

GrainCorp (GNC) 2018 AGM (FY17) Report

Company/ASX Code :	GrainCorp Limited (GNC)
Venue :	10am Sheraton on the Park Hotel 161 Elizabeth Street on Hyde Park Sydney, New South Wales 2000
Monitor :	Mr Elton Ivers
AGM Details / NoM :	Thursday 15th February, 2018
# of Attendees :	41 shareholders, 6 proxy holders, 5 non-voting shareholders plus 42 visitors
# Holdings represented by ASA :	45
Value of Proxies :	\$1.4m
# Shares Represented by ASA :	196,531
Market Capitalisation :	\$1.7 billion

Several capital projects now yielding improved returns

Elton Ivers was assisted by Elizabeth Fish

The new chairman, Graham Bradley, indicated that he had taken the opportunity to visit many GrainCorp operational sites and the people operating these sites, both within Australia and overseas. He also met with a number of grain growers. Mr Bradley summarised the company's financial results for FY2017, indicating the good results were primarily due to the well above-average grains harvest. This, together with the sale of some non-optimal processing plants, strengthened the company's balance sheets and reduced net debt. He confirmed that many of GrainCorp's large multi-year capital projects were completed during the year.

The CEO/Managing Director, Mark Palmquist, presented further details on the performance of GrainCorp's business units and strategic priorities. The outlook for the Eastern Australian grains harvest for 2017/18 is well below the long-term average levels due to less than average rainfall. GrainCorp's financial forecast for FY2018 is an underlying earnings before interest, tax, depreciation and amortisation (EBITDA) of \$240 – 265 million and underlying net profit after tax (NPAT) of \$50 – 70 million.

ASA asked why GrainCorp continued to primarily report underlying financial performance measures (especially EBITDA & NPAT) that exclude the effect of significant items. The Chairman responded that the Board believes it is the best measure to guide shareholders, and indicated that the Board and its Audit Committee will review significant items for future reporting.

ASA expects long term incentive (LTI) performance periods to be at least four years and asked if there were any plans to change its performance period from three years. The Chairman recognises ASA's policy on LTI performance period and at this stage the Board has no plans to change the period but review it each year, and it would not be a good signal to the Executives as there has been no LTI awards for the last couple of years.

On the election of Mr Bradley as a director, some shareholders were concerned with his workload and ability to apply sufficient focus to his GrainCorp duties. He outlined that he has been a full-time company director and chairman on a range of companies in Australia and overseas for the past 15 years. All of his current board director positions are with non-listed companies with most being subsidiaries of international companies, which have much lower work demands than director roles with listed companies.

On the re-election of Ms Gibson, ASA notes she has been a GrainCorp director for past 6 years and has a shareholding well below the ASA guideline and has not increased her shareholding in the past 3 years. Ms Gibson stated she has confidence in the company and has personal reasons for not increasing her shareholding. However as Ms Gibson did not meet ASA's suitable director shareholding level. Skin in the game being one of ASA's four Focus Issues for FY2017, we voted against her re-election.

With the re-election of Mr Mangelsdorf, ASA noted that he had been a GrainCorp director for 12 years and if re-elected we would not classify him as independent.

In the week following the AGM, the ASA monitor was contacted by Andrew Marshall, reporter with The Land newspaper, primarily for further explanation of why ASA decided to exercise its undirected proxy votes against the re-election of director Ms Gibson.

Voting on all meeting resolutions was by poll, and all resolutions obtained FOR results of greater than 95.7% of votes cast. A number of directors came to speak to the ASA monitors after the meeting.