

Corporate governance report

This corporate governance report combines the corporate governance report of AGRANA Beteiligungs-AG and the consolidated corporate governance report of AGRANA Beteiligungs-AG pursuant to section 267a of the Austrian Commercial Code (UGB) in conjunction with section 251 UGB.

AGRANA Beteiligungs-AG is a public limited company (a stock corporation) under Austrian law and is listed on the Vienna Stock Exchange. The legal framework for corporate governance at AGRANA is provided by Austrian stock corporation law and capital market law, the regulations on employee co-determination, the Articles of Association and the terms of reference (the charters) of the Supervisory Board and Management Board of AGRANA Beteiligungs-AG. In addition, the Austrian Code of Corporate Governance (the ACCG), which can be found on the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at, provides the framework for the direction and oversight of the company with the aim of ensuring a high degree of transparency for all stakeholders.

The ACCG consists of binding so-called L rules (these are based on legal requirements); of C rules (comply-or-explain rules), which are expected to be adhered to, with deviations to be explained in order to achieve compliance with the ACCG; and of R rules (recommendations), non-compliance with which requires neither disclosure nor explanation.

Commitment to the Austrian Code of Corporate Governance

AGRANA is committed to the provisions of the Austrian Code of Corporate Governance. In the 2016|17 financial year, AGRANA applied the ACCG in the version of January 2015. At its meetings on 25 November 2016 and 28 February 2017, the Supervisory Board of AGRANA Beteiligungs-AG discussed matters of corporate governance and unanimously adopted the statement of compliance with the ACCG.

In the 2016|17 financial year, AGRANA adhered to all C rules of the ACCG except as explained below:

■ Rule 27 (Management Board compensation criteria)

The existing employment contracts of the Management Board members do not tie variable compensation to non-financial criteria and do not specify maximum amounts. Setting ceilings on the amount of variable compensation would reduce the flexibility to respond to unforeseeable developments and to honour special achievements. A retroactive change to existing contracts does not appear justified.

■ Rule 27a (severance pay)

In the event that a Management Board appointment is withdrawn, severance pay has been agreed in accordance with the provisions of the Employees Act. The Management Board contracts do not contain a ceiling on severance pay.

The approach in respect of rules 27 and 27a was adopted by the Supervisory Board and implemented by the Nomination and Remuneration Committee in the contracts of the Management Board members.

■ Rule 49 (contracts requiring approval)

Under section 95 (5)(12) of the Austrian Stock Corporation Act, the approval of the Supervisory Board is required for contracts with members of the Supervisory Board by which members undertake, outside their role on the Supervisory Board, to provide a service to the Company or a subsidiary for a material consideration. This also applies to contracts with companies in which a Supervisory Board member has a significant economic interest. For business policy and competition reasons, the object and terms of such contracts are not published in the Annual Report as stipulated in rule 49. This divergence was adopted by the Supervisory Board at the time of the initial commitment to the Austrian Code of Corporate Governance in 2005.

The business culture of the AGRANA Group has always been marked by open and constructive teamwork between the Management Board and Supervisory Board, which together ensure that the ACCG's requirements are fulfilled. The Management and Supervisory Boards of AGRANA, and especially their chairmen, are thus engaged in ongoing dialogue regarding the Group's performance and strategic direction, both at and between the meetings of the Supervisory Board.

To safeguard open and transparent communication with all capital market participants and the interested public, information provided to investors during conference calls and road shows is simultaneously made available to all other shareholders via the Group website at www.agrana.com/en/ir.

In accordance with rule 62 of the ACCG, every three years or more frequently, the Group has commissioned an external evaluation of compliance with the C rules. The latest of these evaluations was performed in the 2014/15 financial year by Univ.-Prof. Dr. Waldemar Jud Corporate Governance Forschung CGF GmbH, using the questionnaire issued for this purpose by the Austrian Working Group for Corporate Governance. The results are available to the public on the AGRANA website at www.agrana.com/en/ir/corporate-governance.

AGRANA's boards

Management Board

Name	Year of birth	Date first appointed	End of term
Johann Marihart Chief Executive Officer since 1992	1950	19 Sep 1988	30 Sep 2018
Stephan Büttner	1973	1 Nov 2014	31 Oct 2019
Fritz Gattermayer	1957	1 Jan 2009	31 Dec 2018
Thomas Kölbl	1962	8 Jul 2005	7 Jul 2020

The members of the Management Board hold supervisory board or similar positions in the following domestic and foreign companies not included in the consolidated financial statements:

■ Johann Marihart

As a result of the syndicate agreement between Südzucker AG, Mannheim, Germany, and Zucker-Beteiligungsgesellschaft m.b.H., Vienna, Johann Marihart serves as a member of the management board of Südzucker AG, as supervisory board chairman of its subsidiary Raffinerie Tirlemontoise S.A., Brussels, Belgium, and member of the supervisory boards of the subsidiary Saint Louis Sucre S.A., Paris, France, and of Freiburger Holding GmbH, Berlin, Germany.

In Austria he serves as supervisory board chairman of TÜV Austria Holding AG, Vienna, TÜV Austria Service GmbH, and Spanische Hofreitschule – Bundesgestüt Piber, Vienna; as vice-chairman of the supervisory boards of Bundesbeschaffung GmbH, Vienna, and Österreichische Forschungsförderungsgesellschaft m.b.H., Vienna; as member of the supervisory board of Ottakringer Getränke AG, Vienna, and member of the investment advisory board of tecnet equity NÖ Technologiebeteiligungs-Invest GmbH, St. Pölten, Austria. Johann Marihart is also chairman of the Austrian Food Industry Association (Fachverband der Nahrungs- und Genussmittelindustrie). At the European level, Johann Marihart represents the Austrian sugar industry as president of the European Association of Sugar Manufacturers (the Comité Européen des Fabricants de Sucre, or CEFS).

■ **Thomas Kölbl**

Thomas Kölbl holds the following positions: supervisory board member of Baden-Württembergische Wertpapierbörse (until 1 March 2017), of Boerse Stuttgart GmbH and of EUWAX Aktiengesellschaft, all based in Stuttgart, Germany. He also holds the following group-level positions within the Südzucker group: supervisory board member of Freiburger Holding GmbH, Berlin, Germany, of Raffinerie Tirlemontoise S.A., Brussels, Belgium, of Saint Louis Sucre S.A.S., Paris, France, and of Südzucker Polska S.A., Wrocław, Poland, vice-chairman of the supervisory board of CropEnergies AG, Mannheim, Germany, supervisory board chairman of PortionPack Europe Holding B.V., Oud-Beijerland, Netherlands, and of Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim, Germany, and member of the board of directors of ED&F MAN Holdings Limited, London, United Kingdom.

The Management Board of AGRANA Beteiligungs-AG manages the Company's business in accordance with principles of modern governance and with the legal requirements, the Articles of Association and the Management Board terms of reference (the Management Board charter). The members of the Management Board are in ongoing communication with each other and, in Management Board meetings held at least every two weeks, discuss the current course of business and make the necessary informal and formal decisions. The Group is managed on the basis of open sharing of information and of regular meetings with the segment heads and other senior segment management.

The terms of reference set out the division of responsibilities and the cooperation within the Management Board and its duties in respect of communication and reporting, and list the types of actions that require the approval of the Supervisory Board.

The remits of the Management Board members are as follows:

Name	Responsibilities
Johann Marihart	Business Strategy, Production, Quality Management, Human Resources, Communication (including Investor Relations), Research and Development
Stephan Büttner	Finance, Controlling, Treasury, Information Technology and Organisation, Mergers & Acquisitions, Legal, Compliance
Fritz Gattermayer	Sales, Raw Materials, Purchasing & Logistics
Thomas Kölbl	Internal Audit

Supervisory Board

The Supervisory Board of AGRANA Beteiligungs-AG has twelve members, of whom eight are shareholder representatives elected by the Annual General Meeting and four are employee representatives from the staff council. All Supervisory Board members elected by the Annual General Meeting are elected for a term ending at the conclusion of the General Meeting that considers the results of the 2016|17 financial year.

Name	Year of birth	Date first appointed	End of term
and supervisory board positions in listed domestic and foreign companies			
Erwin Hameseder, Mühldorf, Austria, independent Chairman of the Supervisory Board – First Vice-Chairman of the Supervisory Board of Flughafen Wien AG, Vienna – First Vice-Chairman of the Supervisory Board of Raiffeisen Bank International AG, Vienna – Vice-Chairman of the Supervisory Board of STRABAG SE, Villach, Austria – Second Vice-Chairman of the Supervisory Board of Südzucker AG, Mannheim, Germany – Second Vice-Chairman of the Supervisory Board of UNIQA Insurance Group AG, Vienna	1956	23 Mar 1994	30 th AGM (2017)
Wolfgang Heer, Ludwigshafen, Germany, independent First Vice-Chairman of the Supervisory Board – Member of the Supervisory Board of CropEnergies AG, Mannheim, Germany	1956	10 Jul 2009	30 th AGM (2017)
Klaus Buchleitner, Mödling, Austria, independent Second Vice-Chairman of the Supervisory Board – Vice-Chairman of the Supervisory Board of BayWa AG, Munich, Germany – Member of the Supervisory Board of Raiffeisen Bank International AG, Vienna	1964	4 Jul 2014	30 th AGM (2017)
Jochen Fenner, Gelchsheim, Germany, independent Member of the Supervisory Board Member of the Supervisory Board of Südzucker AG, Mannheim, Germany	1952	1 Jul 2011	30 th AGM (2017)
Hans-Jörg Gebhard, Eppingen, Germany, independent Member of the Supervisory Board – Chairman of the Supervisory Board of Südzucker AG, Mannheim, Germany – Member of the Supervisory Board of CropEnergies AG, Mannheim, Germany	1955	9 Jul 1997	30 th AGM (2017)
Ernst Karpfinger, Baumgarten/March, Austria, independent Member of the Supervisory Board	1968	14 Jul 2006	30 th AGM (2017)
Thomas Kirchberg, Ochsenfurt, Germany, independent Member of the Supervisory Board	1960	10 Jul 2009	30 th AGM (2017)
Josef Pröll, Vienna, independent Member of the Supervisory Board	1968	2 Jul 2012	30 th AGM (2017)

Employee representatives	Year of birth	Date first appointed
Thomas Buder, Tulln, Austria Chairman of the Group Staff Council and the Central Staff Council	1970	1 Aug 2006
Gerhard Glatz, Gmünd, Austria	1957	1 Jan 2010
Andreas Klamlar, Gleisdorf, Austria Since 10 Nov 2016	1970	10 Nov 2016
Stephan Savic, Vienna, Austria	1970	22 Oct 2009
Karl Orthaber, Gleisdorf, Austria Until 10 Nov 2016	1967	12 Nov 2014

Supervisory Board independence

The Supervisory Board of AGRANA Beteiligungs-AG applies the guidelines for the definition of supervisory board independence as set out in Annex 1 to the Austrian Code of Corporate Governance:

- A Supervisory Board member shall not, in the past five years, have been a member of the Management Board or other management staff of the Company or a subsidiary of the Company.
- A Supervisory Board member shall not have a business relationship of a size significant to him or her with the company or a subsidiary of the company, and shall not have had such a business relationship in the past year. This also applies to business relationships with companies in which the Supervisory Board member holds a significant economic interest, but does not apply to board positions held within the Group.
- The approval of individual transactions by the Supervisory Board under L rule 48 does not automatically imply a member's designation as non-independent.
- A Supervisory Board member shall not, in the past three years, have been an external auditor of the Company or a partner or employee of the external audit firm.
- A Supervisory Board member shall not be a management board member of another company in which a member of the Company's Management Board is a supervisory board member.
- A Supervisory Board member shall not serve on the Supervisory Board for more than 15 years. This does not apply to Supervisory Board members who are shareholders with a strategic shareholding in the Company or who represent the interests of such a shareholder.
- A Supervisory Board member shall not be a close relative (direct descendant, spouse, common-law spouse, parent, uncle, aunt, sibling, nephew or niece) of a Management Board member or of persons holding any of the positions referred to in the foregoing points.

Committees and their members

Where the importance or specialist nature of a particular subject matter makes it appropriate to do so, the Supervisory Board also exercises its advisory and supervisory functions through the following three committees:

The **Nomination and Remuneration Committee** deals with the legal relationships between the Company and the members of the Management Board. The Committee is responsible for succession planning in respect of the Management Board and approves the compensation schemes for the Management Board members. The Nomination and Remuneration Committee held no meetings in the 2016|17 financial year. The Strategy Committee prepares strategic decisions of the Supervisory Board by providing decision support, and makes decisions in urgent matters. The **Strategy Committee** held no meetings in the 2016|17 financial year, but for the capital increase in February 2017 reached the necessary decisions by written communication. The **Audit Committee** prepares for transaction by the Supervisory Board all matters related to the Company's separate financial statements and to the auditing of the accounting records and of the consolidated financial statements and Group management report, including the corporate governance report. It monitors the effectiveness of the internal control system and risk management system and of the internal auditing, and verifies the independence and qualifications of the external auditors. In the 2016|17 financial year the Audit Committee met twice. Its meetings focused particularly on the audit of the 2015|16 financial statements, the preparation of the audit of the 2016|17 financial statements, and the supervision of the risk management system. The Audit Committee also dealt with the compliance report and with the report of the Group's Internal Audit function.

The Supervisory Board terms of reference include the procedures for the committees; an excerpt of the terms of reference is available on the AGRANA website at www.agrana.com/en.

Supervisory Board committees consist of the Supervisory Board Chairman or a Vice-Chairman, and of as many other members as the Supervisory Board shall determine. The only exception is the Nomination and Remuneration Committee, which consists of the Supervisory Board Chairman and two members appointed from among the Supervisory Board members elected by the Annual General Meeting. If the Supervisory Board has two Vice-Chairmen, they shall be appointed as these two other members of the Nomination and Remuneration Committee.

Name	Position on committee
Nomination and Remuneration Committee	
Erwin Hameseder	Chairman (and expert advisor on compensation)
Wolfgang Heer	Member
Klaus Buchleitner	Member
Strategy Committee	
Erwin Hameseder	Chairman
Wolfgang Heer	Member
Klaus Buchleitner	Member
Hans-Jörg Gebhard	Member
Thomas Buder	Employee representative
Gerhard Glatz	Employee representative
Audit Committee	
Klaus Buchleitner	Chairman (and expert advisor on finance)
Wolfgang Heer	Member
Thomas Buder	Employee representative

In the reporting period the Supervisory Board convened for four meetings.

Compensation report

Compensation of the Management Board

The Supervisory Board duly reviews and discusses the appropriateness of the Management Board's compensation, also taking into consideration the Group's internal compensation structure.

The total compensation of the Management Board members consists of a fixed and a variable, performance-based component. The performance-based component is contractually tied to the amount of the dividends paid over the respective last three years, in order to take into account long-term and multi-year performance criteria.

The compensation paid out in the 2016|17 financial year and the prior year to the members of the Management Board was as follows:

€	Fixed compensation, incl. non- monetary benefits	Variable compensation for prior year	Total current compensation	Other payments
2016 17				
Johann Marihart ¹	718,993	636,240	1,355,233	125,000 ²
Stephan Büttner	381,512	371,140	752,652	–
Fritz Gattermayer	513,522	487,784	1,001,306	–
Thomas Kölbl ³	–	–	–	–
2015 16				
Johann Marihart ¹	615,038	613,500	1,228,538	–
Stephan Büttner	359,919	163,976	523,895	–
Fritz Gattermayer	470,110	470,350	940,460	–
Thomas Kölbl ³	–	–	–	–
Walter Grausam ⁴	–	489,948	489,948	–

In total, the fixed compensation of the Management Board members increased by about 11% from the prior year.

Post-employment benefits granted to the Management Board under the Company's plan are pension, disability insurance and survivor benefits. For the Management Board members Johann Marihart and Fritz Gattermayer, the following applies: The pension becomes available when the pension eligibility criteria of the Austrian public pension scheme under the General Social Insurance Act (ASVG⁵) are met. In the event of retirement before the age determined under the ASVG, the amount of the pension is reduced. The pension amount is calculated as a percentage of a contractually agreed assessment base. For the pension of Stephan Büttner, there is a defined contribution obligation, which can be claimed after the recipient has reached 55 years of age provided that the employment relationship has ended. For the 2016|17 financial year, pension fund contributions of € 354 thousand were paid (prior year: € 720 thousand).

The retirement benefit obligations in respect of the Management Board are administered by an external pension fund. In the event that a Management Board appointment is withdrawn, there are severance pay obligations in accordance with the provisions of the Employees Act (see note on rule 27a) or the Occupational Pension Plan Act (BMSVG⁶). In the balance sheet at 28 February 2017, within the item "retirement and termination benefit obligations", an amount of € 8,496 thousand was recognised for pension obligations (prior year: € 6,646 thousand) and an amount of € 2,151 thousand was recognised for termination benefit obligations (prior year: € 1,986 thousand).

¹ Chief Executive Officer.

² Long-service award.

³ The Management Board member of AGRANA Beteiligungs-AG appointed to this position on the basis of the syndicate agreement between Südzucker AG, Mannheim, Germany, and Zucker-Beteiligungsgesellschaft m.b.H., Vienna, does not receive compensation for serving in this capacity.

⁴ Retired from the Management Board at 31 December 2014.

⁵ German name of the act: Allgemeines Sozialversicherungsgesetz.

⁶ German name of the act: Betriebliches Mitarbeiter- und Selbständigenvorsorgegesetz.

No compensation agreements in the event of a public tender offer exist between the Company and its Management Board, Supervisory Board or other staff.

AGRANA maintains directors and officers liability insurance coverage for management staff. This D&O insurance covers certain personal liability risks of the individuals acting as legal representatives of the AGRANA Group. The cost is borne by AGRANA.

Transactions of members of the Management Board in financial instruments are notified to the Financial Market Authority (FMA) in accordance with article 19 (1) of Regulation (EU) No 596/2014 and published on the AGRANA website. During the reporting period there were no such transactions.

Compensation of the Supervisory Board

The Annual General Meeting on 1 July 2016 approved an annual aggregate remuneration for the Supervisory Board of € 250,000 (prior year: € 250,000) for the 2015|16 financial year and delegated to the Supervisory Board the responsibility for allocating this sum among its members. The amount paid to the individual Supervisory Board members is tied to their function on the Board. No meeting fees were paid.

The compensation of the individual members of the Supervisory Board was as follows:

€	2016 17 ¹	2015 16 ¹
Erwin Hameseder (Chairman of the Supervisory Board ²)	55,000	48,123
Wolfgang Heer (First Vice-Chairman of the Supervisory Board)	35,000	35,000
Klaus Buchleitner (Second Vice-Chairman of the Supervisory Board ³)	35,000	22,966
Jochen Fenner	25,000	25,000
Hans-Jörg Gebhard	25,000	25,000
Ernst Karpfinger	25,000	25,000
Thomas Kirchberg	25,000	25,000
Josef Pröll	25,000	25,000
Christian Konrad ⁴	–	18,911

In accordance with section 110 (3) of the Austrian Labour Act, those Supervisory Board members who are employee representatives do not receive Supervisory Board compensation.

Compliance

For AGRANA, compliance with legal and regulatory requirements is integral to good corporate governance.

AGRANA has a dedicated Compliance Office led by the Director of Corporate Compliance, who reports directly to the Management Board member responsible and centrally looks after the compliance activities. Additionally, the CFOs of the segments and subsidiaries act as compliance officers in order to implement relevant Group requirements even more rapidly and efficiently. The most important responsibilities of the Compliance Office include the implementation and further expansion of the compliance management system in the AGRANA Group, with the aim of fulfilling the organisational and supervisory obligations of the Group's management under the law and to minimise the liability risks to the AGRANA Group and its employees and boards. Other key functions of the Compliance Office are the production and training of internal guidelines, provision of support in compliance matters, documentation of cases of non-compliance, and issuing of recommendations.

¹ Compensation for prior year

² Until 4 July 2014 was Second Vice-Chairman of the Supervisory Board.

³ Since 4 July 2014.

⁴ Retired from the Supervisory Board at 4 July 2014.

In addition to the Compliance Office there is a Compliance Board, which deliberates on an ongoing basis on fundamental questions in matters of compliance.

AGRANA's compliance management system comprises the following core elements and policies:

The **AGRANA Code of Conduct** forms the foundation of all business actions and decisions. The Code of Conduct is designed to give a clear and systematic understanding of the conduct which AGRANA expects from all employees, managers and directors in all activities and locations of the Group. Together with the mission statement, it guides the entire AGRANA Group, setting unambiguous standards of integrity, correct business conduct and ethical principles.

In addition to the rules on conflicts of interest set out in the Code of Conduct, a separate **Conflict-of-Interest Policy** was introduced in the year under review. In the course of business activities, it is possible for staff or board members to encounter situations where their personal or financial interests come or could come into conflict with the interests of the AGRANA Group. A reporting and documentation system was developed for this that applies for all AGRANA employees and board members.

Anticorruption laws apply worldwide and must be obeyed everywhere and at all times. In view of Austria's specific anti-corruption legislation, AGRANA has a separate **Austria Anti-Corruption Policy**, which complements the Code of Conduct. This policy sets out binding regulations and a reporting system. The policy aims to ensure legally compliant conduct and facilitate the proper handling of invitations and gifts.

The purpose of the globally applicable **Antitrust Compliance Policy** is to ensure that all employees and board members know and abide by the essential provisions of competition and antitrust law and have the awareness to recognise situations with antitrust relevance. The overarching aim of this policy is to preserve employees from violating antitrust legislation and to provide practical, real-world support in applying the relevant rules.

For AGRANA Beteiligungs-AG as a publicly traded company, it is highly important to adhere to stock exchange and capital market laws and regulations, particularly the Stock Exchange Act and the Issuer Compliance Regulation of the Financial Market Authority. Based on these pieces of legislation, AGRANA has issued its **Capital Market Compliance Policy**. It sets out the principles governing the disclosure of information and prescribes organisational measures for safeguarding confidentiality and preventing improper use or transmission of insider information.

In the 2016|17 financial year, frequent classroom trainings on capital market compliance and other special compliance subjects were delivered in Austria for an identified set of employees. In the international subsidiaries, trainings on all relevant compliance policies were likewise conducted for the identified staff. In addition to the physical classroom trainings, AGRANA rolled out electronic distance training in Austria on the Code of Conduct, anticorruption, and competition and antitrust law. In the 2016|17 financial year, 1,007 employees, 100% of those identified (i.e., all salaried employees), in Austria received a comprehensive training. The employees at the international locations were trained in two waves. In the 2016|17 financial year, 811 people, or 53% of identified employees (i.e., all salaried employees) outside Austria received physical classroom training; 945 people (or 64%) were already given training in 2015|16. The launch of the electronic training system at the locations outside Austria began at the end of 2016|17.

The Internal Audit department verifies compliance with laws, regulations and internal policies. In the 2016|17 financial year, it audited 17 of the 51 production sites/companies (i.e., 33% of sites/companies) within the GRI reporting boundaries (see the section “Integrated sustainability reporting”, from page 40), including audits for corruption and fraud in selected subject areas; one of the audits covered all European sites of the fruit preparations business in this regard. No significant breaches of legal norms or of AGRANA’s internal regulations regarding anticorruption were found.

Promoting equity for women

For more and more people, the ability to balance work and family life ranks high on the list of expectations for the workplace and is a major element of job satisfaction. For women, it is frequently a critical career factor. AGRANA honoured this priority in spring 2016 by joining the “Business for Family” network of the Federal Ministry for Family and Youth.

In order to be able to provide the best practicable conditions for achieving a balance between work and family responsibilities for the greatest possible number of employees, AGRANA – besides already offering flexible working hours, organising and largely funding summer holiday child care at a site in Austria, and making available a company day-care centre at the headquarters in Vienna – added further arrangements in the 2016|17 financial year: A Group-wide framework agreement for teleworking was put in place, and financial assistance was granted for the care of small children up to three years old (limited to Austria and Germany for tax reasons). As well, at the Vienna headquarters a parent-child office was set up that, for example, enables parents to supervise their children’s homework in the afternoon.

Vienna, 24 April 2017

The Management Board of AGRANA Beteiligungs-AG



Johann Marihart
Chief Executive Officer



Stephan Büttner
Member of the Management Board



Fritz Gattermayer
Member of the Management Board



Thomas Kölbl
Member of the Management Board