

Remuneration 101

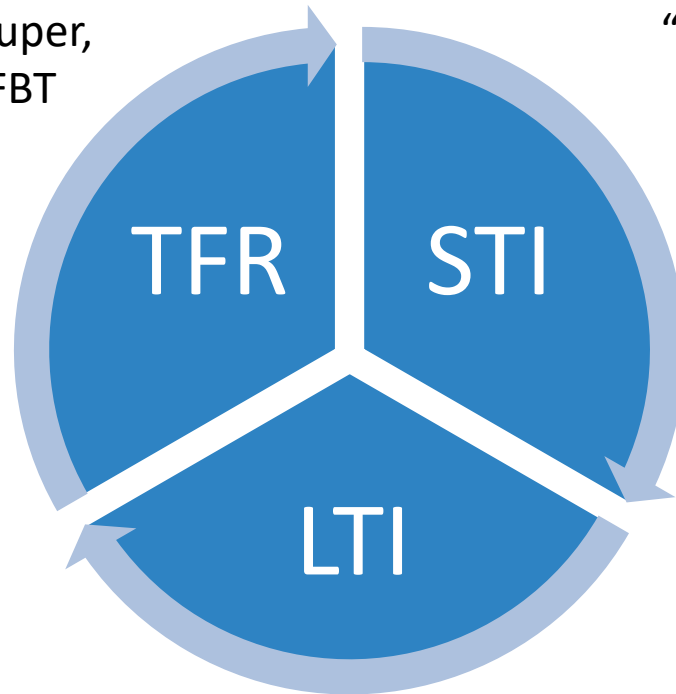


Part 1: The components of remuneration



Fixed, STI and LTIs

“Total fixed remuneration”
Base salary plus super,
motor vehicle, FBT



Short term incentive -
“At-risk” component
based on hurdles
measured over
1 year period

Long term incentive - “At-risk”
component based on hurdles
measured over long term
(ASA prefers 4+ years)



Assessing incentives

Three elements

Structure

Outcomes

Disclosure



Short term incentives

- ▶ Hurdles
 - ▶ Majority should be based on financial hurdles (eg EBIT, EBITDA, EPS, NPAT)
 - ▶ Are the hurdles relevant and challenging? Does the company use underlying hurdles?
- ▶ Outcomes – look for link between pay and performance
- ▶ Disclosure
 - ▶ Are the specific targets disclosed?
 - ▶ Some companies will not provide forward looking information, but performance against those hurdles should be disclosed



Long term incentives

- ▶ Hurdles
 - ▶ Measured over 4+ years
 - ▶ ASA prefers total shareholder return (TSR) – objective and aligned with shareholders' interests
 - ▶ 70%+ of ASX100 use TSR
 - ▶ Relative TSR – what peer group is used?
 - ▶ Alternative hurdles could work – eg capital intensive companies – but hurdles need to be objective and not qualitative
- ▶ Outcomes – link between pay and company's longer term performance and strategy
- ▶ Disclosure – also look in the notice of meeting



Part 2: Understanding the remuneration mix

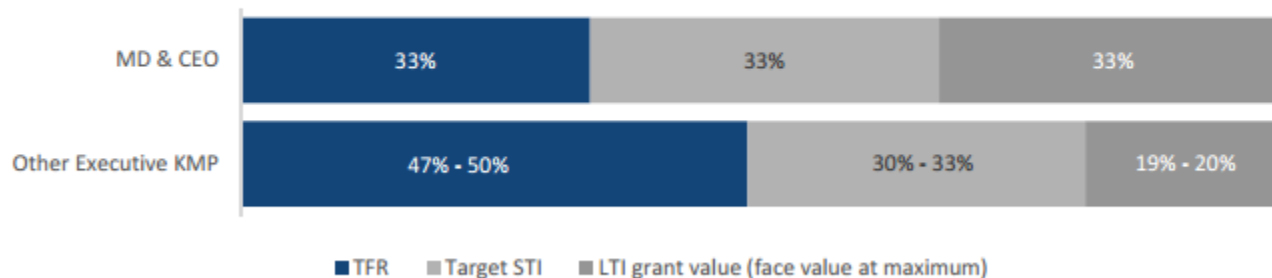


Look for the bar chart

Usually early in the Rem Report there is a table or pie/bar chart giving the proportions of fixed remuneration, STI and LTI

Here the CEO's package is evenly split between fixed/STI/LTI which is common

Executive KMP target remuneration mix is summarised in the graph below. Remuneration mix is presented as a portion of total target remuneration and comprises TFR, target STI opportunity and LTI grant value (ie maximum LTI opportunity).



The chart shows the proportion of rem that is **fixed** (33%) and **at-risk** (66% via STI/LTI) for CEO, less at-risk for other executives



The chart shows the split

It is important to note that the table/chart usually shows the “target” opportunity for TFR, STI and LTI – this may be different to the “maximum”

The split assumes 100% vesting in the STI/LTI at target

On-target Executive KMP remuneration opportunities and mix

A significant portion of executive remuneration is 'at-risk' to ensure alignment with the Company's strategic objectives. Executives are only rewarded for delivering performance aligned to GrainCorp's short-term and long-term strategy. The table below outlines on-target Executive KMP remuneration opportunities.

Role	TFR	Target STI	LTI grant value (face value at maximum)	Total target remuneration
MD & CEO	33%	33%	33%	100%
Group CFO	50%	30%	20%	100%
President and CEO GrainCorp Malt	48%	33%	19%	100%
Group General Counsel	50%	30%	20%	100%
GGM GrainCorp Storage & Logistics	48%	33%	19%	100%
GGM GrainCorp Marketing	47%	33%	20%	100%
GGM GrainCorp Oils	47%	33%	20%	100%

On the next slide, you'll see the target STI as a % of TFR



Target may be different to the maximum

Sometimes companies have a stretch component in the STI – also referred to as a maximum opportunity

- ▶ It is where the maximum STI opportunity is greater than 100% of the target

FY15 STI opportunity

Executive KMP and other employees as determined by the Board are eligible to participate in the STI plan. Target STI is awarded for achieving on-target performance. Participants have the opportunity to earn up to a maximum capped amount for achieving stretch performance (ie significant out-performance against defined measures). Executive KMP STI opportunities are shown below.

Role	Target STI as a % of TFR	Maximum STI as a % of TFR
MD & CEO	100%	150%
Functional Area Executive KMP	60%	120%
Operational Executive KMP	70%	140%
GGM Marketing	70%	167%

CEO's target is 100% of TFR but the maximum is 150%

Not all companies have a stretch component



Part 3: Assessing the hurdles



Target may be different to the maximum

Sometimes companies have a stretch component in the STI – also referred to as a maximum opportunity

- ▶ It is where the maximum STI opportunity is greater than 100% of the target



Part 4: Look at outcomes



Looking at the outcomes

You can see there are two different percentages – one as a percentage of target and another as a percentage of maximum

FY15 awarded STI outcomes

In what has been a demanding year for the company, STI payments to Executive KMPs ranged from 'Below target' to 'Above target'. The table below outlines FY15 STI outcomes.

	Actual STI awarded as a % of target STI	Actual STI awarded (\$'000s)	Amount paid in cash (\$'000s)	Amount deferred (\$'000s) ¹⁹	STI awarded as a % of maximum STI	STI forfeited as a % of maximum STI
Executive Director						
M L Palmquist	114	1,363	682	681	76	24
Executive KMP						
A G Bell	129	449	264	185	65	35
G A Friberg ²⁰	161	627	368	259	81	19
B Ivanoff	132	329	194	135	66	34
A N Johns	168	602	354	248	84	16
K Pamminer	81	276	162	114	34	66
S J Tainsh	121	434	255	179	61	39

Almost all executives got more than 100% of their target

