



Company announcement

GrainCorp Limited ABN 60 057 186 035

Date: 16 February, 2011
To: The Manager
Announcements
Company announcements office

PUBLIC ANNOUNCEMENT

GrainCorp announces amendments to terms of the Service Agreement for the Managing Director and Chief Executive Officer.

A handwritten signature in black ink, appearing to read "Betty Ivanoff".

Betty Ivanoff
General Counsel and Company Secretary

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Managing Director and Chief Executive Officer – Amendment to Service Agreement terms

As outlined in GrainCorp's Remuneration Report for the financial year ended 2010, GrainCorp undertook a detailed review of executive remuneration during 2010. As a result of this review, the remuneration package of the Managing Director and CEO, Ms Alison Watkins, has been adjusted, consistent with the new model of executive remuneration applicable to GrainCorp's executives, so that a greater proportion of reward is focussed on longer term shareholder value creation.

Ms Watkins' overall reward structure now generally comprises one third Base Package, one third short term incentive (STI) and one third performance rights awarded under a new long term incentive (LTI) plan.

The Base Package for 2010/2011 (which comprises cash salary, superannuation guarantee contributions plus salary sacrificed benefits) remains unchanged at \$950,000. The STI is \$950,000 (assuming performance at target and up to \$1,330,000 for performance above target) and \$950,000 of performance rights will be granted to Ms Watkins under the LTI Plan, if approved by shareholders at the Company's Annual General Meeting on 23rd February 2011. The adjustment of the package to include a LTI Plan has placed a far greater proportion of the overall package at risk.

The STI is determined by achievement of annually set objectives which typically includes financials customer, safety, people and strategic objectives. 50% of STI is paid as cash and 50% is deferred into equity, of which 50% vests in one year and 50% vests in two years.

The LTI Plan is structured as a three-year performance rights plan, with 50% of rights vesting based on meeting a relative TSR hurdle and 50% vesting based on meeting ROE targets. Ms Watkins' participation in the LTI Plan for 2010/2011 will be subject to shareholder approval at the Annual General Meeting to be held in February.

Further details of Ms Watkins' new remuneration arrangements, including a summary of the key terms of the incentive plans as they apply to Ms Watkins, are set out in the attached schedule.

For on target performance, this remuneration package is positioned at the median, and for above target performance, it is positioned at the 75th percentile of market remuneration based on companies of a similar market capitalisation to GrainCorp.

Managing Director and CEO Remuneration

(a) Base Package

Base Package remains at \$950,000 for 2010/2011.

(b) Short term incentive (STI)

The Managing Director and CEO's STI Target for 2010/2011 will be \$950,000. The amount awarded can range 0% to 140% depending on performance. For 2010/2011, \$950,000 would be awarded for on target performance, and up to \$1,330,000 awarded for above target performance.

50% of the STI will be paid in cash and 50% of the STI will be deferred into equity under GrainCorp's new Deferred Equity Plan (as set out below). 50% of the deferred equity will vest after one year and 50% will vest after two years.

The **Deferred Equity Plan** is a share rights plan, which upon vesting of the rights will entitle the holder to an ordinary share in GrainCorp. A summary of the key terms of the Deferred Equity Plan, as they relate to the CEO, are set out below:

Performance Period	1 October to 30 September in each financial year. The Board will assess performance against KPIs at the end of each financial year and determine the amount of the STI Bonus, of which a proportion is deferred.
Quantum	The number of rights that will be offered will be determined as follows: $\text{STI Deferred} / \text{VWAP}$ Where: STI Deferred means 50% of the STI Bonus as determined by the Board. VWAP means the 20 business day volume weighted average share price of all GrainCorp shares as traded on the ASX following but not including the date of release of GrainCorp's latest annual results.
Vesting	50% of the rights granted under the plan for a Performance Period will vest on the first day after the release of GrainCorp's annual results for the financial year after the Performance Period in respect of which the rights were granted. The remaining 50% of the rights granted under the plan for a Performance Period will vest on the first day after the release of GrainCorp's annual results for the second financial year after the Performance Period in respect of which the rights were granted.
Resignation or termination with cause	All unvested rights are forfeited, unless the Board determines the relevant circumstances warrant a different treatment.
Termination by GrainCorp without cause, retrenchment, retirement or cessation due to death or total and permanent disability	All unvested rights will vest at the normal vesting date, unless the Board determines the relevant circumstances warrant a different treatment.

(c) Long term incentive (LTI)

Subject to shareholder approval, the Managing Director and CEO will be granted a number of rights under the LTI Plan. For 2010/2011, the LTI Target will be \$950,000.

A summary of the key terms of the LTI Plan, as they relate to the CEO, are set out below:

Performance Period Three year performance period. The first Performance Period means the period commencing on 1 October 2010 and ending on 30 September 2013.

Quantum The number of rights to be granted will be determined as follows

$$\text{LTI Target/VWAP}$$

Where:

LTI Target means dollar amount as agreed by the Board.

VWAP means the 20 business day volume weighted average share price of all GrainCorp shares as traded on the ASX following but not including the date of release of GrainCorp's latest annual results.

Vesting 50% of the rights will vest based on a TSR hurdle and 50% of the rights will vest based on a ROE hurdle.

TSR hurdle

The first hurdle is relative TSR measured against a peer group of 100 companies listed on the Australian Securities Exchange (ASX) over the Performance Period.

TSR means the percentage growth in a company's share price, together with the value of dividends, assuming that all of those dividends are re-invested into new shares, as determined by the Board from time to time.

Averaging periods will be applied to the start and end share prices used in the TSR calculation. The start average share price will be based on the 12 months up to (but not including) the first day of the Performance Period. The end average share price will be based on the closing price in the 12 months up to and including the final day of the Performance Period.

To determine the relative performance of GrainCorp's TSR, it is compared with the TSR of the Peer Group Companies. The Peer Group Companies will be the 50 companies immediately above and 50 companies immediately below GrainCorp in terms of market capitalisation (based on a 12 month average market capitalisation) at the start of the Performance Period.

Companies comprising the Peer Group (together with GrainCorp) are ranked from highest to lowest in accordance with their TSR for the Performance Period and assigned a percentile ranking (i.e., the lowest ranked company is percentile 0 and the highest ranked company is percentile 100).

The Board may, in its discretion, adjust the Peer Group Companies or the calculation of the TSR as it considers appropriate including to adjust for mergers and acquisitions or other corporate events.

These TSR-measured rights will vest as follows:

GrainCorp's TSR relative to the Peer Group Companies	Proportion of TSR measured rights that will vest
Below the 51st percentile	None
At the 51st percentile	50%
Above the 51st percentile but below the 75th percentile	A straight-line proportion between 50% and 100%
At or above the 75th percentile	100%

ROE hurdle

ROE is defined as GrainCorp's net profit after tax for a financial year as set out in GrainCorp's financial reports for that year divided by the average shareholders' equity for that financial year as determined by the Board from GrainCorp's financial reports for that year. The Board may at its discretion adjust the NPAT used for the purposes of the ROE calculation if the Board considers appropriate to reflect abnormal or significant items that are not representative of underlying earnings.

The Board will set a one year ROE target range (Target Range) during the budgeting process each year of the Performance Period.

The percentage of rights which vest based on ROE during the Performance Period, if any, will be determined by the Board by reference to GrainCorp's average ROE performance over the 3 year Performance Period against the average of the minimum of the Target Range and the average of the maximum of the Target Range for ROE over the 3 year Performance Period, as follows:

GrainCorp's actual average ROE performance	Number of ROE measured rights that will vest
Below minimum of Target Range	None
At minimum of Target Range	50%
Within Target Range	A straight-line proportion between 50% and 100%
At maximum of Target Range and above	100%

Resignation or termination with cause

All unvested rights are forfeited, unless the Board determines the relevant circumstances warrant a different treatment

Termination by GrainCorp without cause, retrenchment, retirement or cessation due to death or total and permanent disability

All unvested rights will vest at the normal vesting date pro rata to the proportion of the Performance Period that the Managing Director and CEO was employed by GrainCorp and will remain subject to the relevant performance conditions being satisfied, unless the Board determines the relevant circumstances warrant a different treatment. Any rights which do not vest will lapse.