



Company	GrainCorp Limited
Code	GNC
Meeting	AGM
Date	20 February 2019
Venue	The Hilton Hotel, Sydney
Monitor	Elizabeth Fish

Number attendees at meeting	50
Number of holdings represented by ASA	31
Value of proxies	\$1.3m
Number of shares represented by ASA	139,045
Market capitalisation	\$2.255 billion
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with Chair Graham Bradley

Chair, Mr Graham Bradley, opened his address by reviewing the results of the 2018 financial year. He then moved to the subject of the Long-Term Asset Partners (LTAP) offer to acquire all of the issued capital via a scheme of arrangement. After reminding the meeting that the offer was non-binding, he said that GrainCorp continues to engage with LTAP and assist them as they undertake their due diligence, so that they can complete a formal binding offer capable of consideration and response by the Board. So far, the engagement had included answering 250 questions, providing 1,500 documents and holding numerous meetings with management.

Although there is no certainty that any proposal received will be binding the Chair said there are other alternatives. Review of the Graincorp asset portfolio is well progressed and ongoing. A number of parties have expressed serious interest in purchasing part or parts of the portfolio, but he was not in position to disclose further information, as discussions are ongoing and incomplete. Mr Bradley added that he is committed to giving further updates as or when these discussions reach fruition.

On the outlook for current business, the Chair expects further strong performance from the malting business arising from demand for speciality malts from the craft and distilling business and from increasing distribution capability in the United States. However, as year to date rainfall is amongst the lowest recorded in the past century and most of eastern Australia is in drought, the grains and oils businesses are not expected to contribute strongly.

CEO, Mr Palmquist, opened his address on the issue of safety, saying that one of the highest priority within the organisation is a concentration on safety. By that he meant, keeping customers, employees and contractors safe. He said his team, having noticed a slight increase in incidents in FY18, looked at the safety processes in place, and realised that complexity had been added to the process of safety management. This has been addressed by making sure that employees understand that they own their own safety and each employee is a safety leader. He said they were looking at some improvement in the first quarter of this year with only three lost time injuries recorded across the organisation. He continued his presentation discussing efficiencies being put in place to contain costs. It was a most informative presentation.

The [Chair's address and the CEO's presentation](#) are on the [Graincorp's website](#) as a webcast and a pdf.

Mr Ron Hadley, from Narrandera, spoke about the Grong Grong grain handling site and delivering wheat. He said that local competitors improved their grain handling facilities, while Graincorp's promised improvements have not taken place. He expressed his concern that most growers would be using the competitor's facilities.

His other concern was related to the falling numbers test, a measurement of grain quality, which affects the grower's bottom line. He said over a number of days he delivered wheat he knew to be good quality and from the same paddock, that had scores which varied between a low score of 254 and a high of 347. He noted that the highest scores were recorded when conditions were calm and there was very little wind. He stated that he believed wind interfered with the falling numbers machine, giving inaccurate scores.

The Chair didn't really respond to this during the meeting, apart from commenting, "we have introduced some pretty sophisticated technology". I believe he met with Mr Hadley after the meeting.

Roman, a shareholder from Sydney, was concerned with Graincorp doing business in Ukraine and asked for caution in dealing with this area. The Chair assured the meeting that the board have gone into this with their eyes open, mindful of the risks, and inspected the facilities which were available for use. The company has put in place procedures to ensure it can operate as it would anywhere else in the world, and to guard against risk. He continued saying the Black Sea area is a significant area of origination and a big future supplier of grains.

Four resolutions were voted on: the remuneration report and the grant for performance rights received 18% and 16% against respectively. Directors sitting for re-election, Mr Peter Richards and Mr Donald McGauchie, received votes against of 37% and 39%. The Chair acknowledged his disappointment with the votes against as none of the major shareholders had indicated any concern to him prior to the meeting. The ASA supplied a copy of voting intentions to the Investment Relations Manager approximately two weeks prior to the AGM.

ASA commented on the three year long-term incentive (LTI) period, saying that within the ASA there is a strong view that the performance period should be at least four years, and presently, most ASX 100 companies meet that expectation. We asked if this is a matter the GrainCorp Board would have under regular review. The Chair confirmed the LTI period was a matter the Board has considered but in view of the proposed changes to LTI measurement criteria in 2019 and the fact that no LTI payments have been awarded in the last three years, no change was anticipated in the immediate future.

The ASA commented that unfortunately we would be voting our proxies against the re-election of Mr Peter Richards saying we could not support his re-election as we believed his current workload which includes three other Chair roles as well as his non-executive director (NED) role with GrainCorp is excessive. In addition, we noted that Mr Richards holds only 10,000 GNC shares, equivalent to \$79,000 while his annual fee is in the region of \$162,000. This last criterion does not meet ASA's policy guideline that NEDs should

demonstrate alignment with shareholder interests through a meaningful equity investment of holdings ie equivalent to one year's fees after three years on the Board. We also noted that GrainCorp does not have a policy on NED shareholdings.

The Chair responded saying that he was aware of the ASA's policy and that he had no concern with Mr Richard's capacity to perform his GrainCorp duties and continued saying he has readily volunteered for extra duties and has never had any availability issues. He thought many of the companies Mr Richards chairs are fairly small, not taking as much time as an ASX100 company would. On the matter of share ownership, he said it was difficult for directors to find a window in which to buy shares.

The ASA monitors spoke to Mr Bradley after the meeting. Both the Sydney Morning Herald and the Australian Financial Review reported on the meeting, mostly with regard to the LTAP offer.