

Corporate governance report for 2015|16

AGRANA Beteiligungs-AG is a public limited company (a stock corporation) under Austrian law and is listed on the Vienna Stock Exchange. Corporate governance at AGRANA is based on 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 Code), 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 high transparency for all stakeholders.

The Code 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 Code; 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 2015|16 financial year, AGRANA applied the Code in the version of January 2015. At its meetings on 30 November 2015 and 25 February 2016, the Supervisory Board of AGRANA Beteiligungs-AG discussed matters of corporate governance and unanimously adopted the statement of compliance with the Code.

In the 2015|16 financial year, AGRANA adhered to all C rules of the Code 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In the event that a Management Board appointment is withdrawn, severance pay has been agreed in accordance with the provisions of the Employees Act.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 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 Code'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 shareholders and the interested public, information given 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 Austrian Code of Corporate Governance, 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. DDr. 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 Tirlémontoise S.A., Brussels, Belgium, and member of the supervisory boards of the subsidiary Saint Louis Sucre S.A., Paris, France, and of BENEIO GmbH, Mannheim, Germany, and Freiburger Holding GmbH, Berlin, Germany.

In Austria he serves as supervisory board chairman of TÜV Austria Holding AG, Vienna, and Spanische Hofreitschule, Vienna; vice-chairman of the supervisory boards of Bundesbeschaffung GmbH, Vienna, and Österreichische Forschungsförderungsgesellschaft m.b.H., Vienna; 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).

■ **Thomas Kölbl**

Thomas Kölbl holds the following positions: Supervisory board member of Baden-Württembergische Wertpapierbörse, of Boerse Stuttgart GmbH and of EUWAX Aktiengesellschaft, all based in Stuttgart, Germany. He also holds the following group positions within the Südzucker group: Supervisory board member of BENEOL GmbH, Mannheim, Germany, Freiburger Holding GmbH, Berlin, Germany, Raffinerie Tirlemontoise S.A., Brussels, Belgium, Saint Louis Sucre S.A.S., Paris, France, Südzucker Polska S.A., Wrocław, Poland, vice-chairman of the supervisory board of CropEnergies AG, Mannheim, Germany, and supervisory board chairman of PortionPack Europe Holding B.V., Oud-Beijerland, Netherlands, and of Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim, Germany.

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 take the necessary informal and formal decisions. The Group is managed on the basis of the 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, and Starch Segment
Stephan Büttner	Finance, Controlling, Treasury, Information Technology and Organisation, Mergers & Acquisitions, Legal, Compliance, and Fruit Segment
Fritz Gattermayer	Sales, Raw Materials, Purchasing & Logistics, and Sugar Segment
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 were 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 July 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 Central Staff Council	1970	1 Aug 2006
Gerhard Glatz, Gmünd, Austria	1957	1 Jan 2010
Karl Orthaber, Gleisdorf, Austria	1976	12 Nov 2014
Stephan Savic, Vienna	1970	22 Oct 2009

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 auditing 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, 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 2015|16 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 2015|16 financial year.

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, audit system and risk management system and verifies the independence and qualifications of the external auditors. In the 2015|16 financial year the Audit Committee met twice. Its meetings focused particularly on the audit of the 2014|15 financial statements, the preparation of the audit of the 2015|16 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 performance criteria.

The compensation paid out in the 2015|16 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	Termination benefits
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 ²	–	–	–	–
Walter Grausam ³	–	489,948	489,948	–
2014 15				
Johann Marihart ¹	613,213	613,500	1,226,713	–
Stephan Büttner ⁴	109,613	–	109,613	–
Fritz Gattermayer	469,856	470,350	940,206	–
Thomas Kölbl ²	–	–	–	–
Walter Grausam ³	500,202	587,938	1,088,140	431,250

The fixed compensation of the Management Board members remained unchanged compared to 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, Fritz Gattermayer and former member Walter Grausam, the following applies: The pension becomes available when the pension eligibility criteria of the Austrian public pension scheme (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 2015|16 financial year, pension fund contributions of € 720 thousand were paid (prior year: € 2,955 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 29 February 2016, within the item "retirement and termination benefit obligations", an amount of € 6,646 thousand was recognised for pension obligations (prior year: € 8,058 thousand) and an amount of € 1,986 thousand was recognised for termination benefit obligations (prior year: € 1,906 thousand).

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.

¹ Chief Executive Officer.

² 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.

³ Retired from the Management Board at 31 December 2014.

⁴ Management Board member since 1 November 2014.

⁵ German name of the act: Allgemeines Sozialversicherungsgesetz.

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

Transactions of members of the Management Board in financial instruments are notified to the Financial Market Authority (FMA) in accordance with section 48d (4) Stock Exchange Act and published on the website of the FMA. During the reporting period there were no such transactions.

Compensation of the Supervisory Board

On 3 July 2015 the Annual General Meeting approved an annual aggregate remuneration for the Supervisory Board of € 250,000 (prior year: € 250,000) for the 2014|15 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:

€	2015 16 ¹	2014 15 ¹
Erwin Hameseder (Chairman of the Supervisory Board ²)	48,123	35,000
Wolfgang Heer (First Vice-Chairman of the Supervisory Board)	35,000	35,000
Klaus Buchleitner (Second Vice-Chairman of the Supervisory Board ³)	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	55,000

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 chief compliance officer, who since 1 January 2015 reports directly to the Management Board member responsible (the Group Chief Financial Officer Stephan Büttner) and centrally looks after the compliance activities. In July 2015 the CFOs of the segments and subsidiaries were designated as compliance officers. This rolled out the compliance organisation Group-wide to make it even more effective. The most important responsibilities of the chief compliance officer are the further expansion of the compliance management system in the AGRANA Group by producing and training internal guidelines, providing support in compliance matters, documenting cases of non-compliance and issuing recommendations. In addition, a Compliance Board was created, consisting of the heads of the Internal Audit, Human Resources and Legal departments and Corporate Secretariat and the chief compliance officer. The Compliance Board has its own terms of reference. It deliberates on an ongoing basis on fundamental questions in matters of compliance.

¹ Compensation for the respective 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.

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. The Code of Conduct has been translated into all languages relevant to the Group.

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

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. The policy has been translated into all languages relevant for the Group.

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.

The purpose of the AGRANA compliance management system is to ensure the fulfilment of the corporate leadership's organisational and supervisory obligations under the law and to minimise the liability risks for the AGRANA Group, its employees and board members.

In 2015|16, frequent trainings in Austria continued to be delivered for a defined group of employees on Austria-specific anticorruption and tax policy, on competition and antitrust law and capital market compliance. All identified employees in Austria were or have been trained. New staff members are continually being trained soon after hiring. In the international subsidiaries, the training of all relevant compliance policies for the defined group of employees was begun in 2015 and is to be completed in the course of 2016.

In addition to the physical classroom trainings, AGRANA now also plans to provide electronic distance training on the Code of Conduct, anticorruption, and competition and antitrust law. The trainings are being produced and delivered together with an external provider and are to be rolled out during the 2016|17 financial year in Austria and then worldwide.

The Internal Audit department verifies compliance with laws, regulations and internal policies. In the 2015|16 financial year it audited 14 of the 50 AGRANA production sites (i. e., 28% of sites) falling within the GRI reporting boundaries (see Annual Report 2015|16, section “Organisational structure” from page 41), including audits for corruption and fraud in selected subject areas; one of the 14 audits covered all production sites in this regard. No significant breaches of legal norms or of AGRANA’s internal regulations regarding anticorruption were found.

Promoting equity for women

Equality of opportunity in the workplace and equal treatment of employees without regard to gender are principles enshrined in the AGRANA Code of Conduct.

AGRANA is convinced that, especially for women, achieving harmony between work and family life is still commonly a significant challenge. To help remedy this, AGRANA offers its staff in Vienna a company day-care centre, as well as a childcare service for days when schools close locally for a day and on long-weekend days falling between a public holiday and the weekend. In July 2015, in the second year of an initiative organised and financially supported by AGRANA, employees at the sugar plant in Tulln, Austria, were able to take advantage of a week of care for their children aged three to ten during the summer holidays. Trained educators from Hilfswerk (a non-profit that is one of the country’s largest providers of childcare) taught and looked after the children in an age-differentiated programme of excursions and workshops.

In spring 2016 AGRANA joined the Austrian “Business for Family” network. This network was launched by the Federal Ministry for Family and Youth to bring together companies and communities interested or already engaged in family-conscious personnel and municipal policies. The network’s platform and associated events are a place for dialogue, inspiration and sharing of information. In connection with becoming a network partner, AGRANA has decided to adopt additional measures improving the compatibility of work and family.

Vienna, 25 April 2016

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