

# ESG Company Rating Report

**Company Name** ABB GRAIN LIMITED

**ASX Code:** ABB

**Compiled:** 01-Mar-09

## RATING

<b>Environment</b>	★★★
<b>Social</b>	★★★
<b>Governance</b>	★★★

## Ratings Explained

Rating	Environment	Social	Governance
★	Adverse	Adverse	Questionable
★★	Developing	Disengaged	Patchy
★★★	Compliant	Responsive	Compliant
★★★★	Sustainable	Engaged	Proactive
★★★★★	Best Practice	Best Practice	Best Practice

## SDI DECILE RATING

<b>Decile</b>	5
---------------	---

SDI\_Decile - A ranking of 1 (high) to 10 (low) for a company's overall sustainability rating (45% Environment, 30% Social and 25% Governance) within a universe of approximately 250 companies rated by Corporate Monitor.

## Global Industry Classification Standard :

**Sector** Consumer Staples  
**IndustryGroup** Food & Drug Retailing  
**Industry** Food & Drug Retailing  
**SubIndustry** Food Distributors

## COMPANY PROFILE

Official Listing Date 22 July 2002:

ABB Grain is a leading Australian agribusiness with a multi-faceted operation and international focus. ABB's diversified operations stretch across the entire supply chain. The company's core business divisions include national supply chain, grain marketing, malt and rural services. ABB employs 1100 staff across its divisions throughout Australia and its international operations.

ABB's national supply chain division involves storage, handling and logistics operations, which includes 111 inland storage facilities and 7 export terminals with a total capacity of more than 9.5m tonnes. This supply chain position will be strengthened further with the completion of ABB's world class Outer Harbor grain export terminal in early 2009. ABB also owns eight silos on the east coast of Australia through its joint ownership of Australian Bulk Alliance with Japanese trading house Sumitomo, which includes combined ownership of the Port of Melbourne grain terminal.

ABB Grain's malting division, Joe White Maltings, is one of the world's largest producers of malt with the capacity to produce more than 500,000 tonnes per annum. The eight malting plants strategically positioned across Australia include the largest malt house in the southern hemisphere, situated in Perth (WA).

ABB's grain marketing division involves a national accumulation team that sources grain from all grain growing regions across Australia, and in turn markets all commodities both domestically and overseas. ABB has long been Australia's largest barley exporter but today is a significant marketer of a range of commodities.

ABB's New Zealand operations are focused on the marketing and distribution of grains and proteins. ABB's Ukrainian joint venture with Soufflet, New World Grain, is another element of the company's grain marketing activity. Through New World Grain, ABB is involved in accumulating grain, managing supply chain activities and marketing grain from Ukraine.

The Rural Services division was established in late 2006 as part of ABB's diversification strategy and expansion into non-grain agricultural areas, primarily farm inputs and outputs.

28 November 2007:

ABB Grain will buy West Australian-based Standard Wool Australia's broking and trading arm, Stawool Brokers. Stawool is WA's second-largest wool broker and provides a complete range of wool marketing, selling and financing services.

**ENVIRONMENT RATING ★★ ★****Environmental Effects**

- |  |  |
|--|--|
| <input type="checkbox"/> Uranium                                       | <input type="checkbox"/> Logging native forests  |
| <input type="checkbox"/> Oil   | <input type="checkbox"/> Woodchipping            |
| <input type="checkbox"/> Coal  | <input type="checkbox"/> Plastics manufacture    |
| <input checked="" type="checkbox"/> Greenhouse gas emissions           | <input type="checkbox"/> Consumer packaging      |
| <input checked="" type="checkbox"/> Non-energy minerals mining         | <input checked="" type="checkbox"/> GM Organisms |
| <br>   | <br>   |
| <input type="checkbox"/> Alternative Energy                            | <input type="checkbox"/> Timber Plantation       |
| <input type="checkbox"/> Renewable Energy Certificate                  | <input checked="" type="checkbox"/> Recycling    |
| <input type="checkbox"/> Natural Gas                                   | <input type="checkbox"/> Waste Management        |
| <input checked="" type="checkbox"/> Greenhouse gas positive activities | <input type="checkbox"/> GM-free Food            |

**Environmental Reporting and Covenants**

Level of detail in reporting Some

- Environmental Management System (EMS)
- ISO 14001 Certification of EMS
- United Nations Environment Program Signatory
- Minerals Council of Australia signatory
- Member of the International Council on Mining and Metals
- National Packaging Covenant signatory
- Signatory to government sponsored greenhouse initiative
- Environmental Infringements
- Environmental group concerns
- Environmental Reporting Award winner
- General environmental awards
- On the National Pollutant Inventory
- Australian Building Greenhouse Rating

**Details:****Negative Environmental Effects**

2008:

ABB's fertiliser division has operating markets in South Australia and Victoria delivering a record financial contribution to the group.

ABB Wool Export has grown from a start-up with a streamlined and direct to customer business model late in 2007 to become the fourth largest wool exporter out of Australia. The Australian wool industry has been criticised for practice of 'mulesing'. The grain logistics business activities of ABB support broadacre farming thereby indirectly contributing to large scale land clearing. Malt production, transporting grain, grain products wool and livestock, either by road, rail or sea, requires large amounts of energy.

Methane from livestock contributes to greenhouse emissions.

2008:

ABB Grain is registered under the Energy Efficiency Opportunities Act 2006. Energy use for the group in the identified trigger year of

2005-06 was 1.76PJ. The threshold for reporting and participation in the EEO program is 0.5PJ. In the year ending June 30, 2008, ABB Grain used 1.88PJ of energy. Additional energy use (exceeding the trigger year level) was the result of expansion of the malting division's activities particularly the commissioning of the Perth malt house, Stage 2 (resulting in an additional kiln).

**Positive Environmental Effects**

2008:

Two dams – with a combined capacity of four million litres – have been constructed to capture rainwater from ABB's bulk grain storage sheds at Arno Bay on the Eyre Peninsula in South Australia. The work included piping from the sheds, linings and covers for the dams and security fencing. This was mainly carried out by local volunteers and local ABB employees. The water captured will be used to irrigate the local bowling and sports oval, which will annually save more than 2.6 million litres. At Cummins, also on the Eyre Peninsula, a 5 megalitre dam was built with the assistance of the local council, while ABB has installed more than 100 rain water tanks at its country sites to capture run-off from storage sheds.

ABB's involvement in a government program at JWM Brisbane, which created a Water Efficiency Management Plan, as required by the Queensland Water Commission, in 2008. This has resulted in a 25 per cent reduction in water consumption in 2007 and a further 9 per cent in 2008.

ABB continues to invest in research and development to support the sustainability of Australia's grain industry. This commitment includes a \$5.7 million cooperation agreement with the University of Adelaide to develop new malting and feed barley varieties. The company is investing in the development of drought tolerant and resistant grain varieties. Wild barley varieties grown in Syria, which has a third of the average rainfall as Australia, are being analysed for their drought tolerance genetics, while early maturing varieties that are designed to avoid the impact of dry spring conditions are also being examined.

2007:

ABB's Victorian Cavan operations team received accreditation from Australian Certified Organic, enabling Joe White Maltings to supply organic malt to customers in Australia and overseas.

ABB has been represented on the South Australian Oil Spills Committee. The company has entered into a leasing agreement with the State Government to provide oil spill remediation equipment; stored at Ardrossan, this equipment is available to other industries in SA in the event of serious maritime environmental incidents.

Dust generated at ABB's unsealed sites have largely been addressed by, wherever possible, sealing roadways and using water collected on-site to suppress dust. Construction of significant dams at certain receival sites has also provided a reliable water source for dust suppression, diminished the drawdown on local groundwater or reticulated water supplies, and provided local communities with a water source for community sports grounds.

The design of the Joe White Maltings' upgraded Perth malting plant, largest and leading plant in the JWM group, will focus on water efficiency incorporating a water treatment system that will enable Joe White's to reduce water consumption by over 50% every year creating a saving of around 300 megalitres – or 300 Olympic-size swimming pools – of water for cleaning the facility's system.2008:

Declined to participate in the Carbon Disclosure Project CDP6.

ABB participates in the Environment and Resource Efficiency Plan (EREP) and the National Greenhouse and Energy Reporting (NGER).

ABB is reducing the energy required to produce malt, as malt production accounts for more than 90 per cent of ABB's total energy use. The malting division is continually exploring ways to reduce energy use as it has both a positive economic and environmental impact. In 2008, the malting division achieved a reduction in energy consumption per tonne of malt produced and expects further reductions in 2009 with the commissioning of a new 105 tonne batch kiln at the Port Adelaide plant.

ABB commenced a number of Energy Efficiency Opportunity assessments as per the program's requirements.

Thermal consultants

are conducting assessments of the malting division with the exception of the Devonport site. The malting division uses 1.76PJ of the group's total energy. These assessments will take into account in excess of 94 per cent of the total energy use of ABB Grain, exceeding the 80 per cent of total energy use required by the EEO legislation.

Is a major sponsor of the South Australian No-Till Farmers Association (SANTFA) and the Victorian No-Till Farmers Association (VNTFA) for several years. No-till farming assists with retaining moisture in the soil and is an important agronomic technique used by grain growers to attain improved yields in lower rainfall years. No-till farming practices

also have carbon sequestration potential. Overseas, plans have been developed to allow growers to create and sell carbon credits generated from no-till farming practices.

2006:

ABB has begun an energy audit across the group of companies to provide information for greenhouse reporting and to provide a platform for energy reduction campaigns.

More than 6,500 trees were planted in 2007 at storage and handling facilities across South Australia.

2008:  
Joe White Maltings has implemented a national water reduction strategy for all of its operations. As part of this, waste water recycling plants are being incorporated into all new facilities and into existing facilities as well. At the Lake Gardens plant in Ballarat, Victoria, a waste water recycling plant has been installed which has reduced JWM's demand on the local water supply by up to 230,000 litres per day. A similar project is planned for the Tamworth site.

2007:

Water Recycling:

In 2008 the Joe White Maltings Ballarat malthouse will begin work on a water recycling plant which will reduce water usage at the facility by half. ABB has also installed rainwater tanks at all storage and handling facilities for collection of rainwater, which is then used by local Country Fire Services.

### **Environmental Management System**

2008, From web:

Each division has determined the environmental aspects and impact their operations to achieve legislative compliance. Environmental Management Plans address issues at operational sites. Training is conducted for all employees working on sites with environmental licence conditions. Reports and internal audits on environmental controls such as dust plants, emissions and discharges to the marine environment and other impacts indicate compliance and improvement.

The company state that care and focus in Health, Safety & the Environment are vital to its long term future and are the responsibility of every employee.

**SOCIAL RATING**

★★★

**Sin Stock Activities**

- Alcohol  Tobacco  Defence  Gaming

**Corporate - Community Relations Profile**

- Sponsorships and Donations  Employee Volunteering Program  
 Community Relations Initiatives  Matching Employee Donations Scheme  
 Corporate Charitable Trust  
 Products and Services to Community Groups

**Beneficiaries****Company Conduct in the Community**

- Community group concerns  
 Operating in human rights sensitive countries  
 Community relations with indigenous communities  
 Legal incidents with indigenous communities  
 Product integrity concerns  
 ISO 9000 series certification

**Employee Relations**

- Disclosure of Occupational Health and Safety systems (OHS)  
 Attained Australian Standards OHS certification  
 Disclosure of OHS Performance  
 Disclosure of flexible working arrangements and family benefits  
 Disclosure of employee share or options scheme  
 Dismissal or unlawful termination case lost  
 Discrimination case lost  
 Involvement in an industrial relations case

**Details:****Alcohol**

2008:

In April, Joe White Maltings celebrated its 150th anniversary in the Victorian city of Ballarat. The nation's largest maltster, and one of the top 10 sales maltsters in the world, began producing malt in the goldfields town in 1858. Around 80 per cent of the malt produced by Joe White Maltings is exported to 16 countries. Domestic customers include Lion Nathan, Coopers and Nestle.

ABB's malt-manufacturing division, Joe White Maltings, posted a record earnings result, driven off production, margins and costs. Earnings before interest and income tax (EBIT) rose 21 per cent to \$35.8 million. ABB Grain's malting division, Joe White Maltings, is one of the world's largest producers of malt with the capacity to produce more than 500,000 tonnes per annum. The eight malting plants strategically positioned across Australia include the largest malt house in the southern hemisphere, situated in Perth (WA). JWM capacity will increase by another 108,000 tonnes when the Minto malt house, south-west of Sydney, is completed. JWM is one of the top 10 maltsters in the world and exports approximately 80 per cent of its malt. JWM supplies to brewers in Singapore, Japan, Thailand, Vietnam, Korea, Indonesia, Cambodia, Papua New Guinea, Philippines, eastern Russia and even Nepal. JWM supplies to major world brewers such as Carlsberg, Heineken, Beer Thai, San Miguel, Kirin, Asahi and Sapporo. Its Australian customers include Lion Nathan, Coopers and Nestle. JWM is also responsible for research into various aspects of malting techniques, including a single steeping process to reduce water usage.

2007:

Supply to all Lion Nathan breweries.

Joe White Maltings' Tamworth plant began exporting pale malt to Vietnam.

Throughout 2007 Joe White Maltings continued to supply existing major overseas customers. During the year the first ever shipment of malt was despatched to Laos for APB.

A small volume of Joe White Maltings' coloured malt was despatched to APB's brewery in Mongolia.

2006:

Revenue from malt production was \$181.2m in 2006 representing 12.9% of profit before tax.

Joe White Maltings, (JWM) ABB Grain's malting subsidiary, is firmly establishing as Australia's, and one of the world's, largest producers of malt for brewing beer.

The Perth malthouse is the largest-capacity malthouse in the Southern Hemisphere.

JWM has expanded its customer base by selling to large international brewing groups including Boon Rawd Brewery (Thailand), Inbev (Oriental Brewery - Korea) and SAB Miller (Vietnam).

The 2006 Annual Report states that - The Asian beer market is one of the world's fastest growing beer markets and there is significant increasing demand for quality malt from customers throughout Asia.

ABB successfully commissioned a pilot brewery in the JWM laboratory. This small-scale brewery provides a valuable research tool to assist JWM's customer-focussed technical program.

### **Corporate Philanthropy**

2008:

ABB Grain's Community Fund continues to support the wider community in Australia's rural regions. Since the launch of this fund two years ago ABB has been able to provide over \$420,000 to a variety of rural community projects in areas such as education and training, health, youth development and local amenity.

Separate to the Community Fund, ABB also has a broad sponsorship program that provides support to local communities.

This year ABB was the major sponsor of Kick for Cancer, which was a fund-raising event that involved a team of volunteers kicking a football from Port Lincoln to Adelaide to raise money for the Cancer Council.

2007:

ABB have provided more than \$350,000 to help rural communities across Australia through the ABB Grain Community Fund. Established in 2006, it provides rural communities with the chance to secure funds for community minded projects in areas of education and training, health, youth development and community amenity.

In addition, ABB's sponsorship program supports community and industry events and activities.

2006:

ABB has assisted local communities devastated by bushfires: - Following the bushfires that swept through the Junee region of New South Wales over the 2006 New Year's weekend, ABB - in conjunction with the NSW Department of Primary Industries (DPI) and the NSW Farmers' Association - established a grain donation scheme. Following a 'mini tornado' that swept through the small Victorian township of Lake Bolac on 19 January 2006, several 'private owner' steel grain silos were severely damaged. ABB decided to donate spilled grain from its stock ownership at the site to farmers affected by bushfires that had swept through the Grampians region of that state.

### **Community Relations**

During 2006, ABB established its first Grower Communication Group giving South Australian and Victorian growers the opportunity to discuss topical issues and trends within their industry, while gaining a better understanding of ABB and its operations.

The Company has a stakeholder communication plan dealing, amongst other things, with strategies for regular communication to stakeholders via:

- \* regular news releases on subjects of interest, plus associated media interviews
- \* attendance of directors and senior management at industry conferences, field days and country meetings throughout the year
- \* regular newsletters and the bi-monthly Grain Business magazine
- \* website updates
- \* contributions to rural newspapers
- \* investor and financial media briefings
- \* the half yearly and annual reports and the annual general meeting.

## **Employee Relations**

Has a safety hand book available on its website.

The Board ensures that, within prudent financial bounds, there are no constraints on capital expenditure for essential safety equipment and maintenance, and that appropriate policies and procedures are in place. The Board receives regular reports on the Company's environmental and occupational health and safety performance. ABB Grain has continued as an accredited rail safety owner and operator following an audit by the Department of Transport, Energy and Infrastructure rail safety regulator in SA. National rail safety reforms have required implementation of a random blood alcohol concentration testing regime for rail safety workers, after consultation with employees. Site safety plans for all rail sites have been updated and training for all rail safety workers has been reviewed.2008:

The renewal for a further three years of a South Australian self insurance licence. ABB's total South Australian claims cost for 2008 was less than 0.7 per cent of remuneration compared to a premium cost which would otherwise be in excess of 5 per cent of remuneration.

Enhanced drug and alcohol testing introduced during 2008.

The new Outer Harbor rail loop was successfully included in ABB's Rail Safety Accreditation programme.

The introduction of a Code of Practice for the new road transport Chain of Responsibility Legislation and a Fatigue Management Plan.

The continuation of safety plans for senior management and the linking of safety performance to remuneration outcomes.

No Occupational Health and Safety prosecutions. An 11 per cent improvement in claims frequency rates.

2006:

The death of an employee at ABB's Long Plains' site on 12 December 2005. The fatality is being investigated by SafeWork SA. ABB Grain also has investigated all the contributing factors.2008:

ABB Grain established the ABB Equal Opportunity Committee (AEOC) in 2007 to promote equal opportunity initiatives across the organisation. The AEOC has been instrumental in championing an industry leading paid parental leave program, which came into

effect on October 1, 2007 and establishing a stay in touch program for employees on parental leave. Exempt Employee Share Plan:

Under the EESP the Board may elect to issue up to \$1,000 worth of ordinary shares to employees, taking advantage of tax

concessions available for employee share plans. No consideration is payable by the recipient of EESP shares. An issue of up to \$500 worth of ordinary shares was made to each of 552 employees in December 2006.

Deferred Employee Share Plan:

Under the DESP, Directors and employees may elect to sacrifice their fees, salaries and/or STI to receive ordinary shares in ABB.

## GOVERNANCE RATING ★★★

- The Australian Shareholders Association - Concerns**
- Governance commentators concerns**
- Annual Reporting Awards**
- Ethical Investor Corporate Sustainability Award**

### Board/Committee Structure and Independence

- Board of Directors has:
- Non-executive Chair
  - Majority of directors non-executive
- Remuneration Committee which is:
- Chaired by non-executive Director
  - Majority of non-executive Directors
- Audit Committee which is:
- Chaired by non-executive Director
  - Majority of non-executive Directors
- Nomination Committee which is:
- Chaired by non-executive Director
  - Majority of non-executive Directors

- Code of Ethics
- Concentrated shareholding

### The Australian Competition and Consumer Commission

- Investigated by ACCC for:
- Any investigation
  - Mergers or acquisitions
  - Emergency ban or recall of products
  - Breach of the Trade Practices Act

### The Australian Securities and Investments Commission

- Investigation by ASIC:
- Any investigation
  - Has led to an enforceable undertaking

### Remuneration

-Chief Executive Officer	Mr Michael Iwaniw Managing Director
-Total Remuneration of all Directors, Executive and Non-Executive	\$1,774,952
-Total number of Directors	9
-Remuneration of CEO	\$783,107
-Remuneration of Non-Executive Directors	\$991,845
-Total number of Non-Executive Directors	8
- Non Executive Directors Rated Independent	5
-Auditors Fees	\$509,997
-Auditors income for other services	\$92,588

**Details:****Directors' Comments**

The ABB AR 2007 states that all of the non-executive directors of the Company are considered independent, as measured against the CGC Guidelines.

**Commentators**

March 2009:

At the AGM the ASA voted open proxies against the adoption of the Remuneration Report, as it contained inappropriate LTI hurdles and an Executive Options Plan, which relied simply on increased share price in order for the awards to vest.

The ASA also voted against the 50% increase in the director's free pool, even though the chairman declared that an increase in the director's fees is not envisaged following an 11% increase granted the year before. We also voted against the proposal to increase the number of directors. Nevertheless all motions were carried.

2008:  
ABB received a 3 star rating in the Horwath Corporate Governance Report indicating that governance structures were adequate and met some of the best practice standards.

November 2008:

ABB announced that it had entered into discussions with AWB Ltd regarding a possible merger. However, after working through a detailed process with AWB, the board was unable to agree to commercial terms for a merger with AWB that would have created value for ABB shareholders. As a result, the board unanimously decided to not continue the discussions. The board was united in the view that the negotiations with AWB would not result in a merger that would have been in the interests of ABB shareholders.

**Concentrated Shareholding**

Third Avenue Management LLC held 14,634,574 shares at 20/12/2008 representing 8.50 %

## OTHER INFORMATION SOURCES

### Fund Holdings:

<b>Ethical Fund</b>	<b>Latest available date of holding</b>
BT Institutional Australian Sustainability Share Fund	31/12/2008
Suncorp Ethical Balanced Trust	31/01/2008

### Indices

#### Disclaimer:

This report is prepared exclusively for clients of Corporate Monitor. The report is of a general nature and does not have regard to any person's specific circumstances or needs. The information contained in the report is believed to be reliable, but its completeness and accuracy is not guaranteed. Opinions expressed may change without notice. No part of the report is to be construed a solicitation to buy or sell any investment. © 2009. The material contained in this report is subject to copyright and may not be reproduced without the consent of the copyright owner.