chief People and Transformation Officer attend all meetings of the PRNC by invitation. The PRNC is empowered to seek independent advice to assist in its decision-making processes.

During the reporting year the PRNC focused on:

- Reviewing GrainCorp's remuneration strategy to ensure alignment between organisational performance and shareholder expectations
- Reviewing and approving remuneration programs and performance targets for members of the Executive Team, including the monitoring of performance against those targets; and
- Reviewing and oversight of GrainCorp's people strategies and practices in regard to succession planning, talent management, diversity and inclusion, and employee relations.

**h) Board Skills, Experience and Attributes**

GrainCorp seeks to maintain a Board of Directors with a broad range of industry and other skills, experience and knowledge necessary to guide the business. Figure 1 sets out the key skills, experience and diversity the Board has identified as desirable attributes.

**Figure 1: Skills Matrix**

<p><b>Strategy and Business Acumen</b></p> <p>Experience in developing and monitoring business strategies and applying acumen and judgement to grow shareholder value.</p>	<p><b>Agribusiness / Supply Chain</b></p> <p>Experience in and understanding of the economic drivers, markets, and challenges of agricultural businesses and related supply chain management.</p>
<p><b>Consumer Goods and Manufacturing</b></p> <p>Experience and understanding of the economic drivers, challenges, and operations of food processing and manufacturing industries.</p>	<p><b>Financial, Risk and Compliance Management</b></p> <p>Senior leadership experience in management and financial accounting, corporate finance, tax, trading &amp; operational risk, compliance and internal controls.</p>
<p><b>Safety, Health and Environment</b></p> <p>Experience in overseeing effective management of safety, health and environmental compliance and risk management systems.</p>	<p><b>Board and Governance Experience</b></p> <p>Experience as a Non-executive Director with a strong commitment to good governance and knowledge of compliance and regulatory requirements for listed entities</p>
<p><b>Talent and Diversity Management</b></p> <p>Experience in organisational talent identification and management, corporate culture, employee engagement, leadership development, succession, and remuneration.</p>	<p><b>Executive Leadership</b></p> <p>Extensive experience in senior leadership roles, including listed board positions.</p>
<p><b>Diversity and Inclusion</b></p> <p>Ability to contribute to the diversity and inclusion agenda of an organisation to affect change</p>	<p><b>International Operations</b></p> <p>Experience as a director or manager of multi-geographic organisations, including exposure to a range of political, cultural, regulatory and business environments.</p>

The Board also strives for gender diversity and relevant geographic experience within these skill sets and aims to ensure that the Board, as a whole, is able to demonstrate a blend of capabilities.

The PRNC assesses candidates and makes recommendations to the Board regarding candidates it considers appropriate for appointment. Such recommendations focus on the mix of skills, experience, expertise, diversity and

other qualities of existing Directors, as well as how the candidate's attributes will balance and complement those qualities, and address any potential skills gaps considering the evolving strategic direction of the Company.

The Board believes that its current membership includes Directors who collectively provide the desired skills and experience to equip the Board to fulfil its role effectively.

### **i) Director Induction, Training and Ongoing Development**

Upon appointment, Directors undertake a comprehensive induction program tailored to their individual needs, outlining key information relevant to their role. This includes briefings on the Company's business and strategic plans, culture and values, policies, operations and the environment in which it operates. The program also includes meetings with external and internal auditors and other advisors, and discussions with the Chairman and other Directors, along with extensive background reading materials including information on any current issues before the Board. New Directors are encouraged to visit GrainCorp's assets to gain a thorough appreciation of the Group's asset profile, business drivers and risk factors.

At least once a year the Board as a whole undertakes site visits with the purpose of enhancing each individual Director's knowledge of the business and its operating environment.

Directors are encouraged to undertake continuing education and training to develop and maintain the skills and knowledge required to perform their role effectively and are provided with appropriate professional development opportunities to do so. Directors receive briefings on developments in the industry and the legislative, regulatory and industry framework, such as recent briefings on the *Modern Slavery Act 2018* (Cth).

## **Principle 3: Act ethically and responsibly**

### **a) Code of Conduct**

GrainCorp has adopted a Code of Conduct ('Code') which provides a set of guiding principles for acting honestly and with integrity and fairness at all times. The Company's Values, outlined in the Code, provide a common understanding of expected behaviours of Directors, the Executive Team and all employees.

The Company's Code and Values together form the Company's Charter, which is available on the Company's website.

### **b) Dealing in GrainCorp securities**

GrainCorp's Share Trading Policy prohibits dealing in GrainCorp's securities by all Directors, Executives and other employees, or their associates, when in possession of unpublished price sensitive information concerning the Company.

The Policy prohibits 'Designated Officers' (as defined in the Policy) from dealing in GrainCorp's securities at all times other than during specific 'Trading Window' periods. A Designated Officer may only deal in a Trading Window when not in possession of price sensitive information.

The Policy outlines the requirements and process for Designated Officers to seek approval before they, or their associates, deal in the Company's securities.

The Policy also prohibits Designated Officers and their associates from providing GrainCorp securities as security in connection with any margin loan or similar financing arrangement without prior approval.

Further, it is a condition of any grant to employees of any performance rights or deferred shares that no schemes are entered into that protect the value of such performance rights or shares before they vest. Any breach of this condition constitutes a breach of the terms of the grant and may result in the forfeiture of the performance rights.

A copy of the Share Trading Policy is lodged with the ASX and is available on the Company's website.

### **c) Whistleblower protection**

A principle underlying GrainCorp's Code is the requirement for any person at GrainCorp to immediately report, in good faith, any known or suspected breaches of the Code, GrainCorp policies or the law.

GrainCorp's Whistleblower Policy provides a mechanism whereby such breaches may be reported on a confidential basis without fear of reprisal, dismissal or discriminatory treatment.

Reports may be made under this Policy to specified 'Whistleblower Disclosure Officers' or to an independently managed 'whistleblower hotline' available in all the countries in which the Company has operations and to all employees and external parties.

The SHEGC has oversight of all whistleblower notifications. A copy of the Whistleblower Policy is available on the Company's website.

#### **d) Political donations**

GrainCorp will not use Company funds, property, goods or services as a contribution to a political party or candidate, or for consideration or favourable treatment. The Company may pay legitimate fees for approved GrainCorp attendees to participate in, or attend as observers, those political events which are assessed to be of relevance to GrainCorp, its industry or operations. Such fees are approved by the Chairman and the CEO. Further detail is outlined in the Company's Code, which is available on the Company's website.

### Principle 4: Safeguard integrity in financial reporting

#### **a) Board Audit Committee**

The BAC was constituted by the Board of GrainCorp to assist the Board in fulfilling its responsibilities in relation to financial reporting and internal controls. The BAC reviews GrainCorp's financial reporting processes, systems of internal control and management of financial risks as well as the process, coverage, performance and independence of the internal and external audit functions. The responsibilities of the BAC are detailed in its Charter.

The current members of the BAC are Peter Housden (Chairman), Rebecca Dee-Bradbury, Daniel Mangelsdorf and Peter Richards, all of whom are independent Non-executive Directors of GrainCorp. Collectively the Committee members have the technical expertise to enable the BAC to effectively discharge its responsibilities. Details of the BAC members' qualifications, experience and attendance are set out on pages 14 to 16 and 22 of the 2019 Annual Report.

The CEO, Group CFO, Group General Counsel and Company Secretary, as well as representatives from GrainCorp's external and internal audit teams, attend all meetings of the BAC by invitation. The BAC regularly meets with the external auditors and advisors without the presence of the Executive Team or management.

#### **b) External audit**

PricewaterhouseCoopers ('PwC') has been GrainCorp's external auditor since 1998 and is responsible for reviewing and auditing the half year and full year financial statements and reports in order to provide an independent opinion that these statements and reports are true and fair and comply with applicable accounting standards and regulations.

PwC attends all meetings of the BAC by invitation and meets regularly with the BAC independently of management to discuss matters which have arisen during the course of its reviews and audits. Representatives of PwC also attend GrainCorp's AGM to answer any shareholder questions on the conduct of the audit, the preparation of the audit opinion and any other related matters.

GrainCorp's Board has adopted an External Auditor Independence Policy ('Independence Policy') to govern the independence of the external auditor. The Independence Policy places restrictions on the range of non-audit services PwC can provide to GrainCorp and contains a requirement that the lead audit partner be rotated after five years, unless that appointment is extended by agreement under transition provisions.

The Independence Policy also specifies the type of non-audit services or assignments that PwC cannot undertake. In addition, any non-audit services or assignments that are not prohibited, with estimated fees in excess of \$100,000, must be approved by the BAC before that service or assignment commences. The Group CFO has been authorised to approve such services and assignments with fees estimated to be less than \$100,000.

No work will be awarded to PwC if the BAC or the Group CFO, as applicable, believe such work would give rise to a 'self-review' threat (as defined in APES110-Code of Conduct for Professional Accountants) or would create a conflict, or potential conflict, of interest for PwC or otherwise compromise PwC's independence.

Details of the amounts paid to PwC during the year, including for any non-audit services provided, are disclosed in Note 5.1 to the Financial Statements of the 2019 Annual Report.



PwC has provided GrainCorp with the required full year certification of independence which is on page 50 of the 2019 Annual Report.

GrainCorp's current Audit Engagement Partner is Kristin Stubbins, who commenced her role for the year ended 30 September 2017.

A copy of the Independence Policy, which forms part of the BAC Charter, is available on the Company's website.

### **c) Management assurance to Directors**

The CEO and the Group CFO have provided a declaration to the Board in relation to the production of GrainCorp's full year financial statements and reports, as required by Section 295A of the *Corporations Act 2001*.

Supporting this declaration are certifications of assurance provided by other senior managers, including senior finance managers within GrainCorp. These certifications comprise representations and responses to questions concerning GrainCorp's financial results, disclosure processes and controls and other matters related to GrainCorp's external reporting obligations.

The effective control environment established by the Board and reviewed by internal audit as part of its annual review program, supports this declaration. Associated companies and joint ventures which are not controlled by GrainCorp are not covered by this declaration. Further, the declaration provides a reasonable, but not absolute, level of assurance of GrainCorp's risk management, internal compliance and control systems, but does not imply a guarantee against any adverse events or more volatile conditions and outcomes which may occur in the future.

## Principle 5: Make timely and balanced disclosure

### **a) Commitment to disclosure**

GrainCorp seeks to provide shareholders and other interested parties with quality information in a timely way through the reporting of financial results, the provision of the Annual Report, as well as other announcements and briefings to the market.

GrainCorp is committed to:

- Ensuring that its shareholders and other stakeholders are provided with timely and balanced disclosure of all material matters concerning GrainCorp
- Complying with its continuous disclosure obligations as required by the *Corporations Act 2001*, ASX Listing Rules and the Recommendations, and
- Ensuring that all stakeholders have equal and timely access to externally available information issued by GrainCorp.

### **b) Continuous Disclosure and Financial Markets Communication Policy ('Communication Policy')**

GrainCorp's Communication Policy supports the commitment to a fully informed market in its securities by ensuring that announcements are:

- Made to the market (via the ASX Announcement Platform) in a timely manner, are factual and contain all relevant material information
- Expressed in a clear and objective manner that allows investment community stakeholders to assess the impact of the information when making investment decisions.

GrainCorp's Company Secretary is responsible for monitoring compliance with the continuous disclosure obligations and for overseeing and coordinating disclosures to the ASX and other interested parties. GrainCorp's Investor Relations Manager is responsible for the release of all communications to shareholders.

## Principle 6: Respect the rights of shareholders

### **a) Annual General Meeting of Shareholders**

GrainCorp is committed to ensuring its shareholders are provided with timely disclosure of all material matters concerning the Company.

GrainCorp encourages its shareholders to attend the AGM, where shareholders receive presentations on GrainCorp's performance and outlook and can raise any questions concerning the management of GrainCorp, the conduct of the annual audit, as well as questions on resolutions put to the AGM.

The Notice convening the AGM is accompanied by explanatory notes regarding the resolutions to be put to the AGM. A copy of the Notice with the explanatory notes is lodged with the ASX and posted on the Company's website.

Shareholders who are unable to attend the AGM in person may vote by appointing a proxy using the form provided with the notice, via an online facility or directly through the same online facility. Recent AGMs have been webcasted live so that security holders can follow proceedings online. The webcasts of AGMs are also recorded and made available to view after the AGM on the GrainCorp website.

The results of voting on all resolutions at the AGM are reported to the ASX and posted to the Company's website as soon as possible after the meeting.

Shareholders are also invited to submit questions in advance of the AGM, so that GrainCorp can ensure issues are suitably considered and addressed.

#### **b) Access to Company Information**

The Company's website provides access to all relevant corporate governance information regarding the Board, Executive Team and Committees, Charters and Company policies, in addition to profiles on the Non-executive Directors and the Executive Team.

#### **c) Investor Relations Program**

The Company's investor relations program is designed to promote understanding amongst shareholders and other stakeholders of the Group's businesses, governance framework, financial and operational performance, and outlook. The investor relations team is responsible for monitoring shareholder feedback and receiving comments and questions at investment briefings and strategy days.

Throughout the financial year, the investor relations team interacts with institutional investors, private investors, analysts, proxy advisers and the financial media. Roadshows attended by the CEO, Chairman, some of the Non-executive Directors and the investor relations team are held following the release of the Half Year results and End of Year results. Feedback from shareholders is reported regularly to the Board.

The Investor section on the Company's website provides an overview of the business, share price information, analyst coverage, corporate governance and dates for upcoming investor presentations and events.

#### **d) Electronic Communications**

Shareholders have the ability to elect to receive communications and other shareholding information electronically. GrainCorp's share registry is managed by Link Market Services, who can be contacted at: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au), [gnc@linkmarketservices.com.au](mailto:gnc@linkmarketservices.com.au), or 1300 883 034.

Shareholders can contact GrainCorp electronically by sending an email to [companysecretary@graincorp.com.au](mailto:companysecretary@graincorp.com.au), [enquiries@graincorp.com.au](mailto:enquiries@graincorp.com.au) or visiting the website [www.graincorp.com.au](http://www.graincorp.com.au).

## Principle 7: Recognise and manage risk

#### **a) Risks**

GrainCorp is one of Australia's largest agribusinesses and a global food ingredients business, with a significant presence in the storage and logistics of grain and non-grain commodities, the marketing of grain domestically and internationally, the production and marketing of edible oil products, storage of oils, petroleum and chemical products, as well as the production of malt and related consumer end-products. Risk is, therefore, inherent in GrainCorp's daily operations and the ability to achieve the Company's goals depends heavily on how effectively risk is managed.

GrainCorp's risk management objective is to ensure all material risks are identified and, where practical and economically viable, measures are implemented to mitigate or otherwise manage the impact those risks may have on GrainCorp's activities.

#### **b) Risk management framework**

GrainCorp's risk framework consists of the Risk Management Policy and Guidelines ('Policy'), which is largely consistent with the Australian/New Zealand and International Standard on Risk Management: AS/NZS ISO 31000:2009 and applies to all entities within GrainCorp.

The Policy:

- Provides a systematic approach to risk management aligned to GrainCorp's strategic objectives
- Defines the processes by which GrainCorp determines its risk appetite and manages risk, and
- Articulates the roles and accountabilities for the oversight, governance and management of risk within GrainCorp.

### c) Risk management responsibilities and actions

#### i. Board of Directors

GrainCorp's Board is responsible for determining the risk profile, appetite and strategies and for monitoring the integrity of internal controls and other resources, processes and systems to manage and mitigate risks.

The Board has delegated direct oversight of risk management, other than financial risk management and safety, health and environment ('SHE') risk management, to the BRC.

The Board has delegated to the Executive Team the responsibility for establishing GrainCorp's risk framework and for implementing the internal controls and other systems and processes to manage risk.

#### ii. Business Risk Committee

Subject to the overriding responsibilities of the Board, the BRC oversees all aspects of risk within GrainCorp except for financial risks, which remain the responsibility of the BAC, and SHE risks, which are the responsibility of the SHEGC. As a Committee dedicated to the oversight of risk management, the BRC continuously reviews the effectiveness of GrainCorp's risk management framework, processes and controls.

The BRC's objectives are to review, monitor and report on:

- Strategic and operational risks which include, but are not limited to, business trading, ethical, and relevant regulatory risks
- Compliance with applicable laws and regulations as well as GrainCorp's internal policies and procedures.

The full responsibilities of the BRC are detailed in its Charter.

The members of the BRC are Daniel Mangelsdorf (Chairman), Barbara Gibson, Peter Housden and Ottmar Weiss (Independent Advisor), all of whom are independent Non-executive Directors of GrainCorp. The CEO, business unit Group General Managers, Group CFO, Group General Counsel and Company Secretary attend all meetings of the BRC by invitation. Other members of the Executive Team, senior managers and employees attend meetings as required.

To discharge its responsibilities the BRC receives regular reports from the Executive Team:

- That identify and evaluate the significant risks that may affect the achievement of GrainCorp's strategies and operations, including credit and compliance risks
- On material business risks and progress against risk management plans and key performance indicators
- On grain, malt, oil and other commodity trading strategies, and as required, approve new trading business activities and control measures
- Concerning credit, treasury, liquidity, foreign exchange, derivative, country and sovereign risks of the business units, and assesses their alignment to the Company's risk appetite
- On any related non-compliance, including with the Position and Trading Risk Management Policy.

During the year the BRC:

- Reviewed the Group's Strategic Risk, Operational Risk and Food Quality and Safety Management Registers as well as its Insurance Claims and Performance Reports
- Reviewed amendments to the Position and Trading Risk Management Policy to accommodate business growth and expansion
- Reviewed determinations made by the Anti-Bribery & Corruption Review Committee
- In conjunction with the Board Audit Committee, reviewed and set the 2019 'Independent Assurance Program', and received assurance reports from second and third line of defence
- Reviewed commodity marketing and trading strategies, including assessment of new customers and markets, and
- Assessed customer credit reviews and setting of credit and trade limits.

### *iii. Safety, Health, Environment & Governance Committee*

The SHEGC has specific oversight of the Group's safety, health, environment and corporate governance responsibilities, as delegated by the Board.

The SHEGC's objectives are to review, monitor and report to the Board on the following matters:

- Safety, health and environment risks, including systems of audit, policies, processes and controls
- Compliance with all applicable laws and regulations, including continuous disclosure obligations, share trading and other corporate governance responsibilities.

The full responsibilities of the SHEGC are detailed in its Charter.

The current members of the SHEGC are Barbara Gibson (Chairman), Simon Tregoning and Peter Richards, all of whom are independent Non-executive Directors of GrainCorp. The CEO, Group CFO, Group General Counsel, Company Secretary, Chief People and Transformation Officer and General Manager - SHE attend all meetings of the SHEGC by invitation. Other Executive Team members, senior managers and employees attend meetings as required.

During the year the SHEGC:

- Reviewed the content and development of GrainCorp's 2019 Sustainability Report
- Reviewed safety performance reports, which include information on employee and contractor injuries and actions taken to reduce the risks of injury
- Reviewed environmental compliance matters and remedial actions
- Reviewed the requirements of the *Notifiable Data Breaches Act* and the EU General Data Protection Regulation
- Received reports on the compliance with Modern Slavery regulation in Australia
- Received and reviewed SHE specific assurance reports from second and third line of defence, and
- Reviewed internal governance reports, including whistleblower notifications Director's material interests and compliance registers.

### *iv. Management and other employees*

GrainCorp's CEO, supported by the Executive Team, has been delegated the responsibility for implementing the risk framework across GrainCorp, to ensure all risks identified as unacceptable are managed or mitigated, or otherwise dealt with.

Each business and function within GrainCorp is responsible for conducting risk assessments of its operations as well as developing, maintaining and reviewing relevant risk registers and risk management plans.

The Executive Team regularly monitors GrainCorp's risks and reviews the effectiveness of management and mitigation strategies. Corporate strategic and business unit plans are reviewed at least annually, which enables the Executive Team to assess whether GrainCorp's risk profile has changed - any new risks emerged, or existing risks increased, decreased or disappeared.

## **d) Material Risk Exposures – Economic, Environmental and Social Sustainability**

The Board recognises that adopting sustainable business operations and sound environmental management practices are important to the long-term performance and growth of GrainCorp.

### *i. Economic Sustainability Risk*

Like all businesses, GrainCorp has an exposure to economic sustainability risk. The Company operates along the entire supply chain and across multiple industries, from accumulation and storage of grain, transport and logistics, to manufacturing and distribution of products to customers and end consumers. GrainCorp is exposed to a variety of financial, operational, market and regulatory risks and is therefore continuously reviewing and managing these to ensure its operations are sustainable over the longer term. A non-exhaustive list of economic risks to which the Company is exposed is listed on pages 30 to 32 of the Directors' Report in the 2019 Annual Report.

GrainCorp's corporate strategy reflects its mission: "A leading international agribusiness through the value chain; the preferred choice to connect producers and customers". This strategy has a three-year time horizon and is reviewed and updated annually by the management team and the Board. An integral aspect of GrainCorp's strategy has been to reduce the impact on earnings of cyclical weather conditions, especially the impacts of drought. In June 2019, the Company executed a 10-year crop production contract ("Contract") with White Rock Insurance (SAC) Ltd, to help manage the risk associated with the volatility of eastern Australian winter grain production. The Contract is effective from FY20 and is designed to help smooth GrainCorp's cash flow and earnings through the cycle and provide protection in severe drought years. Further details of the Contract are contained in 2019 Annual Report.

During FY18, GrainCorp commissioned expert environmental research to better assess the potential long-term impact of predicted climate change on grain production in 23 key wheat cropping districts in eastern Australia. The study concluded that, under the most likely climate change trajectories predicted by the models, climate change is likely by both 2030 and 2050 to have a small positive impact on wheat yield potential and no significant negative impact on protein content in eastern Australia.

#### *ii. Environmental Sustainability Risk*

GrainCorp has an exposure to environmental sustainability risk. The availability of cost competitive energy, water and other resources is fundamental to the Company.

GrainCorp uses water and energy in its manufacturing operations and produces a moderate amount of waste which is sent to landfill. Through its continuous improvement programs, the Company strives to reduce its impact on the environment and increase the efficiency of its water and energy usage.

More information on the Company's environmental initiatives can be found in the 2019 Sustainability Report, which is available on the Company's website.

The Company is a registered reporter of energy use and greenhouse gas emissions under the *National Greenhouse and Energy Reporting Act*. Sites within the Australian Oils business and Barrett Burston Malting which trigger thresholds under the National Pollutant Inventory are also subject to annual reporting. Information relating to GrainCorp's compliance with the *National Greenhouse and Energy Reporting Act* can be found on the Clean Energy Regulator's website.

#### *iii. Social Sustainability Risk*

The Company has long established and sound relationships with the communities and customers with whom it engages. For over 100 years, GrainCorp has been at the forefront of agricultural supply chain solutions for Australian growers. Over that time the Company has been meeting the needs of its farming partners. Similarly, GrainCorp has developed long term customer and supplier relationships that are built on trust, transparency and quality service.

GrainCorp contributes tangibly to rural and regional communities across the world by donating funding or labour to communities in need. The Company is currently reviewing a community fund structure to improve the way it contributes to these communities. Details of GrainCorp's contributions to communities in 2019 can be found in the 2019 Sustainability Report, which is available on the Company's website.

#### **e) Internal Audit**

The Board has appointed the audit firm, KPMG, to manage GrainCorp's internal audit function ('Internal Audit').

The role of Internal Audit in relation to financial reporting is to provide the Board, through the BAC, with an effective and independent appraisal of GrainCorp's internal control framework and an assurance that material risks and compliance obligations are effectively managed. In addition to KPMG, GrainCorp has developed an Independent Assurance Program, which takes a greater holistic view of assurance activities across the Group. KPMG and other external providers are engaged to undertake assurance reviews which are not included in the internal audit of financial reporting and controls.

Internal Audit operates under a Charter and an annual audit program approved by the BAC. Internal Audit reports to the BAC and has a direct line of communication to the Group CFO.

The annual Independent Assurance Program, of which Internal Audit is part, is developed in consultation with the BAC, BRC and the Executive Team after considering GrainCorp's risk profile and appetite.

Representatives of Internal Audit and other external assurance providers (as required) attend all meetings of the BAC and/or BRC (as relevant) and provide regular reports of progress against the annual program and detail any issues which have arisen.

## Principle 8: Remunerate fairly and responsibly

### a) People Remuneration and Nominations Committee

The PRNC assists the Board to consider people and remuneration strategies and related issues within GrainCorp, in addition to its 'nominations' responsibilities.

The role of the PRNC is to ensure that GrainCorp:

- Has coherent and transparent remuneration policies and practices that are consistent with the Company's strategic goals and people objectives, enabling it to attract, motivate and retain employees at all levels
- Fairly and responsibly remunerates Executives and other employees having regard to the performance of the Company, the performance of the Executive or employee and the general remuneration environment.

The responsibilities of the PRNC are detailed in its Charter.

Information concerning the members of the PRNC is detailed at Principle 2 section (g) above.

### b) Non-executive Director remuneration

The remuneration of Non-executive Directors is by way of a fee and is paid according to the role of the Director on the Board and the Board Committees on which they serve.

Non-executive Directors do not participate in other remuneration components, such as performance related short term or long-term incentives which are available to GrainCorp's Executives and other employees.

### c) Remuneration Report

Details of GrainCorp's remuneration policies and practices and information relating to the remuneration of its Key Management Personnel ('KMP') (including Non-executive Directors) are disclosed in the Remuneration Report starting on page 35 of the 2019 Annual Report.

## Conclusion and summary of compliance with the recommendations

The Board is satisfied with GrainCorp's level of compliance with the Recommendations but recognises that governance processes require continual monitoring and refinement. The Board, primarily through its SHEGC, reviews GrainCorp's corporate governance framework regularly to ensure it remains effective, compliant with changing requirements and relevant to GrainCorp's increasingly international business.

This Corporate Governance Statement is current as at 14 November 2019 and was approved by the Board on 14 November 2019.