

# CORPORATE GOVERNANCE REPORT

AGRANA is committed to the Austrian Code of Corporate Governance. The Code, a voluntary self-regulatory initiative of private industry, is a comprehensive set of best practices that stipulates equal treatment of all shareholders and transparency of corporate governance. The Code can be viewed on the website of the Austrian Working Group for Corporate Governance at [www.corporate-governance.at](http://www.corporate-governance.at).

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.

In the 2013|14 financial year, AGRANA applied the Austrian Code of Corporate Governance in the version of July 2012. At its meetings on 14 November 2013 and 27 February 2014, the Supervisory Board of AGRANA Beteiligungs-AG discussed matters of corporate governance and unanimously adopted the statement of compliance with the Code.

By providing the following explanations, AGRANA is also in conformity with all of the Code's C rules:

■ **Rule 27 (Management Board compensation criteria)**

A retroactive change to existing contracts does not appear justified. 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.

■ **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In the event that a Management Board appointment is withdrawn, severance pay has been agreed in accordance with the provisions of the Employees Act.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.

■ **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.

■ **Rule 54 (appointment of an independent Supervisory Board member)**

Until 27 February 2014, AGRANA Beteiligungs-AG had a free float of more than 20%. Above this threshold, rule 54 of the Austrian Code of Corporate Governance stipulates the election of an independent member of the Supervisory Board who is neither a holder of more than 10% of the company's share capital nor represents the interests of such a shareholder. The Supervisory Board of AGRANA Beteiligungs-AG does not have such a free-float representative. As a result of the change in shareholder structure at the end of February 2014 (*also see page 77*), rule 54 no longer applies to AGRANA from the new 2014|15 financial year.

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 Supervisory Board meetings.

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 ([www.agrana.com](http://www.agrana.com)).

#### External evaluation

In accordance with rule 62 of the Austrian Code of Corporate Governance, AGRANA commissioned an external evaluation of compliance with the Code, which was performed by Univ.-Prof. DDr. Waldemar Jud Corporate Governance Forschung CGF GmbH. The evaluation was conducted using the questionnaire issued for this purpose by the Austrian Working Group for Corporate Governance and is available to the public on the AGRANA website at [www.agrana.com](http://www.agrana.com). The report confirms that AGRANA complied with the Code in the 2013|14 financial year.

## AGRANA'S BOARDS

### Management Board

The Management Board of AGRANA Beteiligungs-AG has four members:

	Year of birth	Date first appointed	End of current term
<b>Johann Marihart</b> Chief Executive Officer since 1992	1950	19 Sep 1988	30 Sep 2018
<b>Fritz Gattermayer</b> Management Board member since 2009	1957	1 Jan 2009	31 Dec 2018
<b>Walter Grausam</b> Management Board member since 1995	1954	1 Jan 1995	31 Dec 2014
<b>Thomas Kölbl</b> Management Board member since 2005	1962	8 Jul 2005	7 Jul 2015

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/Ochsenfurt, Mannheim, Germany ("Südzucker") and Zucker-Beteiligungsgesellschaft m.b.H., Vienna, Johann Marihart serves as a member of the management board of Südzucker and as a member of the supervisory boards of its subsidiaries Raffinerie Tirlemontoise S.A., Brussels, Belgium, Saint Louis Sucre S.A., Paris, France, and BENE0 GmbH, Mannheim, 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 mbH, Vienna; member of the supervisory board of Ottakringer Getränke AG, Vienna, and member of the General Council (the supervisory board) of Oesterreichische Nationalbank, Vienna.

■ **Thomas Kölbl**

Thomas Kölbl holds the following positions: Member of the supervisory board of Baden-Württembergische Wertpapierbörse, Stuttgart, Germany, and its subsidiaries Boerse Stuttgart Holding GmbH, Boerse Stuttgart AG and EUWAX Aktiengesellschaft, all based in Stuttgart, Germany. He also holds the following group positions within the Südzucker group: member of the supervisory board of BENEIO GmbH, Mannheim, Germany; CropEnergies AG, Mannheim, Germany; Freiburger Holding GmbH, Berlin, Germany; Raffinerie Tirlemontoise S.A., Brussels, Belgium; Saint Louis Sucre S.A., Paris, France; Südzucker Polska S.A., Wrocław, Poland; and supervisory board chairman of Mönnich GmbH, Kassel, Germany; PortionPack Europe Holding B.V., Oud-Beijerland, Netherlands; and 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 an open exchange of information and 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 which require the approval of the Supervisory Board.

The remits of the Management Board members are as follows:

	<b>Responsibilities</b>
<b>Johann Marihart</b>	Business Strategy, Production, Quality Management, Human Resources, Communication (including Investor Relations), Research and Development, and Starch Segment
<b>Fritz Gattermayer</b>	Sales, Raw Materials, Purchasing, and Sugar Segment
<b>Walter Grausam</b>	Finance, Controlling, Treasury, Information Technology and Organisation, Mergers & Acquisitions, Legal, and Fruit Segment
<b>Thomas Kölbl</b>	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 at the AGM on 2 July 2012 for a term ending at the conclusion of the General Meeting that considers the results of the 2016|17 financial year.

Name, and supervisory board positions in listed domestic and foreign companies	Year of birth	Date first appointed	End of current term
<b>Christian Konrad, Vienna, independent</b> Chairman of the Supervisory Board – Vice-Chairman of the Supervisory Board of Südzucker AG Mannheim/Ochsenfurt, Mannheim, Germany – Member of the Supervisory Board of DO & CO Restaurants & Catering AG, Vienna	1943	19 Dec 1990	30 <sup>th</sup> AGM (2017)
<b>Wolfgang Heer, Ludwigshafen, Germany, independent</b> First Vice-Chairman of the Supervisory Board	1956	10 Jul 2009	30 <sup>th</sup> AGM (2017)
<b>Erwin Hameseder, Mühldorf, Austria, independent</b> Second Vice-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 UNIQA Versicherungen AG, Vienna – Member of the Supervisory Board of Südzucker AG Mannheim/Ochsenfurt, Mannheim, Germany	1956	23 Mar 1994	30 <sup>th</sup> AGM (2017)
<b>Jochen Fenner, Gelchsheim, Germany, independent</b> Member of the Supervisory Board – Member of the Supervisory Board of Südzucker AG Mannheim/Ochsenfurt, Mannheim, Germany	1952	1 Jul 2011	30 <sup>th</sup> AGM (2017)
<b>Hans-Jörg Gebhard, Eppingen, Germany, independent</b> Member of the Supervisory Board – Chairman of the Supervisory Board of Südzucker AG Mannheim/Ochsenfurt, Mannheim, Germany – Member of the Supervisory Board of VK Mühlen AG, Hamburg, Germany – Member of the Supervisory Board of CropEnergies AG, Mannheim, Germany	1955	9 Jul 1997	30 <sup>th</sup> AGM (2017)
<b>Ernst Karpfinger, Baumgarten/March, Austria, independent</b> Member of the Supervisory Board	1968	14 Jul 2006	30 <sup>th</sup> AGM (2017)
<b>Thomas Kirchberg, Ochsenfurt, Germany, independent</b> Member of the Supervisory Board	1960	10 Jul 2009	30 <sup>th</sup> AGM (2017)
<b>Josef Pröll, Vienna, independent</b> Member of the Supervisory Board – Member of the Supervisory Board of VK Mühlen AG, Hamburg, Germany	1968	2 Jul 2012	30 <sup>th</sup> AGM (2017)

Name	Year of birth	Date first appointed
<b>Employee representatives</b>		
<b>Thomas Buder, Tulln, Austria</b> Chairman of the Group Staff Council and the Central Staff Council	1970	1 Aug 2006
<b>Gerhard Glatz, Gmünd, Austria</b>	1957	1 Jan 2010
<b>Stephan Savic, Vienna</b>	1970	22 Oct 2009
<b>Peter Vymyslicky, Leopoldsdorf, Austria</b>	1952	22 Dec 1997

### Supervisory Board independence

The Supervisory Board of AGRANA Beteiligungs-AG applies the guidelines for the definition of supervisory board independence in the form 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 the member, 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. In the 2013|14 financial year the Nomination and Remuneration Committee met once.

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 2013|14 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 2013|14 financial year the Audit Committee met twice. Its meetings focused particularly on the audit of the 2012|13 financial statements, the preparation of the audit of the 2013|14 financial statements, and the supervision of the risk management system.

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](http://www.agrana.com).

Supervisory Board committees consist of the Supervisory Board Chairman or a Vice-Chairman, and of as many Supervisory Board 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.

	Position on committee
<b>Nomination and Remuneration Committee</b>	
Christian Konrad	Chairman (and expert advisor on compensation)
Wolfgang Heer	Member
Erwin Hameseder	Member
<b>Strategy Committee</b>	
Christian Konrad	Chairman
Wolfgang Heer	Member
Erwin Hameseder	Member
Hans-Jörg Gebhard	Member
Thomas Buder	Employee representative
Gerhard Glatz	Employee representative
<b>Audit Committee</b>	
Erwin Hameseder	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 sustainable, long-term performance criteria.

The compensation paid out in the 2013|14 financial year and in the prior year to the members of the Management Board was as follows:

€	Fixed compensation <sup>1</sup>	Variable compensation <sup>2</sup>	Total
<b>2013 14</b>			
Johann Marihart (Chief Executive Officer)	607,851	562,401	1,170,252
Fritz Gattermayer	468,063	409,019	877,082
Walter Grausam	583,181	536,837	1,120,018
Thomas Kölbl <sup>3</sup>	–	–	–
<b>2012 13</b>			
Johann Marihart (Chief Executive Officer)	557,200	562,401	1,119,601
Fritz Gattermayer	407,200	409,019	816,219
Walter Grausam	532,200	536,837	1,069,037
Thomas Kölbl <sup>3</sup>	–	–	–

On average, the fixed compensation of the Management Board members increased by about 10.9% from the prior year. Post-employment benefits granted to the Management Board under the Company's plan are pension, disability insurance and survivor benefits. The pension becomes available when the pension eligibility criteria of the Austrian public pension scheme (ASVG) are met. The amount of the pension is calculated as a percentage of a contractually agreed assessment base. For the 2013|14 financial year, pension fund contributions of € 968 thousand (prior year: € 684 thousand) were paid, while € 655 thousand (prior year: € 848 thousand) was added to provisions for pension obligations within the balance sheet item "retirement and termination benefit obligations".

In the event of retirement below the age determined under the ASVG, the amount of the pension is reduced. The retirement benefit obligations in respect of the Management Board are administered by an external pension fund. An amount of € 3,940 thousand (prior year: € 3,285 thousand) was recognised in the balance sheet at 28 February 2014. In the event that a Management Board appointment is withdrawn, severance pay has been agreed in accordance with the provisions of the Employees Act (see note on rule 27a).

No compensation agreements in the event of a public takeover 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 persons acting as legal representatives of the AGRANA Group. The cost is borne by AGRANA.

<sup>1</sup> Including non-monetary benefits.

<sup>2</sup> Compensation for the prior year.

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

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 5 July 2013 the Annual General Meeting approved an annual aggregate remuneration for the Supervisory Board of € 250,000 (prior year: € 200,000) for the 2012|13 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:

€	2013 14 <sup>1</sup>	2012 13 <sup>1</sup>
Christian Konrad (Chairman of the Supervisory Board)	55,000	50,000
Wolfgang Heer (First Vice-Chairman of the Supervisory Board)	35,000	30,000
Erwin Hameseder (Second Vice-Chairman of the Supervisory Board)	35,000	30,000
Jochen Fenner	25,000	18,000
Hans-Jörg Gebhard	25,000	18,000
Ernst Karpfinger	25,000	18,000
Thomas Kirchberg	25,000	18,000
Josef Pröll	25,000	–
<i>Christian Teufel<sup>2</sup></i>	–	18,000

In accordance with section 110 (3) of the Austrian Labour Act, the 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.

The Group's compliance policies and the AGRANA Code of Conduct express and establish important values of the Group and its people.

To reduce its various liability risks, the AGRANA Group maintains a compliance organisation with a dedicated compliance office led by the compliance officer. The responsibilities of the compliance officer include assuring the implementation of internal policies, providing support in compliance matters, conducting compliance trainings and documenting any cases of non-compliance.

The purpose of the AGRANA compliance organisation is to protect the Group's best interests, help employees to avoid violating laws or company policies and assist them in applying these correctly.

The Internal Audit department verifies the compliance with laws, regulations and internal policies. Among its activities in the 2013|14 financial year, it audited twelve of the 51 AGRANA sites (23.5%) that fall within the sustainability report boundaries (*see page 56*), including audits for corruption and fraud. The audits did not find any significant misconduct. Recommendations for minor adjustments to business processes and authorisation structures were and are implemented on an ongoing basis in the companies concerned.

<sup>1</sup> Compensation for the prior year.

<sup>2</sup> Retired from the Supervisory Board at 2 July 2012.





## MEASURES TO PROMOTE EQUITY FOR WOMEN

---

Equality of opportunity in the workplace and equal treatment of employees without regard to gender are principles that AGRANA has enshrined in its Code of Conduct. Any form of discrimination is resolutely confronted. The aim of AGRANA's diversity management is to create a work environment where employees feel integrated, respected and connected so that the breadth and depth of their abilities, experience and viewpoints can be harnessed synergistically for the Group.

In line with its core business activity of processing agricultural raw materials, AGRANA is regularly looking for prospective employees with technical training and education. As the proportion of women with vocational training or technical academic degrees is relatively low in Austria and other countries, a "Daughters' Day" was again held in 2013 to raise girls' interest in the technical trades and professions.

Keeping work and family life in harmony is a universal challenge on the career path. Besides the company day-care centre, in 2014|15 AGRANA is therefore offering a childcare service for staff in Vienna on days when schools close locally for a day, and on long-weekend days falling between a public holiday and the weekend. As well, in the summer of 2014 the company is for the first time providing a week of care during the summer holidays for children of employees at the sugar plant in Tulln, Austria. In this initiative, trained educators from the Lower Austria section of Hilfswerk (a non-profit organisation that is one of the country's largest providers of childcare) will put on age-specific, interesting programmes for the children. This pilot project is to help working parents during the summer.

Vienna, 29 April 2014

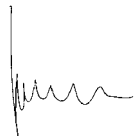
The Management Board of AGRANA Beteiligungs-AG



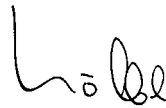
Johann Marihart  
Chief Executive Officer



Fritz Gattermayer  
Member of the Management Board



Walter Grausam  
Member of the Management Board



Thomas Kölbl  
Member of the Management Board