



**20 January 2017**

Dear Shareholder

I am pleased to invite you to the Annual General Meeting (**AGM**) of GrainCorp Limited (the **Company** or **GrainCorp**) to be held on **Friday, 24 February 2017**, in **the Ibis Room at the Pullman Hotel, 36 College Street, SYDNEY, NSW, 2010, commencing at 10:00am (Sydney time)**. Registration of attendees will commence at 9:00am.

Please find enclosed a Notice of Meeting and Explanatory Memorandum detailing the business to be dealt with at the AGM.

This year's AGM will involve the business of receiving and considering the accounts for the financial year ending 30 September 2016, adopting the Remuneration Report, considering the re-election of two Non-executive Directors, Mr Peter Housden and Mr Simon Tregoning, as well as approving the grant of Performance Rights to the Managing Director and Chief Executive Officer under GrainCorp's Long Term Incentive Plan.

The Board recommends that you consider voting by direct vote in respect of all proposed resolutions. Direct voting enables shareholders to vote directly on resolutions considered at the meeting without attending the meeting or appointing a proxy. If you are unable to attend the AGM, I encourage you to lodge your vote directly or appoint a proxy to vote on your behalf. You may also lodge your direct vote or appoint a proxy online. If attending, please bring this letter and the voting form with you to facilitate your registration on the day.

The AGM will be webcast live on-line at <https://goo.gl/tTsQ30> and will also be recorded to be made available to view on the Company's webpage after the AGM. A copy of the 2016 Annual Report and the Corporate Governance Statement, which provide full details of the Company's activities for the year, are available on the GrainCorp website ([www.graincorp.com.au](http://www.graincorp.com.au)) or by calling the GrainCorp Investor Relations Manager on **+61 2 9266 9217**.

Shareholders are strongly encouraged to access all shareholder communications and documents electronically, including dividend statements, annual reports, company announcements and notices of shareholder meetings, rather than receiving hard copies by post. By providing the share registry, Link Market Services Limited ([www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)), with your email address you will receive notification by email when communications and documents are available for you to access online at [www.graincorp.com.au](http://www.graincorp.com.au). By doing this, you avoid mailing delays as your documents are sent and received on the due date. It will also result in a cost reduction for GrainCorp and will reduce the adverse impact on the environment.

Thank you for your continued investment and support.

Yours sincerely

A handwritten signature in black ink, appearing to read "Don Taylor", written over a horizontal line.

**Don Taylor**  
**Chairman**

## NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting (“AGM”) of GrainCorp Limited (“the Company” or “GrainCorp”) will be held:

### Venue

The Ibis Room  
Pullman Hotel  
36 College Street  
SYDNEY NSW 2010

### Date

Friday, 24 February 2017

### Time

10:00am (Sydney time)  
(Registration will commence from 9:00am)

### **Business**

#### **1 Consideration of Financial Statements and Reports**

To receive and consider the Financial Statements and the Report of the Directors and Auditor for the year ended 30 September 2016.

(See the Explanatory Notes with regard to a shareholder’s right to submit written questions to the Auditor in connection with the Auditor’s Report or the conduct of the audit.)

#### **2 Adoption of the Remuneration Report**

To consider and, if thought appropriate, pass the following ordinary resolution:

*“That the Remuneration Report (which forms part of the Directors’ Report) of GrainCorp Limited for the financial year ended 30 September 2016 set out on pages 25 to 40 of the 2016 Annual Report be adopted.”*

Note: The vote on this resolution is advisory only and does not bind the Directors or the Company.

#### **3 Election of Directors**

3.1 To consider and, if thought appropriate, pass the following ordinary resolution:

*“That for the purposes of ASX Listing Rule 14.4, article 11.3(a) of the Constitution and for all other purposes, Mr Peter Housden, retiring by rotation, being eligible and offering himself for election, be re-elected as a Director of the Company.”*

3.2 To consider and, if thought appropriate, pass the following ordinary resolution:

*“That for the purposes of ASX Listing Rule 14.4, article 11.3(a) of the Constitution and for all other purposes, Mr Simon Tregoning, retiring by rotation, being eligible and offering himself for election, be re-elected as a Director of the Company.”*

#### **4 Grant of Performance Rights to Managing Director and Chief Executive Officer (“CEO”), Mr Mark Palmquist**

To consider and, if thought appropriate, pass the following ordinary resolution:

*“That approval be given for all purposes for the grant of Performance Rights under the Company’s equity incentive plans to Managing Director and Chief Executive Officer, Mr Mark Palmquist, in the manner set out in the Explanatory Notes to this Notice of Meeting.”*

### **EXPLANATORY NOTES**

#### **Item 1 - Financial Statements and Reports**

The *Corporations Act 2001* (Cth) (**Corporations Act**) requires that the Report of the Directors, the Report of the Auditor and the Financial Reports be presented at the AGM. The 2016 Financial Statements have been previously made available to shareholders and can be found on the Company’s website ([www.graincorp.com.au](http://www.graincorp.com.au)). Neither the Corporations Act nor the Company’s Constitution requires a vote of shareholders at the AGM on such reports and statements. However, shareholders will be given a reasonable opportunity to raise questions at the AGM with both the Chairman and the Company’s Auditor, PricewaterhouseCoopers (**PwC**), with respect to these reports and statements.

In addition to asking questions at the AGM, shareholders may address written questions to the Chairman about the management of the Company. Similarly, a reasonable opportunity will be given to shareholders to ask the Company’s Auditor, PwC, questions relevant to:

- the conduct of the audit;
- the preparation and content of the Auditor’s Report;
- the accounting policies adopted by the Company in relation to the preparation of the financial statements; and

- the independence of the Auditor in relation to the conduct of the audit.

Shareholders who are unable to attend the AGM or who may prefer to register questions in advance of the AGM are invited to do so by using the form **“Questions From Shareholders”** enclosed with this Notice of Meeting.

Any shareholder who wishes to submit a question to the Company’s Auditor on these matters must submit that question in writing to the **Company Secretary, PO Box A268, Sydney South, NSW, 1235 no later than Friday 17 February 2017**, using the form enclosed with this Notice of Meeting titled **“Questions From Shareholders”**. The Company will then pass the questions on to the Auditor for consideration.

A list of questions that the Auditor considers relevant to the matters outlined above will be made available to shareholders at the meeting.

A representative of the Company’s Auditor will attend the meeting.

## **Item 2 - Adoption of the Remuneration Report**

### ***Resolution to adopt the Remuneration Report***

The Remuneration Report for the financial year ended 30 September 2016 is set out on pages 25 to 40 of the Directors’ Report within the 2016 Annual Report.

Shareholders entitled to vote at the AGM are entitled to vote on Item 2, being the adoption of the Remuneration Report. In accordance with subsection 250R(3) of the Corporations Act, the vote on the resolution is advisory only and does not bind the Directors or the Company, however, the Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

A reasonable opportunity will be provided to shareholders at the AGM to ask questions about or comment on the Remuneration Report.

Shareholders who are unable to attend the AGM or who may prefer to register questions or comments in advance of the AGM are invited to do so by using the form enclosed with this Notice of Meeting titled **“Questions From Shareholders”**.

The Remuneration Report explains the Company’s Executive remuneration framework and how performance for the 2016 financial year has driven remuneration outcomes for our Executives. Some highlights are below:

**Short Term Incentives (“STI”):** With below average grain production in eastern Australia during a period of global oversupply, it was another challenging year for the Company, with executives performing well despite these challenges. In order to ensure STI outcomes were better aligned with Group NPAT and business unit results delivered, the Board chose to exercise discretion and cap STI outcomes for all Executives at a maximum of 90% of target. An exception to the capped STI was made for Mr Greg Friberg due to GrainCorp Malt’s exceptional performance. This information is disclosed in the Remuneration Report, along with rationale on short term incentive target setting, measures selected and how outcomes link to shareholder value.

During the year, the Company conducted a review of the STI plan to ensure that STI payments made from Financial Year 2017 onwards are more reflective of Company NPAT performance rather than budget targets. A minimum level of NPAT performance will be required for any STI payments to be made.

**Long Term Incentive (“LTI”) Plan:** The performance hurdles for the Financial Year 2014 allocation of the LTI Plan were not met so no LTI vesting occurred for Executives for the Financial Year 2014 grant. The Board considers this vesting outcome appropriate.

### ***Voting exclusions***

The Company will disregard any votes on Item 2 by or on behalf of:

- a member of the Key Management Personnel whose Remuneration is disclosed in the Remuneration Report; and
- their closely related parties,

unless the vote is cast:

- as a proxy for a person entitled to vote in accordance with a direction on the proxy form, or
- by the person chairing the Meeting as a proxy for a person entitled to vote where the proxy expressly authorises the chair to vote as the chair sees fit.

The Remuneration Report identifies GrainCorp’s Key Management Personnel for the financial year to 30 September 2016. Their closely related parties are defined in the Corporations Act, and include certain family members, dependants and companies they control.

### ***Directors' Recommendation***

The Board considers that the remuneration policies adopted by the Company are appropriately structured to provide rewards commensurate with the Company's performance and market position.

The Board recommends that shareholders vote in favour of the Remuneration Report.

The Chairman of the AGM intends to vote any undirected proxies in favour of the resolutions in Item 2.

### **Item 3 – Election of Directors**

In accordance with the three year rotation cycle under ASX Listing Rule 14.4 and article 11.3(a) of the Constitution, Mr Peter Housden and Mr Simon Tregoning are scheduled to retire at this AGM.

The Board has conducted an assessment of the performance of these Directors, without them being present, and the People Remuneration and Nominations Committee of the Board has reviewed the skills, knowledge, experience and diversity represented on the Board.

The Board recommends to shareholders the re-election of:

- (a) Mr Peter Housden; and
- (b) Mr Simon Tregoning,

as Non-executive Directors of the Company.

The following are the profiles of each of the Directors standing for election:

#### **Peter J Housden, BCom, FCPA, FAICD Non-executive Director**

Peter Housden joined the GrainCorp Board in October 2008. Mr Housden is Chairman of the Board Audit Committee. Mr Housden is a Director of Alliance Aviation Services Limited and Seeing Machines Limited. He was previously a Director of Calibre Group Limited and Lincor Limited. Mr Housden is also Chairman of Royal Wolf Holdings Limited and Chairman of the Audit and Risk Committee for Sydney Trains (NSW Government). He has extensive experience acting on public company boards.

#### **Simon L Tregoning, BCom, FAICD Non-executive Director**

Simon Tregoning joined the GrainCorp Board in December 2008. Mr Tregoning is a member of the Safety Health Environment and Governance Committee and a member of the People

Remuneration and Nominations Committee. He is also a Director of Capilano Honey Limited. Mr Tregoning was previously Vice-President of Kimberly Clark Corporation, has extensive overseas senior executive experience and is an experienced company director.

### ***Directors' Recommendation***

The Board (with the exception of each Director in relation to his own re-election) supports and recommends that shareholders vote in favour of the resolutions in Item 3.

The Chairman of the AGM intends to vote any undirected proxies in favour of the resolutions in Item 3.

### **Item 4 – Grant of Performance Rights to Managing Director and Chief Executive Officer ("CEO"), Mr Mark Palmquist**

GrainCorp is seeking shareholder approval at the AGM for the 2017 Long Term Incentive ("LTI") grant to Mr Palmquist.

Under ASX Listing Rule 10.15B, shareholder approval is not required where the CEO acquires securities under an employee incentive scheme and those securities are acquired on-market.

Although it is the Board's intention that any shares to be awarded to the CEO will be acquired on-market, shareholder approval is nonetheless being sought.

#### What is the CEO's proposed LTI for 2017?

The Board is proposing that GrainCorp grant Mr Palmquist Performance Rights with a face value of 100% of his fixed remuneration for his LTI for 2017.

As Mr Palmquist's fixed remuneration for 2017 is \$1,265,000, this equates to a grant of Performance Rights with a face value of \$1,265,000. This value was determined with reference to external market data and reflects the Board's desired positioning of Mr Palmquist's remuneration relative to remuneration paid to CEOs of comparable companies.

The actual value (if any) that Mr Palmquist will receive from this award cannot be determined until after the end of the three year performance period, as it will depend on whether the performance hurdles are achieved and the share price at the time of vesting.

### What are Performance Rights?

Each Performance Right will give Mr Palmquist the right to acquire one fully paid ordinary share in GrainCorp if the relevant performance hurdle is met at the end of the performance period. Performance Rights are granted at no cost to the recipient. They do not carry dividend or voting rights or the right to participate in new issues of shares (such as right or bonus issues).

### What performance hurdles will apply to the Performance Rights?

The Performance Rights will be subject to performance hurdles determined by the Board. The Board has determined that vesting of the Performance Rights comprising Mr Palmquist's LTI award for 2017 will be based on two performance hurdles.

Specifically, 50% of the LTI award value (i.e. the relative total shareholder return or "TSR tranche") will be comprised of Performance Rights subject to a performance hurdle based on the relative TSR performance of GrainCorp over a defined period. The remaining 50% of the LTI award value (the return on equity or "ROE tranche") will be comprised of Performance Rights subject to a performance hurdle based on a combination of the achievement of a minimum performance threshold and performance hurdle averaged over the three financial years within the performance period.

#### *TSR tranche*

Vesting of these Performance Rights will be based on the TSR performance of GrainCorp over the relevant three-year performance period relative to that of the market comparator group (being the 50 companies above, and 50 companies below, GrainCorp's market capitalisation ranking).

Relative TSR measures the percentage return to a shareholder over the relevant performance period in terms of changes in the market value of shares plus the value of any dividends paid and capital returns on the shares.

For the 2017 grant, the number of Performance Rights in the TSR tranche that vest and are converted into GrainCorp shares after the end of the relevant performance period will be determined in accordance with the following vesting schedule.

<b>Relative TSR (percentile ranking)</b>	<b>Percentage of TSR-tested rights to vest</b>
At or below the 50th percentile	Nil
Above the 50th and below the 75th percentile	Straight line between 50% and 100%
At or above the 75th percentile	100%

#### *ROE tranche*

Vesting of these Performance Rights will be based on GrainCorp's ROE performance over the relevant three-year performance period. Prior to the award vesting, the Board will assess the following:

- ROE performance targets – the Board will determine the target/threshold and maximum ROE performance targets to be achieved each year for the performance period and whether these targets have been achieved; and
- ROE minimum performance threshold – whether GrainCorp's ROE performance has exceeded the ROE annual rolling average for the ten year period prior to the commencement of the performance period. Unless this minimum performance threshold has been exceeded, no rights will vest under the ROE tranche.

The number of Performance Rights in the ROE tranche that vest and are converted into GrainCorp shares after the financial year ending 30 September 2019 will be determined in accordance with the following vesting schedule:

<b>Three year average ROE performance</b>	<b>Percentage of ROE-tested rights to vest</b>
Below minimum of target range	Nil
At minimum of target range	50%
Within target range	Straight line between 50% and 100%

Three year average ROE performance	Percentage of ROE-tested rights to vest
At maximum of target range and above	100%

Shareholders will be advised of the vesting outcomes for the 2017 LTI award in the annual report for the year ending 30 September 2019.

How many Performance Rights will be granted to the CEO for 2017?

The number of Performance Rights in the 2017 grant is based on a Board determination of the value of the LTI the CEO should achieve (specifically, 100% of his annual fixed remuneration). The formula used to calculate the total number of Performance Rights to be allocated to the CEO for his LTI for 2017 is set out below:

$$\begin{array}{rcl} \text{Number of} & & (100\% * \$1,265,000) \\ \text{Rights} & = & \text{Face value of a} \\ \text{granted} & & \text{GrainCorp share} \end{array}$$

Where:

- 100% is the actual percentage of the CEO's annual fixed remuneration determined by the Board to be applicable for the CEO's LTI for 2017.
- \$1,265,000 is the annual fixed remuneration for the CEO for Financial Year 2017.
- Face value of a GrainCorp share is the volume-weighted average price of GrainCorp shares on the ASX during the 20-day trading period following release of annual results for the 2016 financial year.

The face value of a GrainCorp share for this period was \$8.67, therefore, Mr Palmquist would receive 145,905 Performance Rights for the 2017 LTI grant.

When will Performance Rights be granted to the CEO?

The grant will be made in March 2017.

Can the Board change the terms and conditions of Performance Rights?

The Board may vary or waive any of the terms and conditions of Performance Rights in the 2017

grant (including the performance hurdles), but may not do so in a way that reduces the participant's rights (except in limited circumstances or with the participant's consent).

In some limited circumstances (such as a takeover bid being made for GrainCorp or other change in control event occurring in relation to GrainCorp), the Board will have the discretion to determine whether some or all of the performance rights held by Mr Palmquist will vest, remain on foot or lapse, having regard to all relevant circumstances.

What will happen to the Performance Rights if the CEO leaves GrainCorp before the end of the vesting period?

If Mr Palmquist gives notice of resignation to GrainCorp before the specified vesting date as determined by the Board for the Performance Rights, all unvested Performance Rights will lapse, unless the Board determines otherwise. All Performance Rights will lapse if Mr Palmquist's employment is terminated by GrainCorp for cause or inadequate performance. In other instances, including termination by GrainCorp on notice, termination by agreement, death, disability, retirement and redundancy, Mr Palmquist's Performance Rights will be retained subject to the original performance hurdles and performance periods, unless the Board determines otherwise.

What will happen at the end of the performance period?

Under the LTI plan, if some or all of the performance hurdles at the end of the applicable performance period are satisfied and therefore the Performance Rights in the 2017 grant vest, GrainCorp will allocate shares to Mr Palmquist (at no cost to him) equal to the number of Performance Rights that vest. If the performance hurdles are not achieved for some or all of the Performance Rights granted to Mr Palmquist, those Performance Rights will lapse immediately without re-testing of the performance hurdles.

Shares granted to Mr Palmquist on vesting of any Performance Rights will be acquired on-market and, therefore, will not dilute existing GrainCorp shareholdings.

What will happen if shareholders do not approve the 2017 grant?

To compensate Mr Palmquist for the remuneration he would forgo if shareholder

approval of his LTI is not given, Mr Palmquist will be entitled to receive a cash payment instead of Performance Rights in these circumstances. Mr Palmquist will only be entitled to receive a cash payment if the performance hurdles are satisfied or the rights would otherwise have vested.

For the 2017 grant, any such cash amount will be equivalent to the value the grant would have had at vesting if it had been approved by shareholders.

#### Other Information

Mr Palmquist is the only GrainCorp Director who is eligible to participate in the LTI Plan. Mr Palmquist was granted 151,291 Performance Rights under the 2016 LTI Plan, following shareholder approval at the AGM held on 18 December 2015. These Performance Rights are subject to performance hurdles which will be tested on 30 September 2018. These Performance Rights were provided at no cost to Mr Palmquist.

#### ***Voting exclusions***

The Company will disregard any votes on Item 4 by or on behalf of:

- Mr Mark Palmquist and any other participants in the LTI Plan and any associates of those persons; and
- a member of the Key Management Personnel whose Remuneration is disclosed in the Remuneration Report and their closely related parties,

unless the vote is cast:

- as a proxy for a person entitled to vote in accordance with a direction on the proxy form, or
- by the person chairing the Meeting as a proxy for a person entitled to vote where the proxy expressly authorises the chair to vote as the chair sees fit.

The Remuneration Report identifies GrainCorp's Key Management Personnel for the financial year to 30 September 2016. Their closely related parties are defined in the Corporations Act, and include certain family members, dependants and companies they control.

#### ***Directors' Recommendation***

In the Board's view, it is in the best interests of shareholders to approve the share-based 2017

LTI grant to the CEO as vesting of the Performance Rights will be subject to performance hurdles that appropriately align the CEO's remuneration with shareholder returns.

The Board (with the exception of Mr Mark Palmquist) therefore recommends shareholders approve the 2017 LTI grant.

The Chairman of the AGM intends to vote any undirected proxies in favour of the resolutions in Item 4.

#### **HOW TO VOTE**

##### **Conduct of a Poll**

Shareholders are advised that all resolutions to be considered at the Annual General Meeting will be put to a Poll, in accordance with the provisions of the Company's Constitution.

##### **Direct voting**

Shareholders are able to vote on resolutions directly by marking Section A of the Shareholder Voting Form.

If you mark Section A then you are voting your shares directly and you do not need to appoint a third party such as a proxy to act on your behalf. Shareholders who wish to vote their shares directly should mark either the "for" or "against" boxes next to each item of their Shareholder Voting Form. Do not mark the "abstain" box.

If you complete both Section A and Section B, Section B is deemed to be the chosen method and the person named will be your proxy, or if no person is named, the Chairman of the Meeting will be appointed as your proxy. If you mark the "abstain" box or no direction is given for an item, no vote will be recorded for that item.

By submitting a direct vote, you agree to be bound by the Direct Voting Regulations adopted by the Board (a copy of which is available on the Company's website).

When lodging your direct vote, you may specify the number of your shares to be voted on any resolution by inserting the proportion or number of shares. If you do not specify a proportion or number of shares, the instructions provided will apply to all of your shares.

If you cast a direct vote, you are still entitled to attend the meeting. However, if you attend the meeting, your direct vote will be valid unless revoked at the meeting.

## **Proxy**

You can appoint one or two persons to attend as your proxy if you are unable to attend the AGM or cast a direct vote. When completing the proxy form, please note:

### ***Appointment of proxy***

Insert the name of the person you wish to appoint as your proxy. Your proxy need not be a shareholder of the Company. If you submit the form but do not name a proxy, or the person you have appointed does not attend, the Chairman of the AGM will act as your proxy.

### ***Number of proxies and proportion of votes per proxy***

As a shareholder entitled to attend and vote, you are entitled to appoint one or two proxies to attend and vote in your place. If you wish to appoint a second proxy, you should complete a second proxy form (which will be supplied upon request). If you appoint two proxies, you may specify the proportion or number of your votes which each proxy may exercise. If no proportion or number is specified, each proxy may exercise half of your votes.

### ***Directing your proxy how to vote***

You can direct your proxy how to vote by marking the "for", "against" or "abstain" boxes on the proxy form. If you have appointed someone other than the Chairman as your proxy and you do not direct them how to vote, that person may vote, or abstain from voting, at their discretion.

### ***No direction***

As disclosed in the relevant explanatory note to each Item, if the person chairing the meeting is appointed as your proxy and you do not specifically direct how your proxy is to vote on a resolution, then the person chairing the meeting intends to vote in favour of each resolution, including Items 2 and 4 even though these resolutions are connected directly or indirectly with the remuneration of members of the Company's Key Management Personnel. If you appoint as your proxy any other Key Management Personnel or any of their closely related parties and you do not direct them how to vote on Items 2 or 4, your proxy will not be entitled to vote on that item.

## **Deadline for receipt of Voting Forms**

To be effective, completed Voting Forms must be lodged using the reply paid envelope, by posting or facsimile to GrainCorp's share registry at:

### **By mail**

GrainCorp Limited  
c/- **Link Market Services Limited**  
Locked Bag A14,  
Sydney South NSW 1235

**OR**

### **By facsimile**

(02) 9287 0309

**OR**

### **By hand**

Link Market Services Limited  
Level 12, 680 George Street  
SYDNEY NSW 2000

**OR**

### **Online**

On-line at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au), going to the voting page and following the prompts and instructions. You will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) which is shown on the proxy form.

### **Your Voting Form must be received by no later than 10:00am on Wednesday, 22 February 2017.**

The Chairman's decision as to whether a direct vote or proxy is valid is conclusive.

### **Eligibility to vote**

You will be eligible to vote at the AGM if you are registered as a holder of GrainCorp shares at 7:00pm (Sydney time) on Wednesday, 22 February 2017.

By order of the Board

Gregory Greer  
Company Secretary

**20 January 2017**