GrainCorp Limited

Voluntary Tax Transparency Code

GrainCorp
100 YEARS OF GROWTH

GrainCorp Limited

Voluntary Tax Transparency Code

GrainCorp is Australia's leading listed agribusiness with an integrated business model across three grain activities: supply chain, origination and processing. GrainCorp focuses its activities on the core grains of wheat, barley, canola and sorghum where the Company has comparative advantages through grain origination, proximity to growth markets and technical expertise. GrainCorp has operations in Australasia, North America and Europe (including the United Kingdom), with these regions collectively representing over 50% of global export trade in wheat, barley and canola.

GrainCorp has four reporting segments:

- Storage & Logistics
- Marketing
- Malt
- Oils

GrainCorp is committed to transparency and honest and open communication on all regulatory and financial disclosures. GrainCorp welcomes the opportunity to present a report on its taxes paid in Australia and globally and provide detail on GrainCorp's tax strategy. GrainCorp supports efforts to improve public trust in tax compliance.

Tax Strategy

In order to achieve GrainCorp's vision to "Grow as our grain customer's preferred partner – driven by our passionate people and assets around the world", GrainCorp aims to create long term shareholder value, manage earnings variability and grow.

To be a leading agri-food business, GrainCorp must uphold its responsibility to all of its stakeholders, which include customers, employees, governments, communities and suppliers.

GrainCorp is committed to conduct its tax affairs consistent with the following objectives, to:
1. Comply with all relevant laws, rules, regulations, and reporting and disclosure requirements, wherever we operate

2. Ensure the tax strategy is at all times consistent with the Group's overall strategy, its approach to risk, and the Group Core values

3. Apply professional diligence and care in the management of all risks associated with tax matters, and ensure governance and assurance procedures are appropriate

4. Foster constructive, professional and transparent relationships with tax authorities, based on the concepts of integrity, collaboration and mutual trust.

GrainCorp Limited

Level 28, 175 Liverpool Street
Sydney NSW 2000

PO Box A268
Sydney South NSW 1235

T 02 9325 9100
F 02 9325 9180

ABN 60 057 186 035

graincorp.com.au

Tax Governance and risk management

GrainCorp has a tax governance and risk management system in place which manages tax risk in line with the enterprise wide risk management framework. Tax risks are identified, assessed and managed in accordance with Board defined thresholds/risk appetite.

GrainCorp is committed to complying with and observing all applicable rules and regulations in all of the territories in which it operates and having open and constructive relationships with regulators.

International related party dealings

GrainCorp's operations overseas are conducted through legal entities, all of whom are subject to local tax regimes. These subsidiaries are listed in Note 27 of GrainCorp's 2016 Annual Report with their country of residence. GrainCorp establishes entities in jurisdictions giving consideration to where business activities are located and the prevailing regulatory environment available. All of GrainCorp's international related party dealings are conducted on an arm's length basis as set by the Organisation of Economic Co-operation and Development (OECD).

GrainCorp's international profits are taxed at local statutory rates varying from the Australian statutory tax rate. The jurisdictions in which GrainCorp operates and tax rates are shown below:

Country	**2016**
Australia	30.0%
New Zealand	28.0%
United States of America	35.0-38.0%
Canada	28.0%
United Kingdom	20.0%
Germany	30.0%
China	25.0%
Singapore	17.0%

Reconciliation of Accounting Profit to Income Tax Expense

The table below is derived from the audited financial statement prepared by GrainCorp for FY2016. We have included further information on the Australian portion of our tax note:

	2016		2015	
	Group $ M	Australia $ M	Group $ M	Australia $ M
Profit / (loss) from continuing operations before income tax expense	42.3	(42.0)	43.6	(22.9)
Income tax expense/(benefit) calculated at 30%	12.7	(12.6)	13.1	(6.9)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income				
- Share of net (profit) / loss of joint ventures	(2.8)	(2.8)	(2.4)	(2.4)
- Non-deductible/non-assessable items	0.9	(0.1)	(0.9)	(2.5)
- Under / (over) provision in prior years	0.1	0.1	(0.1)	(0.4)
- Difference in overseas tax rates	(0.3)	-	1.7	-
Income tax expense/(benefit)	**11.4**	**(15.4)**	**11.4**	**(12.2)**
Accounting effective tax rate	**27.0%**	**36.7%**	**26.1%**	**53.3%**
Temporary differences				
Provision / accruals	(15.3)	(9.2)	5.3	(3.4)
Tax losses	28.7	26.8	3.0	1.7
Property, plant and equipment	9.4	3.6	(12.4)	1.1
Creditors and other payables	9.4	0.7	(6.1)	-
Intangible Assets	3.6	1.6	3.4	2.4
Deferred revenue	(4.8)	(4.8)	9.4	9.4
Unrealised gains / (losses) on derivative contracts	(6.4)	(2.1)	12.9	8.9
Other	(0.1)	(3.2)	6.4	0.2
Under / (over) provision in prior years	0.1	0.1	(0.1)	(0.4)
Income tax payable / (refundable)	**34.3**	**(4.1)**	**33.2**	**7.7**

Tax Contributions to Australia & Income Tax Payable

The Group tax payable is based on taxable income at the prevailing jurisdictional tax rate.

The accounting effective tax rate is calculated as the income tax expense divided by profit (including profits from joint ventures) as per AASB112.

Variations between GrainCorp's tax expense as recorded in its statutory accounts and tax payable as recorded in a tax return has mainly arisen due to the following:

- GrainCorp's accounting effective tax rate varies from 30% primarily due to income derived from investments in joint ventures. An entity registered as a joint venture will generally distribute its profit and loss amounts to each participant meaning taxes are borne by them and not at the joint venture entity level.
- Provisions and accruals relate mainly to changes in the restructuring provision as per the Note 19 of the 2016 Annual Report.
- The financial year 2016 was a challenging year in the Australian Storage & Logistics, Marketing and Oils businesses resulting in an accounting loss in Australia, as per Note 3 of the 2016 Annual Report. This also resulted in an Australian tax loss. A tax loss occurs where the total deductions claimed for an income year exceed the total income.

- Tax losses can generally be offset against taxable income of later income years.
- Deferred revenue is recognised immediately for tax purposes and accounted for on the balance sheet in this financial year, as the service has not been performed by year end.