GrainCorp

Company announcement

GrainCorp Limited ABN 60 057 186 035

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To: The Manager
Announcements
Company announcements office

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PUBLIC ANNOUNCEMENT

Contents for immediate release:

Please find attached an announcement on changes to the Managing Director's short and long term incentive plan structure.

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LISTED ON AUSTRALIAN STOCK EXCHANGE

Changes to Managing Director Incentive Plan

The Board of Directors, excluding Mr Irwin, have resolved to amend the terms of the Managing Director's short and long term incentive plans to improve the structure of reward for outperformance. The changes are as follows:

Short Term Incentive

The short term incentive Stretch quantum is increased from 60% to 70% of Total Employment Cost ("TEC"). The threshold performance is 17.5% and target level of performance 35% with key performance indicators based on outperformance in financial, customer, safety, business development and leadership areas.

Long Term Incentive

The long term incentive plan based on Performance Share Rights will be suspended effective immediately. All Performance Rights issued to the Managing Director, Executives and Senior Managers will continue to be recognised until they are either vested or lapse under the plan rules.

A new Retention Share Plan will be introduced for the Managing Director, Executive team and other employees. The retention share plan is based on the following approach for the Managing Director:

Performance Period:	Annual Retention Share Grants based on 1 October – 30 September short term incentive plan performance outcomes (i.e. GNC financial year).
Performance Condition (pre-requisite to grant):	Individual and GrainCorp/Company KPI's set at the commencement of the financial year by the Board and assessed by the Board at the conclusion of the financial year. Once the performance conditions are met the retention shares are purchased 'on-market' by the GrainCorp Employee Share Ownership Plans Trust and held on behalf of the Managing Director for a three year restriction period.
Restriction Condition (pre-requisite to vesting):	The Plan Conditions allow for the shares to be transferred to the Eligible Employee 3 years after the Acquisition Date, being the 1st of October in the year following the respective performance period. Accordingly, the Managing Director must remain employed with the GNC Group for three years following allocation of the retention shares. Once the three year qualification is met the shares are transferred from the Trustee to the Managing Director.

Quantum:

Maximum number of retention shares that may be offered is determinable by reference to the formula in condition 3.1 of the Plan Conditions , being:

$$\frac{\textit{TEC x Ratio x STI Multiplier}}{\textit{VWAP}}$$

where:

TEC means Total Employment Cost
Ratio means 100% of the Total Employment Cost
STI Multiplier means the STI score between [17.5% and 70%]
VWAP means the 20 Business Day volume weighted average share price of all Company ordinary shares as traded on the ASX prior to 1 October of each year immediately prior to the grant of retention shares.

Overall Managing Director Remuneration:

The overall Managing Director package will therefore contain the following elements:

Total Employment Cost	Base, Superannuation, Salary sacrifice
Short Term Incentive	17.5% to 70% of TEC with a target of 35%
Retention Share Plan	17.5% to 70% of TEC with a target of 35%

The Retention Share Plan will be administered under the Retention Share Plan Conditions in conjunction with the existing GrainCorp Deferred Share Plan Rules and the GrainCorp Employee Share Ownership Plans Trust Deed. A copy of the terms and conditions of the Retention Share Plan follow.

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RETENTION SHARE PLAN CONDITIONS

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1. Overview

1.1 The following Conditions of the GrainCorp Retention Share Plan (Plan) are subject to, and must be read in conjunction with the GrainCorp Deferred Share Plan Rules (Rules) and the Trust Deed governing the GrainCorp Deferred Share Plan. Capitalised terms in these Conditions have the same meaning as in the Rules and the Trust Deed.

1.2 These Conditions have been adopted in accordance with clause 14.1 of the Rules and are extra conditions specific to the operation of the Plan.

1.3 The operation of the Plan will be subject to review by the Board which, in its absolute discretion may:

i. vary these Conditions; or
ii. make an offer subject to additional conditions.

2. Definitions and Interpretation

In these Conditions, the following words and expressions have the meanings indicated unless the contrary intention appears:

Acquisition Date means 1 October in the year following the respective Performance Period.

Board means all or some of the directors of the Company acting as a board, and includes a committee of the Board and also includes a delegate of the Board.

Business Day has the meaning given in the Listing Rules.

Company means GrainCorp Limited (ACN 057 186 035).

Conditions means these Conditions governing the operation of the Plan.

Control of an entity means having the right:

(a) to vote 50% (or more) of the votes that can be cast on the election or removal of the entity's directors;
(b) to appoint or remove directors who possess 50% (or more) of the votes exercisable by all directors of the entity; or
(c) to 50% (or more) of the profits or distributions of the entity or of its net liquidation proceeds.

Corporations Act means the Corporations Act 2001 (Cwlth).

Eligible Employee means a person who is in the permanent employment of a company in the Group and is designated in an Employee Group and who the Board determines in its absolute discretion to be eligible for an Offer.

Employee means a person who is in the employment of a company in the Group.

Employee Group means an employee in the following list:

- Managing Director;
- Executives – line management roles;
- Executive – functional management roles;
- Senior Trading Managers;
- Senior Managers;
- Grades 6-7 Traders;
- Grades 2-8 Sales Staff and Grade 5 Traders;
- Grades 5-8 Specialist Managers; or
- Grades 5-8 Staff Agreement employees and Selected Grade 4 Staff.

GrainCorp Share Trading Corporate Policy Document means the GrainCorp Share Trading Corporate Policy Document, CPD01/V.0/3 July 08, posted on the GrainCorp Intranet and updated from time to time.

Group means the Company and its Subsidiaries.

KPI means Key Performance Indicator which may be a company, business unit and/or individual performance goal and is set at the commencement of each financial year, and measured at the conclusion of that financial year.

Listing Rules means the Official Listing Rules of the ASX.

Member means a person who has been admitted to membership under rule 4.2 of the Rules, and who has not ceased to be a Member under rule 4.4 of the Rules and includes the personal representative of the Member.

Notice of Withdrawal of Shares means a duly completed and executed written request by any Member to the Trustee (in a form approved by the Board) to:

(a) transfer to, or on behalf or, the Member some or all of the Member's Shares; or
(b) sell, on behalf of the Member, some or all of the Member's Shares.

Offer means an invitation to apply for Shares made under rule 5.4 of the Rules.

Performance Period means the GrainCorp business year being 1 October to 30 September.

Performance Share Rights Plan means the Performance Share Rights Plan as defined under the Performance Share Rights Plan Rules.

Plan means the GrainCorp Retention Share Plan.

Plan Retention Shares means Shares which are held by the Trustee in accordance with the Conditions and Rules for the purposes of the Plan.

Ratio means the percentage based upon the position levels defined in Employee Group.

Redundancy means a termination or cessation of a Member's employment with the Group as a result of redundancy, as determined by the Board.

Relevant Requirements means any performance, vesting and/or other criteria set out in the Rules or otherwise determined by the Board and notified to an Eligible Employee with an Offer under this Plan which are required to be met before Plan Retention Shares may be withdrawn from the Plan by the Member.

Restriction Period means:

(a) other than in respect of Plan Retention Shares awarded to Executives and Senior Managers as described in (b) below, for the 2008/09 financial year end 30 September 2009, 3 years after the Acquisition Date of the Plan Retention Shares; and
(b) in respect of Plan Retention Shares awarded to Executives and Senior Managers who participated in the Performance Share Rights Plan and were granted rights on 1 October 2007, for the 2008/09 financial year end 30 September 2009, 2 years after the Acquisition Date of the Plan Retention Shares.

Rules means the rules of the GrainCorp Deferred Share Plan.

Share Account of a Member means the account maintained in respect of that Member under rule 3.1 of the Rules.

Shares means fully paid ordinary shares in the capital of the Company.

Short Term Incentive Plan means the cash bonus plan based upon achievement of KPIs set for the business year.

STI Multiplier means the percentage achieved under the Short Term Incentive Plan.

Subsidiary has the same meaning as in Division 6 of Part 1.2 of the Corporations Act.

Target Performance means 50% of the maximum STI Multiplier.

Tax Act means the Income Assessment Act 1936 and the Income Tax Assessment Act 1997, as amended, as appropriate.

TEC means Total Employment Cost which includes all fixed components of remuneration including salary, superannuation, packaged benefits and fringe benefits tax; and excludes incentive plans.

Threshold Performance means 25% of the maximum STI Multiplier and is the minimum performance level at which Eligible Employees will be offered Plan Retention Shares.

Total & Permanent Disablement means in relation to a Member, that the Member has, in the opinion of the Board, become permanently incapacitated to such an extent as to render the Member unable or, in the opinion of the Board, unlikely to again engage in the Member's primary occupation.

Trust Deed means the GrainCorp Deferred Share Plan Trust Deed.

Trustee means the trustee from time to time of the Plan acting in its capacity as such.

VWAP means the 20 Business Day volume weighted average share price of all Company shares as traded on the ASX up to and including 1 October at the start of each respective Performance Period.

3. Offer of Plan Retention Shares

3.1 Pursuant to clauses 3.2 and 5 of the Conditions, Eligible Employees will be offered an amount of Plan Retention Shares in accordance with the following formula:

$$\frac{TEC \times Ratio \times STI\ Multiplier}{VWAP}$$

where the Ratio and STI Multiplier are as follows:

Employee Group	**Ratio**	**STI Multiplier (range)***
Managing Director	100%	17.5%-70%
Executives – line management roles	100%	12.5%-50%
Executives – functional management roles	100%	10%-40%
Senior Trading Managers	50%	25%-100%
Senior Managers	100%	7.5%-30%
Grades 6-7 Traders	25%	25%-100%
Grades 2-8 Sales Staff & Grade 5 Traders	25%	7.5%-30%
Grades 5-8 Specialist Managers	50%	3.75%-15%
Grades 5-8 Staff Agreement employees and Selected Grade 4 Staff	25%	2.5%-10%

* the STI Multiplier range starts at Threshold Performance which is the minimum level of performance. An STI Multiplier of less than Threshold Performance is deemed to be 0%.

3.2 For a business year in which the Company does not make a net profit after tax, the STI Multiplier employed in the formula in clause 3.1, will be capped at Target Performance for Executives and the Managing Director.

3.3 Unless otherwise determined by the Board, all Plan Retention Shares will, subject to compliance with the inside information provisions of the Corporations Act, be acquired on-market.

3.4 All calculations must be rounded down to the nearest whole share.

3.5 Members who accept an Offer of Plan Retention Shares will receive a holding statement.

3.6 Members will also be notified of the 'taxable value' of their Plan Retention Shares, for the purposes of the Tax Act.

4. Restrictions on dealing with Plan Retention Shares

4.1 The words "or these Conditions" are to be inserted immediately after the words "Except as provided for in these Rules" in rule 6.1.

4.2 Rule 7.1 of the Rules is expressly displaced in its entirety and replaced with Condition 4.3.

4.3 Subject to Condition 5, a Member may submit a Notice of Withdrawal of Shares after the Restriction Period ends.

5. Cessation of Employment

5.1 Rule 8.1 of the Rules is expressly displaced in its entirety and replaced with Condition 5.2.

5.2 If a Member ceases to be an Employee for reasons of resignation or dismissal at a time when Plan Retention Shares standing to the credit of the Share Account remain subject to Relevant Requirements, the Member forfeits all such Plan Retention Shares as remain subject to Relevant Requirements, as the Board may direct.

5.3 If a Member ceases to be an Employee for the reason of retirement at a time when Plan Retention Shares standing to the credit of the Share Account remain subject to Relevant Requirements:

(a) that number of Plan Retention Shares (calculated on a pro-rata basis to that part of the entire Restriction Period which has already passed) will vest and therefore, the Restriction Period will automatically end in relation to those Plan Retention Shares; and
(b) the Member forfeits all the residual Plan Retention Shares for which the Restriction Period does not end in accordance with Condition 5.3(a) above, as remain subject to Relevant Requirements, as the Board may direct.

5.4 If a Member ceases to be an Employee for the reason of death, Total & Permanent Disablement or Redundancy at a time when Plan Retention Shares standing to the credit of the Share Account remain subject to Relevant Requirements, the Restriction Period automatically ends in relation to all such Plan Retention Shares as remain subject to Relevant Requirements, as the Board may direct.

5.5 If a Member ceases to be an Employee for any other reason other than those addressed in Conditions 5.2-5.4, at a time when Plan Retention Shares standing to the credit of the Share Account remain subject to Relevant Requirements, the Board will in its absolute and unfettered discretion decide what will happen with all such Plan Retention Shares as remain subject to Relevant Requirements.

5.6 On a Plan Retention Share being forfeited by a Member, all rights of the Member under the Plan in respect of the Plan Retention Share cease and no consideration or compensation will be payable in relation to that forfeiture.

6. Trust

Plan Retention Shares acquired under these Conditions will be held on behalf of each Member by the Trustee until the expiration of the Restriction Period.

7. Dividends

7.1 Rule 10.1 of the Rules is expressly displaced in its entirety and replaced with Condition 7.2.

7.2 Unless the Board in its absolute and unfettered decision otherwise determines, no dividend which is paid by the Company may be distributed by the Trustee to Members in respect of their Plan Retention Shares while the Plan Retention Shares remain subject to Relevant Requirements.

7.3 Rules 10.2 to 10.5 of the Rules are expressly displaced in their entirety.

8. Change in Control

Unless otherwise determined by the Board, in the event of a change in Control of the Company, if there are Plan Retention Shares standing to the credit of a Share Account which remain subject to Relevant Requirements, the Restriction Period automatically ends in relation to all such Plan Retention Shares as remain subject to Relevant Requirements.

9. Conflict

9.1 If there is a conflict between any part of these Conditions and the Rules, these Conditions prevail.

9.2 If there is a conflict between any part of these Conditions and the Trust Deed, the Trust Deed prevails.

10. Share Trading

All Members must comply with the requirements of the GrainCorp Share Trading Corporate Policy Document.