



YOUR CBH, YOUR CHOICE

An information booklet on the
structure and governance of CBH

**CBH HAS BEEN A POWERFUL PARTNER
WITH WA GROWERS FOR MANY YEARS.
THIS REVIEW WILL ENSURE GROWER
MEMBERS HAVE CRITICAL INPUT
INTO THE FUTURE STRUCTURE AND
GOVERNANCE OF CBH.**

Wally Newman
CBH Group Chairman

Letter from **THE CHAIRMAN**



Dear fellow members

CBH is a strong progressive business with a clear vision for the future. As Australia's largest co-operative and second largest private business, it exists to create and return value to current and future Western Australian grain growers.

From providing a low cost supply chain from paddock to processor and investing along the value chain to underpin the network back here at home, to building strong communities – CBH has been a powerful partner with WA growers since 1933.

Prior to 1933, when a bag was sometimes worth more than the grain it contained, WA growers were at the mercy of those who controlled critical links in the supply chain. Growers took the first steps to reduce value lost to third parties by taking control of the storage and handling of their grain with the formation of CBH, to assist them to stay competitive in supplying international markets.

That same purpose still exists today, keeping your farming business profitable while providing competitive access to international markets.

CBH has evolved over time and generations to become an enviable integrated business linking growers to every part of their value chain, from production in the paddock all the way to customers around the world, ensuring growers capture value at every stage.

Your Board has set a clear path forward with a strategy to retain and develop these critical links over the next generation. This vision, and the confidence we have in the strength of our business, sets the context for us to engage in consultation with our grower members on structure, governance and the future of your co-operative. We are striving to reduce the costs of getting your grain to market through access to efficient storage and transport facilities and growing the business to drive patronage rebates to growers to reduce fees, among other strategies.

We have been listening intently to your comments and requests and have clearly heard that you want to be sure your co-operative is structured in a manner which will continue to capture these opportunities.

This review has been several years in the making. Your Board will share with you the knowledge we have gained with our expert advisors and provide you with the information required to participate in an informed conversation about structure and governance frameworks that best suit CBH today and into the future.

It is imperative that any structure or governance changes to CBH truly represent your needs for a profitable and sustainable future for your business, community, children, and grandchildren.

A handwritten signature in dark ink that reads "Wally Newman". The signature is written in a cursive, flowing style.

Wally Newman
Chairman

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CBH Group has taken reasonable steps to ensure that the information presented in this booklet is correct and free from error as at the date of publication, being 15 August 2016. Nevertheless, the booklet may contain inaccurate information, typographic errors or information based on assumptions that are not correct. The booklet is for general information purposes only, and CBH Group makes no warranty as to the accuracy or completeness of the information or the reasonableness of any forward-looking statements. This booklet does not constitute investment advice, and has been prepared without reference to the financial objectives or situation, or the particular needs, of individual grower members. You should make your own independent assessment of the information in the booklet and, if you wish, seek your own independent professional advice before taking any action on the basis of the information.

INTRODUCTION AND EXECUTIVE SUMMARY

INTRODUCTION

CBH IS A STRONG AND SUCCESSFUL BUSINESS THAT HAS EVOLVED TO BECOME AN ENVIABLE SUPPLY CHAIN, LINKING WA GRAIN GROWERS TO CUSTOMERS ALL OVER THE WORLD.

As CBH grows and external forces change, it is crucial that the structure and governance of CBH is considered to ensure we are 'fit for purpose' to deliver CBH's strategy. This will ensure CBH and WA grain growers are best placed to face the challenges and capture the opportunities of the future.

This review provides CBH grower members with an understanding of the options, benefits and trade-offs available in relation to structure and governance.

OUR BUSINESS

CBH has grown and evolved over the past 83 years to meet the changing needs of our growers. We have built a strong and efficient supply chain from paddock to processor that delivers value to our growers, keeping them internationally competitive. We are proud of what we have achieved as a co-operative.



OUR STRATEGY

CBH has been successful with a steadfast focus on creating and returning value to current and future WA grain growers. Our vision is for CBH to materially assist growers to maximise their returns, be globally competitive and develop the WA grain industry. We will achieve this by focusing on five key strategies:



YOUR SAY

As the owners of CBH, this review provides an important opportunity for you to provide your say to the Board. This feedback will assist the Board to make a recommendation, to lead the business forward and continue to deliver value to current and future WA grain growers. We encourage you to participate in this review by:



READING THIS BOOKLET
[BE INFORMED ABOUT CBH'S OPTIONS](#)



ATTENDING A GROWER MEETING
[SEE PAGES 54 AND 55](#)



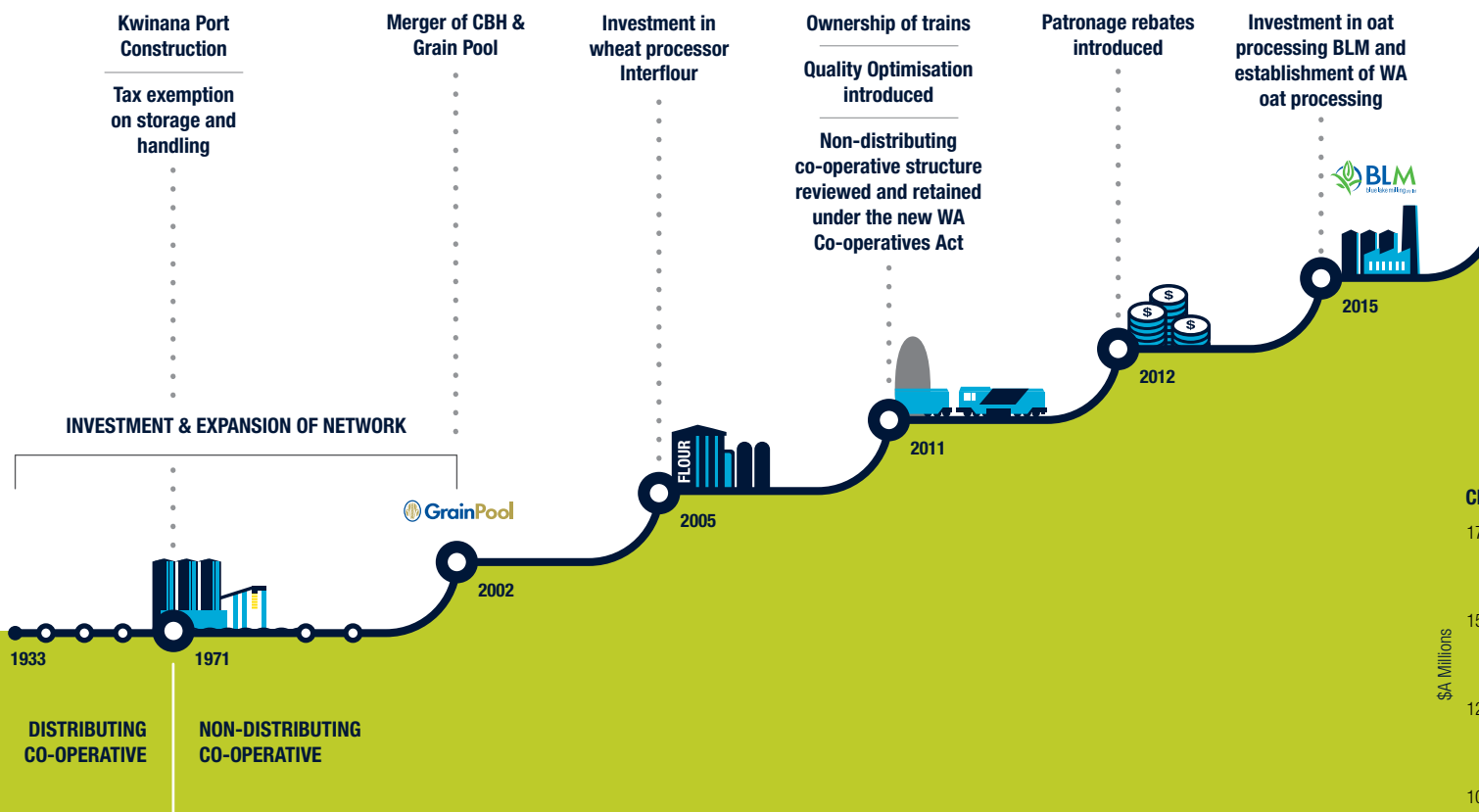
PROVIDING FEEDBACK IN OUR PHONE OR ONLINE SURVEY
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Introduction

OUR BUSINESS

CBH HAS GROWN AND EVOLVED OVER THE PAST 83 YEARS TO MEET THE CHANGING NEEDS OF OUR GROWER MEMBERS. WE HAVE BUILT A STRONG AND EFFICIENT SUPPLY CHAIN FROM Paddock TO PROCESSOR THAT DELIVERS VALUE TO OUR GROWERS, KEEPING THEM INTERNATIONALLY COMPETITIVE.

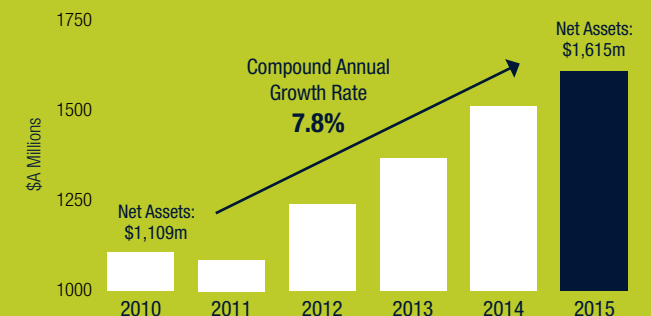
The Evolution of CBH



GROWER OWNED AND CONTROLLED SUPPLY CHAIN - A STRONG SUCCESSFUL BUSINESS

- 1** Australia's largest co-operative
- 1** Australia's largest grain exporter
- 2** Australia's second largest private company (BRW 2015)
- \$3.5b** Average annual turnover
- \$5b** Storage and handling network (replacement value)
- \$805m** Cumulative CAPEX investment in the storage and handling network since 2009
- FLOUR** Interflour is one of the largest flour millers in Asia
- BLM** BLM is one of Australia's largest oat processors

CBH has built a strong balance sheet



Introduction

OUR STRATEGY

CBH HAS BEEN SUCCESSFUL WITH A STEADFAST FOCUS ON CREATING AND RETURNING VALUE TO WA GRAIN GROWERS.

Our purpose - why we exist

Our purpose is to create and return value to current and future WA grain growers.

How we do this?

Our core business is to run a low-cost and efficient grain supply chain from paddock to processor that creates value on your farm balance sheet (instead of CBH's) through low fees, efficient service, competitive grain prices, grower risk reduction and patronage rebates.

Our vision for the future

CBH is a strong, well capitalised business with the capacity to deal with the challenges and opportunities facing growers and the co-operative. Our vision is for CBH to materially assist WA grain growers to maximise their returns and be globally competitive.

To do this CBH must continue to grow and develop. That growth will be complementary to the grains industry, commercial, measurable, cautiously pursued and designed to benefit current and future WA grain growers.

How we measure success

While we have many measures that help guide our business, our key performance indicator is about the financial benefit we deliver to WA grain grower businesses through keeping our fees low and providing patronage rebates.

We measure this by the dollar per tonne charged to growers minus rebates.



How will we continue to drive value return to growers?

We will achieve our vision and fulfil our purpose through five key focus areas: lowering transport and supply chain costs, investing in the network, driving business efficiency, pursuing growth opportunities to generate rebates and strengthening our marketing and trading business.



**LOWER
TRANSPORT COSTS**



**INVEST IN THE
NETWORK**



**DRIVE BUSINESS
EFFICIENCY**



**PURSUE GROWTH TO
BUILD REBATES**



**STRENGTHEN MARKETING
AND TRADING**

HOW DO YOU CURRENTLY GET VALUE FROM CBH?



AS A USER

As a user of CBH's services you receive a number of benefits including:

- Low fees
- Patronage rebates
- Grower-focused products - Quality Optimisation, Pre-Pay Advantage and Oil Bonification for example
- Access to an efficient, tax effective storage and handling system that operates for the benefit of WA grain growers
- Grower driven segregations on site
- Reduction of standing crop risk
- An honest broker on price in grain markets



AS A MEMBER

As a member of CBH, you:

- Own and control the supply chain and its critical links
- Have a say on who governs CBH
- Vote on key issues



AS A BENEFICIARY

As a beneficiary of CBH, we help you build wealth for the long-term by:

- Increasing the profitability of your farm business
- Contributing to increasing the value of your farm



AS PART OF YOUR COMMUNITY

As a part of your community CBH:

- Advocates for WA grain growers with government and markets
- Supports the development of the grains industry
- Contributes to the vitality of rural communities

WHY REVIEW STRUCTURE & GOVERNANCE?

EXTERNAL FORCES

In determining our strategy and structure, external forces that may impact the business must be considered.

External factors that may impact CBH include:

- Cyclical and seasonal volatility
- International trends in the supply and demand of grain
- Emerging, competitively-priced grain from the Black Sea and South America
- Changing requirements of WA grain growers over time
- Food security concerns and heightened biosecurity requirements of key markets
- Market deregulation and global consolidation of supply chains
- Emerging competition from alternative storage supply chains

AS CBH GROWS AND EXTERNAL FORCES CHANGE, IT IS CRUCIAL THAT THE STRUCTURE AND GOVERNANCE OF CBH ARE CONSIDERED TO ENSURE THEY ARE 'FIT FOR PURPOSE' TO DELIVER ITS STRATEGY.

We must ensure CBH and WA grain growers are best placed to face the challenges and capture the opportunities of the future.

The growers of WA are in the rare position of being in control of their own supply chain with a financially strong co-operative. With a reliance on export markets, CBH's unique position allows you to control your own essential pathway to market.

This review provides CBH grower members with an understanding of the options, benefits and trade-offs available in relation to structure and governance.

As the owners of CBH, this review provides an important opportunity for you to provide your say to the Board. This feedback will assist the Board to make a recommendation, to lead the business forward and continue to deliver value to current and future WA grain growers.

Any decision to change structure and governance should not be taken lightly. Grower members will need to be comfortable that the potential advantages of change outweigh the potential disadvantages.



THOUGHT STARTERS

You will notice a set of 'thought starter' questions throughout the booklet.

These have been included to encourage you to consider and discuss some of the key elements of CBH's structure and governance.

Executive Summary

STRUCTURE REVIEW

THE CENTRAL QUESTION FOR GROWER MEMBERS WHEN CONSIDERING STRUCTURE IS WHICH STRUCTURE BEST POSITIONS CBH TO DELIVER ITS STRATEGY AND FACE THE CHALLENGES AND CAPTURE THE OPPORTUNITIES OF THE FUTURE.

The structure review provides grower members with information on the different structural options available to support CBH's strategy and the key benefits and trade-offs associated with each.

Structure is a package of building blocks that balance what grower members want and what they are willing to give up, or 'trade-off'. There are three primary structural building blocks that lie at the heart of CBH's structure. These are:

1. Ownership and control
2. How value is generated and returned
3. Access to equity

While there are many trade-offs that grower members must consider, the fundamental trade-off is between ownership and control and how value is generated and returned to grower members.

If grower members want ownership and control of the supply chain to be retained by WA grain growers, as sole beneficiaries, and maximise the value generated and returned on farm via low supply chain fees, high service levels and network investment, the value from CBH will be reflected primarily through value on farm.

On the other hand, if grower members are happy to relinquish ownership and control and value generated and returned on farm, then the transferability of ownership in CBH can be unrestricted and the value will be reflected in the value of shares in CBH.

This booklet presents a high level overview of three basic structures that are in effect packages of the building blocks. These include:

- a non-distributing co-operative - CBH's current structure
- a distributing co-operative, capturing a range of possible features
- a publicly listed company

NON-DISTRIBUTING CO-OPERATIVE

The current structure of CBH is a non-distributing co-operative. Under this structure, CBH is owned and controlled by its grower members, and operates for the sole benefit of current and future WA grain growers and the WA grain industry. The non-distributing co-operative has the ability to evolve if grower members desire.

[SEE PAGE 24](#)



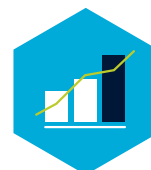
Ownership and control

- 100% user-owned and controlled supply chain
- Purpose is focused on creating and returning value to users as sole beneficiaries
- One member, one vote
- Board majority of Member Directors



How value is generated and returned

- Grower member value is delivered on farm via low supply chain fees, high service levels and network investment
- Users receive value based on how much they use CBH's services
- Surpluses can be paid as patronage rebates or reinvested into the business for the benefit of users
- Benefit from tax and rate exemptions for storage and handling operations



Access to equity

- CBH equity value is retained in CBH as a form of 'collective equity' for the benefit of users
- Grower member equity is received on farm through low supply chain fees, high service levels and network investment and reflected in the value of the farm



Structure trade-offs

- CBH cannot pay dividends to grower members
- Grower member shares illiquid and redeemable for nominal value only - do not reflect true market value of equity
- Less transparent equity on grower members' balance sheet
- Limited ability to raise equity capital for growth
- Limited ability to gain direct exposure to CBH's investments

DISTRIBUTING CO-OPERATIVE

A distributing co-operative has been used to describe the many structural options that sit between a non-distributing co-operative and a listed company. It is different from a non-distributing co-operative because it allows for the distribution of equity to members. Equity can be allocated from all or part of the business. For example, equity could be allocated from non-storage and handling only.

[SEE PAGE 28](#)

Ownership and control

- Users can retain ownership and control
- External investors can be introduced if desired
- Purpose remains focused on creating and returning value to users as primary beneficiaries
- Voting can be patronage based (if a company with co-operative principles) or one member, one vote (if a co-operative)
- Board remains majority of Member Directors

How value is generated and returned

- Increased flexibility for value return to owners
- Grower member value can be partially delivered on farm via low supply chain fees, high service levels and network investment; and/or through the ability to partially distribute profits as cash (e.g. dividends which may have franking credits attached) or equity (either future or historical equity)
- Capacity for some structural tax efficiencies

Access to equity

- Grower members can gain equity-like participation in all or parts of CBH
- Equity can be redeemable or transferable between holders

Structure trade-offs

- May introduce less than 100% grower-focused purpose with different security classes and potential introduction of external investors
- Redeemable grower member shares have redemption liability for CBH
- Grower members' equity may have restricted transferability/liquidity
- May involve structural complexity
- Loss of tax and rate exemptions for storage and handling operations and potentially other tax implications

PUBLICLY LISTED COMPANY

A publicly listed company is a corporate entity owned by the holders of shares which are traded on a securities exchange, such as the ASX. Ownership of a publicly listed company is open, with voting rights attached to its shares.

[SEE PAGE 32](#)

Ownership and control

- Held by shareholders – 100% investor-owned and controlled supply chain
- Users remain important as customers, can also be shareholders
- Shareholder focus on higher profitability and returns on investment
- Voting based on one vote per share
- Board majority of Independent Directors

How value is generated and returned

- Grower member value transferred from on farm to value reflected in CBH's shares
- Shareholders receive dividends which may have franking credits attached
- Return on shares reflects both business performance and market forces
- Investment into the network must meet investor driven return rates

Access to equity

- CBH's equity value released and market value reflected in the value of CBH's shares
- Equity is tradable in a liquid market by a diverse range of investors
- More transparent CBH equity on holders' balance sheets
- Flexibility to raise equity capital for growth

Structure trade-offs

- Loss of grower control of CBH and the supply chain
- Loss of co-operative principles
- Patronage-based value return relinquished
- Loss of tax and rate exemptions for storage and handling operations and potentially other tax implications
- The 'collective equity' in CBH cannot be passed on to the next generation of WA growers

Executive Summary

GOVERNANCE REVIEW

GOVERNANCE IS HOW THE CBH BOARD, MANAGEMENT, GROWER MEMBERS AND OTHER STAKEHOLDERS EXERCISE CONTROL OVER CBH. IT IS HOW, DIRECTLY AND INDIRECTLY, THE GROUPS OF STAKEHOLDERS COMPRISING CBH MAKE BUSINESS DECISIONS AND TAKE RESPONSIBILITY FOR THOSE DECISIONS.

The CBH Board recognises that governance is important to grower members. We are committed to achieving the best governance structure for CBH; one that facilitates our strategy and allows us to maximise the creation and return of value to WA grain growers, both today and in the future.

To ensure we are meeting that standard, it is appropriate to review our governance structure and seek feedback from our members.

The governance review will provide information to members on the current CBH governance framework, provide some commentary grounded in good governance and then ask what members may like to consider for the future of CBH's governance.

The governance review section explores the following five elements that relate to CBH and its grower members under a co-operative structure.



BOARD SIZE AND COMPOSITION

Current approach

CBH currently has a total of 12 Directors on the Board, comprised of 9 Member Directors and 3 Independent Directors. Currently, all of CBH's Directors are male and 49 years of age or older.

For grower members to consider

Is the size and composition of the CBH Board, including relative numbers of Member Directors and Independent Directors appropriate?

Should greater diversity on the CBH Board be a priority?

SEE PAGE 40



DIRECTOR ELIGIBILITY AND BOARD EXPERIENCE

Current approach

There are few restrictions on candidates seeking election as a Member Director. There is no stipulated level of skill and experience, and there is no maximum age limit.

Once appointed, Directors can serve on the CBH Board for a term of 3 years before needing to submit for re-election or re-nomination. There is no maximum number of terms that a Director can serve.

For grower members to consider

How should the CBH Board ensure it has the right mix of skills, experience and perspectives?

What are your views on the terms and tenure limits for the CBH Board?

SEE PAGE 42



MEMBER DIRECTOR ELECTIONS

Current approach

CBH has a district-based election system for Member Directors, with membership divided into five geographic districts for election purposes. Two Directors represent each district, other than District 5 which is represented by a single Director.

For grower members to consider

What do grower members think about the district-based election system?

Would a non-district, State-wide system be preferred?

Should encouraging grower members to vote and stand for election be a priority?

SEE PAGE 46



GROWERS ADVISORY COUNCIL

Current approach

CBH has a Growers Advisory Council, comprising 15 Councillors appointed by the CBH Board following the recommendation of a selection panel. The Growers Advisory Council supports and interacts with CBH in a number of ways.

For grower members to consider

What do grower members think about the role and composition of the Growers Advisory Council?

Is the level of engagement between the Growers Advisory Council and the Board / grower members appropriate?

SEE PAGE 50



ELIGIBILITY FOR MEMBERSHIP

Current approach

Grower members of CBH are required to deliver at least 600 tonnes over the past three seasons under the same delivery title to be eligible to be and remain a member.

One of the benefits of CBH membership is the right to vote on matters such as Director appointment and removal, amendments to the Rules and proposals for fundamental structural change. In accordance with the Co-operatives Act, voting occurs on a "one member, one vote" basis.

For grower members to consider

What do grower members think about the 600 tonnes over three years membership threshold, and whether this should be changed?

SEE PAGE 52

Executive Summary

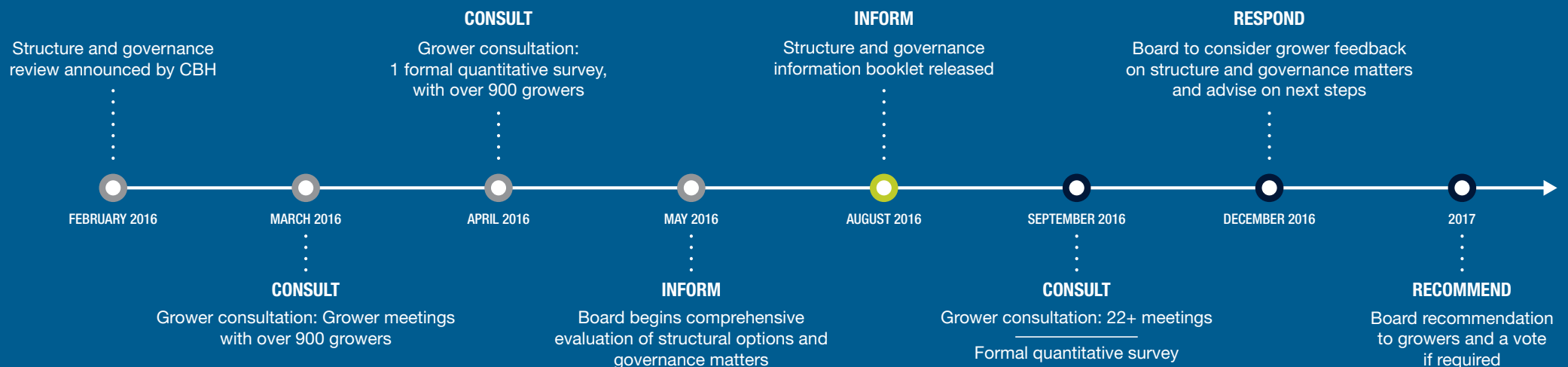
YOUR SAY

YOUR BOARD IS COMMITTED TO AN OPEN AND UNBIASED REVIEW OF CBH'S STRUCTURE AND GOVERNANCE, INCORPORATING EXTENSIVE AND TRANSPARENT CONSULTATION WITH OUR GROWER MEMBERS.

The CBH team has worked in consultation with professional advisors and various co-operative and corporate governance experts to develop this information booklet. It aims to provide you with a deeper understanding of structural and governance models that may be available for CBH to adopt. CBH has worked with a number of advisors, including Deutsche Bank, King & Wood Mallesons, PricewaterhouseCoopers and Churchill Consulting.

The structural and governance examples provided within this document are general in nature and do not constitute a preference for one particular model, but seek to act as an objective tool for informing grower members and to illustrate specific concepts.

A survey of grower members in September 2016 will gather feedback on structural and governance preferences. From this feedback the Board will determine what further work is needed to refine a structure and/or governance model that meets grower members' needs into the future, recommend changes and seek a grower vote if required.



**A SURVEY OF GROWER MEMBERS IN
SEPTEMBER 2016 WILL GATHER
FEEDBACK ON STRUCTURAL AND
GOVERNANCE PREFERENCES.**

**FROM THIS FEEDBACK, THE BOARD
WILL DETERMINE A RECOMMENDATION
AND SEEK A GROWER VOTE IF REQUIRED.**

STRUCTURE REVIEW

Structure Review

INTRODUCTION

THE STRUCTURE REVIEW AIMS TO PROVIDE GROWER MEMBERS WITH INFORMATION ON THE DIFFERENT STRUCTURAL OPTIONS AVAILABLE TO SUPPORT CBH'S STRATEGY AND THE KEY BENEFITS AND TRADE-OFFS ASSOCIATED WITH EACH.

The structure review follows three steps:

1. Structural considerations

There are a number of considerations that grower members should take into account when examining structure.

- **CBH's purpose**

Structure needs to enable CBH to achieve its purpose, which today is driven by the requirements of WA grain growers who are its owners and beneficiaries along with the WA grain industry. Other possible structures (such as a publicly listed company) could fundamentally change this purpose and the strategy by which it is achieved.

- **Align structure with strategy**

CBH's structure should support its strategy and allow the business to respond to challenges and capture the opportunities presented in the future. Structure should also enable CBH to pursue partnerships to achieve its strategy.

- **Maximise loyalty**

CBH currently offers low charges for all users. Growers who only use the system occasionally have access to the same benefits as regular, loyal users. CBH's structure should encourage consistent and enduring loyalty from its users.

- **Link CBH investments to grower interests**

CBH grower members produce a range of grains. CBH also makes investments to support these different commodities along the value chain. Grower members may seek to align individual investments with the growers that contribute to and benefit directly from those investments.

- **Align CBH investment and grower return**

CBH makes investments in infrastructure and grower services, as well as in opportunities that help diversify CBH's earnings base, generate patronage rebates and achieve capital growth. In making

these investments, CBH seeks to invest today's surplus to achieve returns now and into the future. On this basis, investments made by previous and current generations are passed onto the growers of today and tomorrow. Grower members may seek to enable CBH's structure to better align the return of benefits from these investments to the growers who helped fund them.

2. Structural building blocks - See Pages 18-22

There are three primary building blocks that lie at the heart of CBH's structure. These are ownership and control, how value is generated and returned and access to equity. These elements operate along a continuum and impact on one another. In considering structural changes grower members will need to prioritise what matters most to them and will result in "trade-offs" being made.

Preferences on the building blocks will also help determine the legal form that a business will take. The two primary legal forms that may be considered for a business of CBH's size, complexity and nature of operations are a co-operative or a company. However, many of the same structural elements desired by grower members may be enshrined in CBH regardless of its legal form.

Although tax is not a primary driver of structure, there will be a number of important tax considerations for both CBH and its grower members, including income tax and possible one-off tax considerations arising from any structural change.

3. Structural options for CBH - See Pages 23-34

This section brings the structural building blocks and other various elements together and presents a high level overview of three basic structures. This section illustrates conceptually how these structures could work for CBH and grower members and how they are different to CBH's current structure. The structures considered include: the current non-distributing co-operative, a distributing co-operative and a publicly listed company.



Structural Building Blocks **OWNERSHIP AND CONTROL**

AT THE CORE OF ANY BUSINESS IS ITS PURPOSE. THIS IS DEFINED BY THE REQUIREMENTS OF ITS OWNERS, WHO CONTROL THE BUSINESS, APPOINT THE BOARD OF DIRECTORS AND SO INFLUENCE HOW THE BUSINESS DELIVERS VALUE.

OWNERSHIP

It is the ownership of a business, by either a user and/or an investor, that drives the purpose of a business and how it delivers value to its owners. The purpose addresses:

- what the business aims to achieve
- in whose interests it operates, and
- who ultimately benefits from its success

CONTROL

Control of a business is determined by a shareholder or a group of shareholders who have influence over the operations and strategic direction of a business via their ability to appoint the board. This can be done through the ability to appoint directors (where shareholders may be able to elect directors who are aligned to their desires) and/or the ability to pass, or block, resolutions at meetings of shareholders. The board is obliged to act in the interests of all shareholders.

OWNERSHIP AND CONTROL CONTINUUM





Structural Building Blocks

HOW VALUE IS GENERATED AND RETURNED

GROWER MEMBER VALUE

Currently, CBH is owned by its users, WA grain growers. This means CBH seeks to provide low supply chain fees, an efficient storage and handling network, patronage rebates and grower-focused services like Quality Optimisation. This results in value being generated and held within the grower members' own businesses "on farm". The value that grower members receive on farm directly correlates to how much they use CBH (i.e. patronage), and helps to increase the profitability and value of their farm businesses.

On the other hand, when a business has external investor owners, there is a focus on seeking to optimise the profitability of that business (for example through charging higher fees for services), rather than a focus on the profitability of users' businesses. Value is distributed to the owners of the business through distributions of profits and share capital. Under this model, value is generated and held in the business and reflected in the value of shares.

If users and owners of a business are the same, they may be indifferent to the two models of delivering value discussed above. However, when users and owners are different, there will be a divergence of interests and how they wish to receive value from the business.

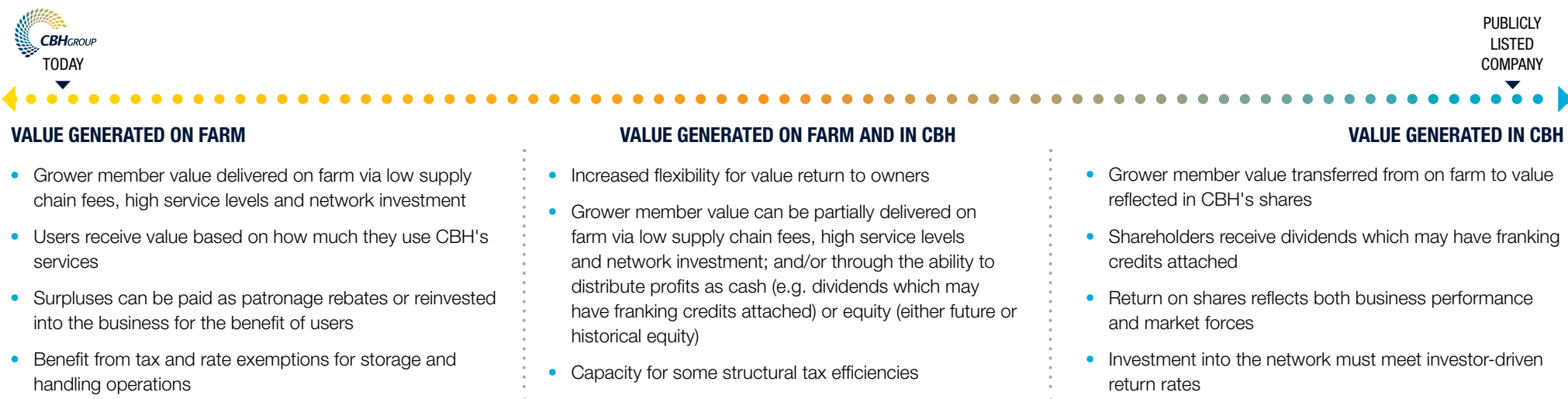
HOW TO USE SURPLUSES

There are a number of ways surpluses generated by the business may be delivered to grower members:

- invested in the network
- invested in expansionary growth initiatives (e.g. making acquisitions)
- returned to owners (e.g. patronage rebates or dividends)
- retained for future use (e.g. buffer to cover poor seasons)
- investment in the community

A business's ownership and purpose will influence the decisions made regarding the generation and treatment of surpluses. A user-controlled business, like CBH, may generate lower levels of surplus by providing the benefit of low fees and when a surplus is made providing patronage rebates to users. An investor-controlled business would look to generate higher levels of surplus initially, then distribute these via dividends to investors.

VALUE GENERATION AND RETURN CONTINUUM





Structural Building Blocks

ACCESS TO EQUITY

THERE ARE A NUMBER OF WAYS IN WHICH CBH GROWER MEMBERS COULD ACCESS EQUITY IN CBH DEPENDING ON OWNERSHIP AND CONTROL PREFERENCES.

Any change to the way that grower members wish to retain or distribute equity needs to be balanced with the impact this may have on the other structural building blocks, in particular on ownership and control.

By 'equity' here we mean economic participation in the underlying risks and benefits of a business. The actual financial instrument through which this is achieved may not technically be equal.

As outlined in the continuum below, equity can range from illiquid, limited transferability, restricted membership shares, which have a nominal value only, through to liquid, transferable, unrestricted equity with a transparent market value tradable on an exchange such as the ASX.

There are four primary elements to consider regarding access to equity. These are covered on the following page and include:

- how equity could be retained or distributed?
- from which parts of CBH is equity distributed?
- what financial instruments may be used?
- how transferable or redeemable is the equity?

ACCESS TO EQUITY CONTINUUM



PUBLICLY
LISTED
COMPANY

RETAIN EQUITY IN CBH

- Grower member equity received on farm through low supply chain fees, high service levels and network reinvestment and reflected in the value of the farm
- Value of equity held within the business as 'collective equity' for the benefit of users
- Shares redeemable for nominal value only

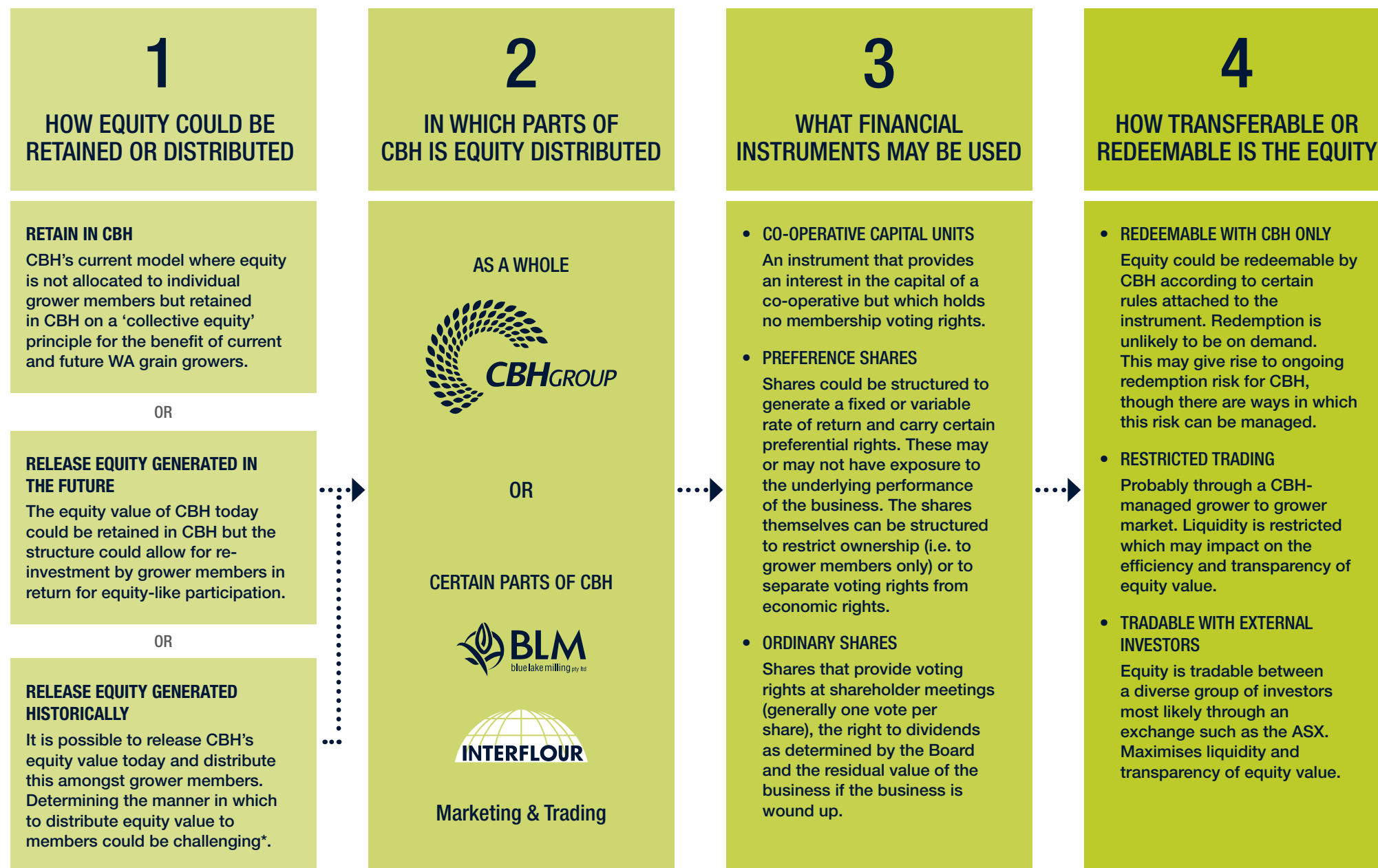
PARTIAL RELEASE OF EQUITY

- Grower members could reinvest in the business in return for equity-like participation
- Equity can be distributed from all of CBH or certain parts of CBH
- Equity can be redeemable or transferable between holders
- Equity can be restricted to grower members, or external investors can be introduced if desired

FULL RELEASE OF EQUITY

- Market value of equity reflected in CBH's shares
- Equity is tradable in a liquid market by a diverse range of investors
- More transparent CBH equity on holders' balance sheets

FOUR ELEMENTS OF ACCESS TO EQUITY



* The allocation of historical equity would be challenging, particularly in determining a fair basis of allocation having regard to both current members and past patronage, as well as having regard to legal and taxation issues.



Structural Building Blocks

TRADE-OFFS

STRUCTURE IS A PACKAGE OF BUILDING BLOCKS, A BALANCE BETWEEN WHAT GROWER MEMBERS WANT AND WHAT THEY ARE WILLING TO GIVE UP, OR 'TRADE-OFF'.

If grower members want ownership and control of the supply chain to be retained by WA grain growers, as sole beneficiaries, and maximise the value generated and returned on farm via low supply chain fees, high service levels and network investment, the value from CBH will be reflected primarily through value on farm.

On the other hand, if grower members are happy to relinquish ownership and control and value generated and returned on farm, then the transferability of ownership in CBH can be unrestricted and the value will be reflected in the value of shares in CBH.

If grower members choose to change structure they will give up certain features in exchange for other features. The critical question is whether the value of what they receive (for example transferable equity) is worth more than what is given up (for example low supply chain fees).

Each grower members' answer here will be different depending on individual circumstances and the complexity of their individual business structure.

What does this structure give you?

What do you give up with this structure?

USER-FOCUSED BUSINESS

OWNERSHIP & CONTROL

- Ownership and control restricted to users
- Board appointed by and for users, majority member directors
- Decisions made to benefit users as sole beneficiaries
- User control over supply chain enshrined

VALUE GENERATION, RETURN AND ACCESS TO EQUITY

- Value largely generated and returned on farm through increased profitability
- Low supply chain fees
- Patronage rebates
- User-focused services and investments
- Tax and rate exemptions for storage and handling operations
- Equity received in use on farm and reflected in value of farm

- May be unable to distribute profit or share capital
- Transferability/liquidity of equity
- Fully transparent market value of equity - may be nominal or value impaired
- Ability to raise equity capital

INVESTOR-FOCUSED BUSINESS

OWNERSHIP & CONTROL

- Unrestricted, public ownership
- Board appointed by and for investors, majority independent directors
- Decisions made to benefit shareholders
- Users remain important as customers

VALUE GENERATION, RETURN AND ACCESS TO EQUITY

- Value reflected within value of CBH shares
- Equity is tradable in a liquid market by diverse range of investors
- Investments into the network must meet investor driven return rates
- More transparent equity from CBH on holders' balance sheet

- 100% user ownership and control and ability to elect majority grower board
- Purpose focused on creating and returning value to users as sole beneficiaries
- Value predominantly delivered on farm
- Co-operative principles
- Patronage rebates
- Tax and rate exemptions for storage and handling operations

STRUCTURAL OPTIONS FOR CBH

THERE ARE A VARIETY OF STRUCTURES THAT CBH COULD ADOPT. THE RIGHT STRUCTURE WILL ACHIEVE THE OBJECTIVES OF OUR GROWER MEMBERS HAVING REGARD TO THE RELEVANT TRADE-OFFS.

This section of the booklet provides a high-level overview of some possible structures that could be considered for CBH, including an overview of the key structural building blocks and the key benefits and trade-offs of these possible structures. The three high level structures are:



**NON-DISTRIBUTING
CO-OPERATIVE**

[SEE PAGE 24](#)



**DISTRIBUTING
CO-OPERATIVE**

[SEE PAGE 28](#)



**PUBLICLY LISTED
COMPANY**

[SEE PAGE 32](#)

The structures included in this section are not exhaustive, and therefore there may be other structures that could be considered for CBH. Between a non-distributing co-operative and a publicly listed company there are many variations that could incorporate both co-operative and company elements. The breadth of these options is discussed under the distributing co-operative section. These structures may be considered depending on the feedback received from grower members throughout the structure and governance review process.

Structural options for CBH

NON-DISTRIBUTING CO-OPERATIVE

WHAT IS IT?

The current structure of CBH is a non-distributing co-operative. Under this structure, CBH is owned and controlled by its grower members, and operates for the benefit of current and future WA grain growers and the WA grain industry.

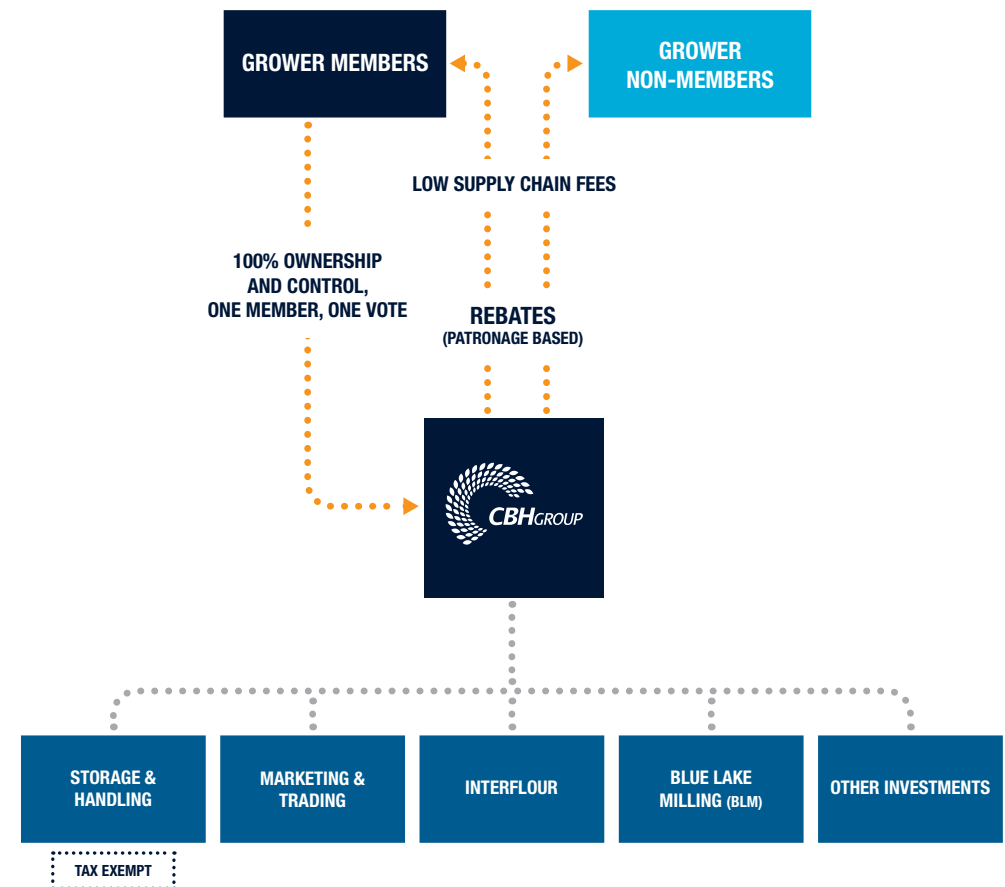
A grower must meet specific criteria in order to become a member of a non-distributing co-operative. CBH membership is therefore restricted to active growers only.

As a non-distributing co-operative, CBH is precluded from distributing profits to its grower members. Instead, it seeks to create and return value to WA grain growers from paddock to processor by:

- keeping supply chain fees low
- paying patronage rebates
- providing grower-focused services that increase efficiencies and reduce risk to growers' operations

Distributions received from CBH investments and surpluses from the Storage & Handling and Marketing & Trading businesses contribute to the amount available to fund patronage rebates. As a result, the profitability of grower members' farms, will be higher than if CBH was run purely to maximise investor returns. This means that the equity value of CBH is lower than it could be, but grower members receive value from CBH on farm.

As a non-distributing co-operative the CBH Rules enshrine CBH's commitment to promoting the development of the grain growing industry in WA. This focus has meant CBH's storage and handling operations have qualified for tax and rate exemptions. Over the last 7 years the tax and rate exemptions have resulted in tax savings of approximately \$25 million per year in CBH's storage and handling business. The exact value of the tax and rate exemptions vary each year depending on the taxable income of the storage and handling business and has been as high as \$40 million following a large harvest. This exemption has helped CBH return a greater proportion of the grain price to growers through lower supply chain fees. CBH continues to pay tax and generate franking credits for non-storage and handling businesses.



BUILDING BLOCKS IN A NON-DISTRIBUTING CO-OPERATIVE



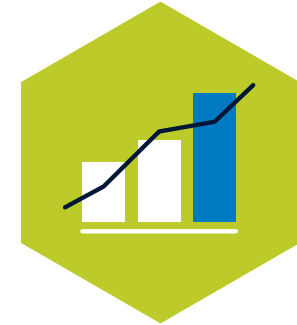
OWNERSHIP AND CONTROL

- Membership is restricted to WA grain growers only.
- 100% grower member ownership and control via one member, one vote voting rights and the capacity to elect and ratify Directors.
- Majority of Board are Member Directors, appointed by grower members.
- Users are the sole beneficiaries of CBH.



HOW VALUE IS GENERATED AND RETURNED

- Value is largely generated and returned to grower members through increased profitability and efficiencies on farm predominantly through low supply chain fees, high service levels and network investment.
- Value that grower members receive on farm directly correlates to how much they use CBH.
- Surpluses are provided back to growers as patronage rebates, re-invested in the business or retained in CBH for future grower-focused investment.
- CBH is restricted from making distributions of profits to grower members.
- Investments are made in the network and rail assets as well as strategic investments such as Interflour, Blue Lake Milling and Australian Bulk Stevedoring (ABS).
- CBH's storage and handling operations are tax and rate exempt.



ACCESS TO EQUITY

- Grower member shares are redeemable for nominal value only.
- Grower member equity is held on farm.
- CBH equity is retained in CBH as a form of 'collective equity' for the benefit of growers.
- Grower members are invested across CBH as a whole, with limited ability to provide differing levels of exposure to certain parts of CBH.

POTENTIAL ADJUSTMENTS TO THE EXISTING STRUCTURE

During the review process the CBH Board has considered possible adjustments to the way it creates and returns value to our grower members. In CBH's case, there are a number of initiatives the Board may consider under the non-distributing co-operative model.

Capital management and rebates

There is scope to adjust CBH's capital management policy, which currently strikes a balance between ensuring a sound balance sheet to deal with potential poor seasons and providing patronage rebates to further lower the supply chain fees charged to growers. Any review of these policies would aim to better align grower member patronage with improved predictability of patronage rebates by:

- allowing for higher levels of patronage rebates, after capital requirements and buffer funds are satisfied
- implementing patronage rebate 'smoothing' to enhance rebate predictability
- enhancing the link to CBH loyalty, for example, by calculating patronage rebates based on multi-year patronage

Any change to policy would need to be carefully balanced with the ongoing capital requirements of the operations of CBH and would need to take into account the cyclical nature of the grain industry.

Purpose in perpetuity

It could be possible to enshrine CBH's current purpose in perpetuity. This concept would ensure that future members could not easily release the 'collective equity'. Such a change should be balanced against the limitations this may impose on CBH, and whether this would impair CBH's ability to adapt and respond to the changes in the external environment in the future.

Grower member investment opportunities

It is possible to give grower members the opportunity to invest in CBH and/or to co-invest with CBH in new investments. This could be achieved by CBH through the issue of co-operative capital units (CCUs) providing a specified yield, or through the offering of shares in CBH subsidiaries, providing economic exposure to the financial performance of the relevant subsidiary.

Any proposal to afford grower members investment opportunities in CBH or its subsidiary business units would need to be carefully reviewed by CBH and take account of the legal, taxation and practical considerations (including increased complexity) that are associated with CBH's status as a non-distributing co-operative and with the offering of securities.



NON-DISTRIBUTING CO-OPERATIVE

You may prefer this structure if you want ...

- ☐ 100% grower member control of the CBH supply chain
- ☐ CBH to focus on growers as sole beneficiaries of CBH by maintaining low supply chain fees, high service levels and network investment
- ☐ Value delivered and equity held on farm rather than within CBH
- ☐ To receive patronage rebates
- ☐ Alignment of CBH to co-operative principles
- ☐ One member, one vote
- ☐ CBH to maintain its tax and rate exemptions for storage and handling operations
- ☐ The 'collective equity' in CBH to be used for the benefit of today's growers and to be passed onto the next generation of WA grain growers
- ☐ Low cost of entry to become a member and therefore an owner of CBH

You may prefer a different structure if you want ...

- ☐ To release some or all of CBH's equity value today
- ☐ To be able to buy or sell your equity in CBH (which could include the introduction of external investors)
- ☐ To receive dividends with franking credits
- ☐ Control and voting to be more aligned with patronage
- ☐ CBH to have greater flexibility in its ability to raise capital
- ☐ Greater direct participation in the performance of CBH's investments
- ☐ More transparent CBH equity on your balance sheet

Structural options for CBH

DISTRIBUTING CO-OPERATIVE

WHAT IS IT?

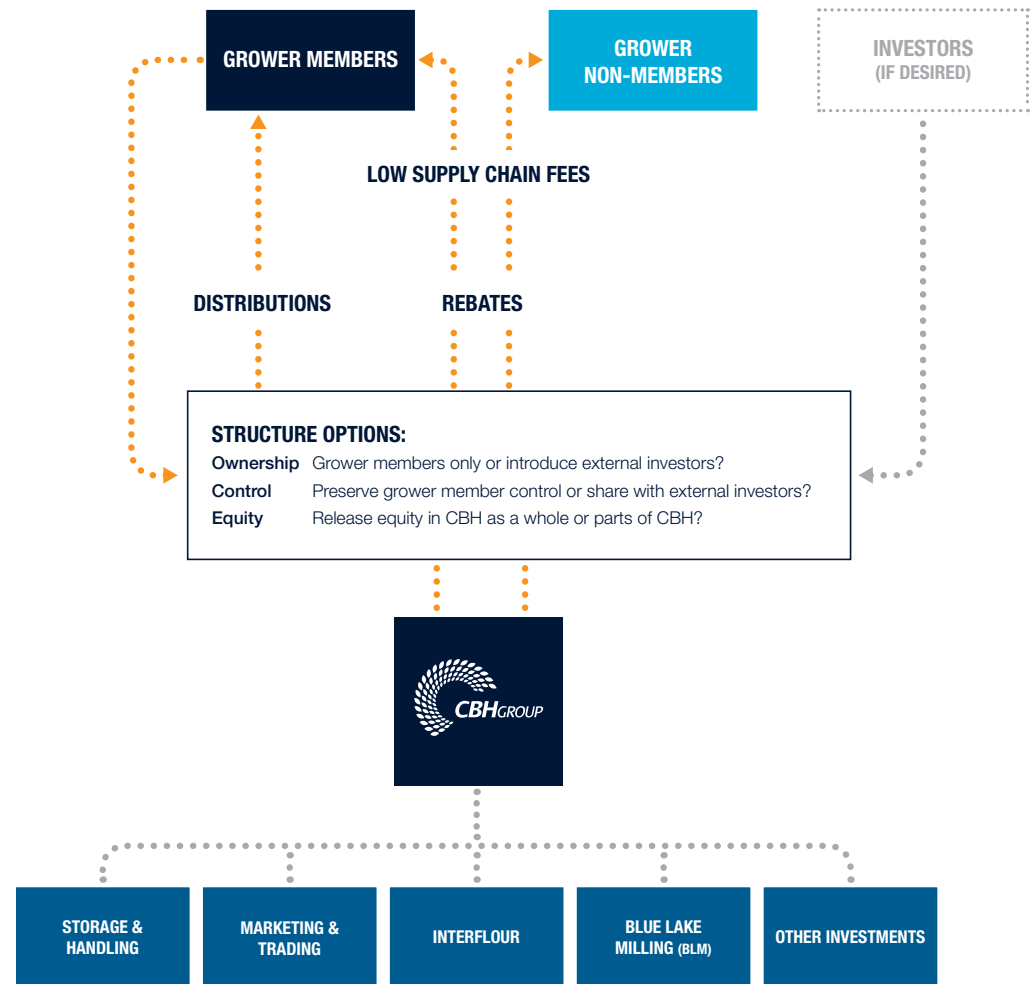
A distributing co-operative has been used to describe a structure that sits in between a non-distributing co-operative and a publicly listed company, depending on its final Rules or Constitution.

The term 'co-operative' has been used to describe this structure for convenience as CBH could take the form of either a co-operative or a company in this structure.

While there are many ways to structure a distributing co-operative, fundamentally it is different from a non-distributing co-operative because its Rules or Constitution allows for the distribution of annual profits and share capital to members. The ability to distribute annual profits and share capital to members would provide CBH with increased flexibility in the way it returns value to grower members.

As a distributing co-operative, CBH would lose the tax and rate exemptions that it currently receives on its storage and handling operations. However, depending on final structure, there may be other tax incentives that may be applied to partially offset these tax and rate exemption losses.

A distributing co-operative can be structured to optimise the elements that are most important to grower members, while attempting to limit the required trade-offs. The broad options available across the structural building blocks are described in the following pages.



BUILDING BLOCKS IN A DISTRIBUTING CO-OPERATIVE



OWNERSHIP AND CONTROL

Under a distributing co-operative, grower members continue to control CBH through 100% ownership and control of member shares, and control over who is elected to the CBH Board. Similarly, CBH's purpose is assumed to remain focused on creating and returning value to WA grain growers.

However, rules around voting could be changed under this structure if desired, depending on the legal form of CBH. Voting could remain based on a one member, one vote principle, whereby all grower members have equal voting rights regardless of their patronage of CBH. Alternatively, CBH could move towards a patronage-based voting structure, whereby the greater the patronage of a grower member to CBH, the greater the level of voting rights, and control, they would have (note, only if a company in legal form).

It is also possible to introduce external investors in this structure over time. In this instance, investors could invest in CBH as a whole or in certain parts of CBH, such as CBH's share in Interflour or Blue Lake Milling, and receive returns based on the performance of these operations. External investors could be limited to economic exposure only, meaning that these investors do not have any ownership and control in CBH itself or its investments – ownership and control remains restricted to grower members.



HOW VALUE IS GENERATED AND RETURNED

Given the purpose of CBH remains focused on creating and returning value to WA grain growers, member value would still largely be generated and returned on farm through low supply chain fees, high service levels and network investment. This value would still be received by grower members according to patronage, whereby the more a member uses CBH, the larger the benefit they receive.

A distributing co-operative structure could afford CBH more flexibility in the use of surpluses. On one hand, surpluses could be retained in the business according to purpose and strategy. On the other hand, this structure could allow for the distribution of annual profits and share capital to grower members by way of cash (such as dividends) or equity distributions. These distributions can be linked to patronage or to the number of shares. This could allow an alternative form of value transfer from CBH to grower members, where grower members can gain access to equity value that has been generated historically or equity that will be generated in the future (over time).



ACCESS TO EQUITY

Under a distributing co-operative, the equity in CBH can be treated in three primary ways:

1. Retain in CBH

Equity could continue to be retained in CBH, whereby equity is not allocated to individual growers but rather retained in CBH on a 'collective equity' principle. As a result, grower member shares remain limited to nominal value.

2. Release equity generated in the future

Alternatively, a distributing co-operative structure could provide the ability for grower members to reinvest future distributions in CBH for equity-like participation. CBH could issue financial instruments such as co-operative capital units, preference shares or ordinary shares linked to either:

- CBH as a whole, where equity holders would receive dividends based on the performance of CBH; or
- certain parts of CBH such as CBH's investments like Interflour or BLM

These financial instruments could be made redeemable with CBH only which may create a redemption liability for CBH (though manageable) or they could be tradable amongst growers.

3. Release equity generated historically

Furthermore, this structure could see CBH release its equity value today by distributing the current market value of equity to grower members. This would result in more transparent equity being held on grower members' balance sheets. This equity could also be restricted to CBH as a whole or certain parts of CBH. The form of equity could be made tradable amongst growers or have unrestricted transfer, on a securities exchange such as the ASX, introducing external investors. In this situation there will be a number of important income tax and one-off tax considerations for both CBH and grower members, which may impact value received. It is anticipated that CBH would seek rulings from the Australian Taxation Office to confirm the outcomes and implications for both CBH and grower members. Importantly for grower members, the rulings would seek to clarify the capital gains tax and income tax consequences that could arise from growers receiving proceeds that exceed the original \$2 cost base of their CBH membership interest.

Various types of this structure have been increasingly used by Australian and New Zealand agricultural co-operatives over the last decade for various reasons. Some have sought external investors because capital was required and others wanted to release equity to members. Here are a few examples:

- Fonterra through its listed Fonterra Shareholders Fund
- Murray Goulburn through its listed MG Unit Trust
- SunRice through its listed class B shares
- Namoi Cotton through its listed co-operative capital units

A distributing co-operative structure for CBH would be tailored to meet CBH's requirements and circumstances which differ from the above businesses.



DISTRIBUTING CO-OPERATIVE

You may prefer this structure if you want ...

- ☐ To preserve grower member control of the CBH supply chain (provided through member shares) with flexibility to introduce external investors
- ☐ CBH to predominantly focus on maintaining low supply chain fees, high service levels and network investment
- ☐ More flexibility over the way that grower members receive value via distributions based on patronage (cash or equity)
- ☐ The ability to separate equity participation between storage and handling and non-storage and handling operations
- ☐ Ability to build a nest egg in CBH equity over time
- ☐ Patronage based voting rights (if a company with co-operative principles), or one member, one vote (if a co-operative)
- ☐ Some level of transferability or redeemability in your equity in CBH
- ☐ Alignment of CBH to co-operative principles

You may prefer a non-distributing co-operative if you want ...

- ☐ 100% grower member control with no external investors
- ☐ One member, one vote
- ☐ The 'collective equity' in CBH to be used for the benefit of today's growers and to be passed onto the next generation of WA grain growers
- ☐ CBH to maintain its tax and rate exemptions for storage and handling operations
- ☐ Value generated from use and received on farm through low supply chain fees, high service levels and network investment

You may prefer a publicly listed company if you want ...

- ☐ To release CBH's equity value today
- ☐ To be able to buy or sell equity in CBH (which may include the introduction of external investors)
- ☐ To receive distributions by way of dividends with franking credits
- ☐ CBH to have greater flexibility in its ability to raise capital
- ☐ More transparent CBH equity on your balance sheet

Structural options for CBH

PUBLICLY LISTED COMPANY

WHAT IS IT?

A publicly listed company is a corporate entity owned by the holders of shares which are traded on a securities exchange, such as the ASX. Ownership of a publicly listed company is open to the public, with voting rights attached to its shares on a one vote per share basis.

A listed company structure would result in CBH altering its purpose and approach to doing business with WA grain growers. This would be predominantly driven by the change to the business' purpose and owners, resulting from a shift away from a grower-centred business (where the beneficiaries, the users of the services and the investors are the same) to a shareholder-focused business (where the beneficiary is the investor and growers are an important customer).

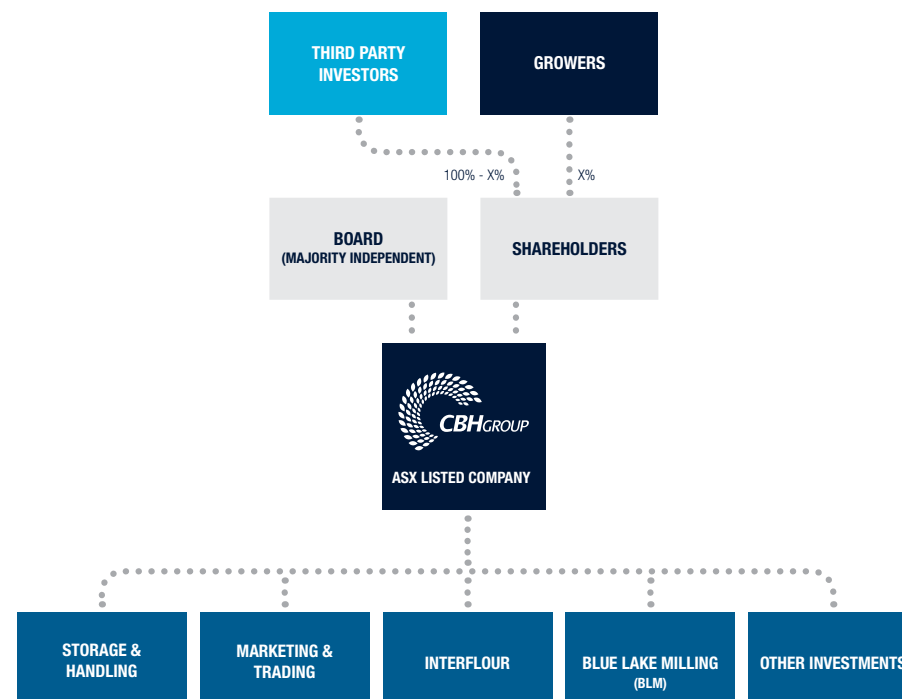
The key area that will change if CBH were to become a publicly listed company is in CBH's storage and handling operations. The introduction of external investors as new beneficiaries of CBH will have several implications on these operations, such as low supply chain fees which will likely transition to higher rates, and/or the amount of reinvestment in CBH's network which will likely reduce as the focus of CBH moves to achieve higher profitability and returns on investment.

The practical effect of this change is that grower member value transitions from being predominantly generated and returned on farm, to predominantly earned through CBH shares listed on the ASX. The decision for growers to either sell or retain their shares will determine the extent to which members participate in the earnings growth stemming from any potential increase in supply chain fees.

Growers would transition from being members of CBH, to shareholders in the new company. The allocation of CBH shares to grower members in moving to a publicly listed company could be challenging, given that the CBH membership today under the non-distributing co-operative is on a one member, one vote basis, while value is returned to members on a patronage basis.

Once listed, the shareholders of CBH would be able to trade their CBH shares on the ASX. It is possible to list with or without raising new capital, but on an ongoing basis a listed company will have capital raising flexibility.

Trading of CBH shares on the ASX would result in liquidity and a readily identifiable market value of CBH, and would require CBH to comply with applicable ASX reporting and disclosure requirements.



CBH would be subject to Australian corporate taxation as a listed company, with the corporate tax rate of 30%. CBH will lose the tax and rate exemptions it currently receives for its storage and handling operations. However, domestic shareholders in the company could be entitled to franking credits on any franked dividend paid by CBH.

In this situation there will be a number of important income tax and one-off tax considerations for both CBH and grower members, which may impact value received. It is anticipated that CBH would seek rulings from the Australian Taxation Office to confirm the outcomes and implications for both CBH and grower members upon conversion to a listed company. Importantly for grower members, the rulings would also seek to clarify the capital gains tax and income tax consequences that could arise from growers receiving proceeds that exceed the original \$2 cost base of their CBH membership interest in the event a grower sells their interest for cash proceeds on the ASX.

BUILDING BLOCKS IN A PUBLICLY LISTED COMPANY



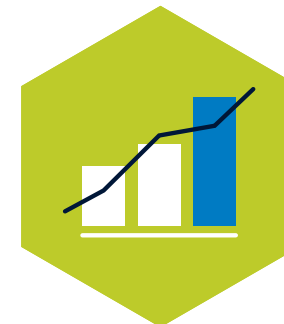
OWNERSHIP AND CONTROL

- Ownership and control is held by shareholders in CBH.
- Ownership will be held by an unrestricted investor base. Initially, shareholders may comprise all or mostly growers, however history suggests this will diminish over time as growers sell their shares and new external investors buy into the listed CBH.
- Ability to use grower member protections to transition from a grower-owned and controlled business to a publicly listed company controlled by a diverse group of shareholders. This could include golden share structures, shareholding limits and minimum Grower Directors (such as those used by AWB and ABB), among other mechanisms.
- Majority of board are independent directors.



HOW VALUE IS GENERATED AND RETURNED

- Supply chain fees will likely increase over time, and therefore value will transition from on farm to CBH shares held by shareholders.
- Investors could realise value through both dividends (which may have franking credits attached) and share price subject to market forces.
- Reinvestment in the business would continue, including network and growth opportunities, but would be subject to investor-driven return rates.
- Grower services and operations would be driven by corporate principles not co-operative principles.



ACCESS TO EQUITY

- CBH's equity value is released and market value is reflected in the value of shares trading on the ASX. The performance of CBH will be reflected in the value of CBH's shares but subject to market forces.
- Grower members should consider whether the net value of CBH equity received compensates them for the loss in value that they would have received on farm.
- These shares will be tradable between a diverse group of investors (which may include both growers and the general public) on the ASX. This will help create liquidity in the equity, allowing shareholders to buy and sell shares.
- Initially, liquidity may be lower due to shares being held by grower members. As CBH's investor base diversifies, shares may become more liquid and transferable for a more clearly identifiable market price.



PUBLICLY LISTED COMPANY

You may prefer this structure if you want ...

- ☐ To release CBH's equity value today
- ☐ To be able to buy and sell equity in CBH (which may include the introduction of external investors)
- ☐ To receive dividends with franking credits
- ☐ CBH to have greater flexibility in its ability to raise capital
- ☐ Voting based on the number of CBH shares held
- ☐ More transparent CBH equity on your balance sheet
- ☐ CBH to have a shareholder focus on higher profitability and returns on investments

You may prefer a different structure if you want ...

- ☐ 100% grower member ownership and control of CBH supply chain
- ☐ CBH to focus on growers as sole beneficiaries of CBH by maintaining low supply chain fees, high service levels and network investment
- ☐ Value delivered and equity held on farm rather than within CBH
- ☐ To continue to receive patronage rebates
- ☐ Alignment of CBH to co-operative principles
- ☐ One member, one vote
- ☐ CBH to maintain its tax and rate exemptions for storage and handling operations
- ☐ The 'collective equity' in CBH to be used for the benefit of today's growers and to be passed onto the next generation of WA grain growers



THOUGHT STARTERS

- Do you believe the current structure can sufficiently meet the needs of growers while remaining competitive in the global market?
- How important to you is grower control compared to receiving liquid equity on your balance sheet?
- How important to you is the manner in which you receive value from CBH?
 - Should CBH continue to provide value to growers through higher profits on your farm and higher farm value (through low fees, higher service levels and network investment); or
 - Should CBH make higher profits (resulting in lower profits on your farm and lower farm value) and return some form of equity in CBH?
- Would you like CBH to release equity to growers only from its non-storage and handling investments, and ensure grower control is retained in storage and handling?
- Do you want a direct co-investment in CBH's investments (such as Interflour and Blue Lake Milling) or are you comfortable to receive the benefit from these more indirectly through rebates and value on farm?
- If CBH offered you a rebate in the form of cash or an equity-like investment in a CBH business, which would you prefer?
- Would you be prepared to sacrifice some of the tax advantages of co-operative structures to gain transferable equity in CBH with value?
- Do you think CBH's collective equity, built over generations of grower members, should be released (in some form) to today's grower members or retained for the benefit of current and future WA grain growers?
- Would you be interested in seeing third party investment in CBH that broadened access to capital and investments - even if this diluted CBH's sole focus being on growers?

GOVERNANCE REVIEW

Governance Review

INTRODUCTION

GOVERNANCE IS HOW THE CBH BOARD, MANAGEMENT, GROWER MEMBERS AND OTHER STAKEHOLDERS EXERCISE CONTROL OVER THE CBH BUSINESS – IT IS HOW, DIRECTLY AND INDIRECTLY, THE GROUPS OF STAKEHOLDERS COMPRISING CBH MAKE BUSINESS DECISIONS AND TAKE RESPONSIBILITY FOR THOSE DECISIONS.

The CBH Board recognises that governance is important to grower members. We are committed to achieving the best governance structure for CBH, one that facilitates our strategy and allows us to maximise the creation and return of value to WA grain growers, both today and in the future.

To ensure we are meeting that standard, it is appropriate to review our governance structure and seek feedback from our members.

Bear in mind that there is no right or wrong answer to many of these elements. We simply want to provide some information, start a discussion, and hear your views.

Corporate governance

Corporate governance refers to the systems, policies and processes by which organisations are controlled and operate.

There is no “one size fits all” model for effective governance. Different approaches to governance may be appropriately adopted depending on an organisation’s objectives, ownership structure, size and complexity.

“ **Corporate governance is the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations. It encompasses the mechanisms by which companies, and those in control, are held to account.**

ASX Corporate Governance Council

Similarly, there is no “best practice” corporate governance model for co-operatives. Governance arrangements are diverse, reflecting the different legal environments, industry standards, sector focus, size and type of membership of these organisations.

“ **Governance is related to vision, decision making processes, power dynamics and accountability practices. The ultimate goal of governance is to effectively fulfil an organisation’s goals in a way consistent with the organisation’s purpose.**

The International Co-operative Alliance

CBH’s corporate governance model should reflect its distinctive character as a co-operative focused on creating and delivering value to WA grain growers.

Some important aspects of governance as it applies to CBH are found in the requirements of the Western Australian Co-operatives Act 2009 (“the Co-operatives Act”):

- member voting must reflect the principle of one member, one vote
- there must be democratic member control
- a majority of Directors must comprise members

“ Co-operatives are member owned and democratically controlled organisations. Their governance has to meet the co-operative’s objectives, protect member interests and maintain member control. Co-operatives are also values based businesses whose governance and management principles and practices need to reflect and safeguard their values.

International Co-operative Alliance

The role of the CBH Board

The CBH Board’s role is to set the strategic direction of the CBH business, rather than manage it on a day-to-day basis. The separation of decision-making roles between the board of directors and management is an important part of governance.

The CBH Board is responsible for and has the authority to determine all matters relating to the policies, practices and operations of CBH.

The Directors are subject to duties under the Co-operatives Act that are generally consistent with those under the Corporations Act 2001 (“the Corporations Act”) and duties under common law.

Importantly, it is the role of every Director to represent the interests of all grower members, not just groups of members or members from a particular district.

How will the governance review and structure review work together?

The governance review is being conducted concurrently with CBH’s structure review.

It is based on CBH’s current co-operative structure and is being undertaken in the context of grower members continuing to exclusively own the CBH business. In that sense, it is a review of “co-operative governance”.

If CBH adopted a different structure, different governance considerations may apply. The structure review sections refer to some high level governance matters relating to the different structures, including a listed company structure where the governance issues change to some extent.

The feedback we receive from you will determine how the governance and structure reviews interact in the future, including whether the review processes continue to be conducted together or separately.

What is required to change governance?

CBH’s governance arrangements are a function of the CBH Rules, the Co-operatives Act and CBH policies.

The Rules are the governing document of CBH and provide the foundation for the way in which the co-operative operates. They form a contract between CBH and its members, all of whom are required to comply with the Rules.

The nature of any proposed change to CBH’s governance arrangements, if grower members desire, will dictate what is required. Some changes may require the Rules to be amended, which would generally require approval from two-thirds of grower members who vote, but other changes could be implemented by merely changing a policy. There are some changes that may not be possible if CBH remains registered under the Co-operatives Act.



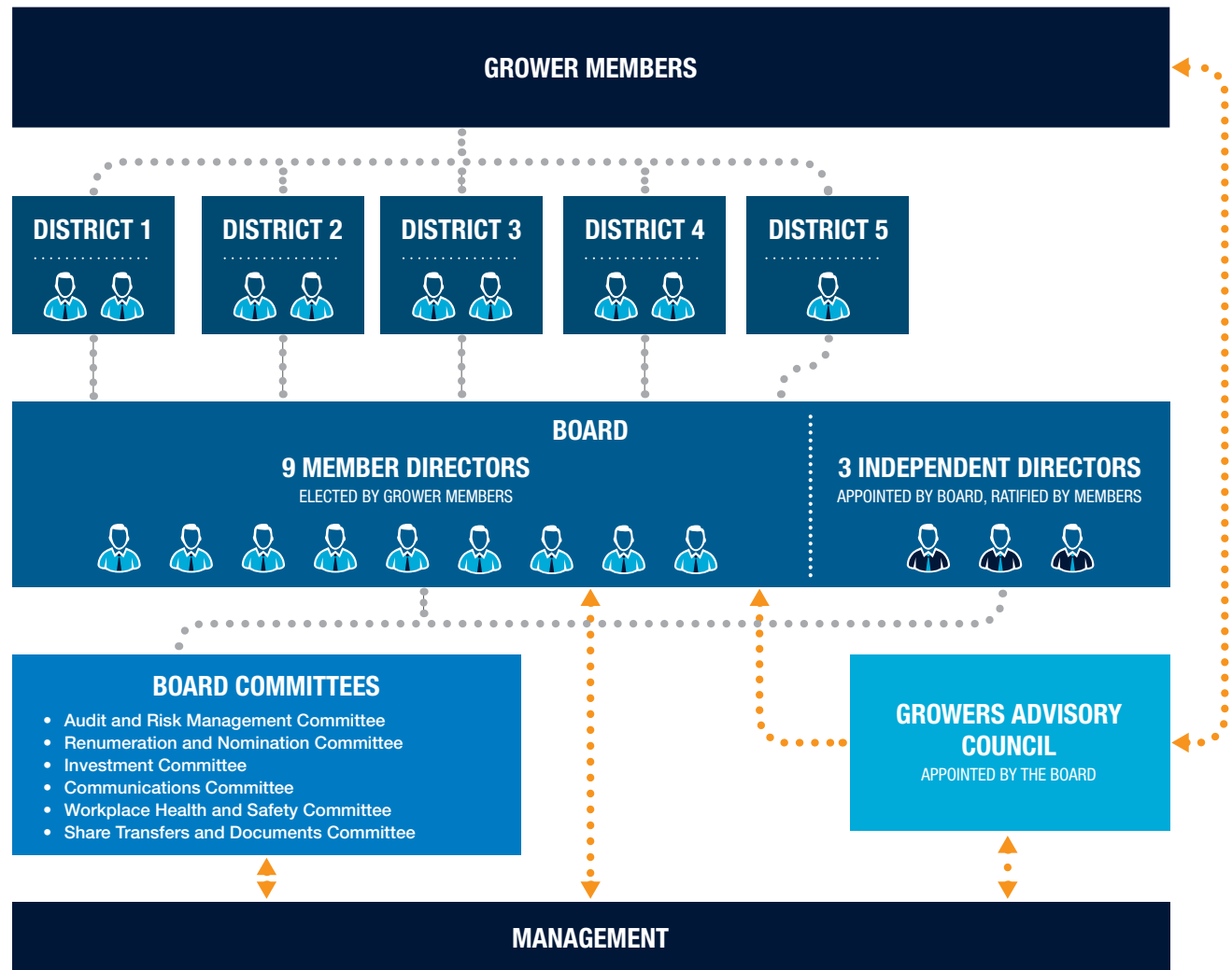
Governance Review

BOARD SIZE AND COMPOSITION



CURRENT APPROACH

The diagram to the right shows the composition of the CBH Board and how it interacts with grower members, CBH management and the Growers Advisory Council.





COMMENTARY

The Co-operatives Act requires that a majority of directors must be member directors. The CBH Rules state that the CBH Board is to be made up of a minimum of nine and a maximum of 12 Directors, comprising nine Member Directors and up to three Independent Directors.

Governance codes, both in Australia and internationally, recognise that there is no “magic formula” when it comes to the size or composition of a board.

Size of the board

The ideal size and composition of a board will be impacted by the particular circumstances of each business.

Smaller boards may be more nimble and facilitate effective discussion and debate leading to more responsive decision making. Smaller boards may also reduce the risk of factions forming among directors and promote the opportunity for individual directors to participate actively in discussions.

On the other hand, having a larger board may promote a greater diversity of experience, skills and perspective being brought to bear on decision making. A larger board may reduce the risk of an unmanageable workload burden or time commitment being placed on individual directors. Larger boards are more capable of effectively staffing board committees and suffer less disruption upon a director leaving the board.

Ratio of Member Directors to Independent Directors

As is discussed in the section titled “Director Eligibility and Board Experience”, one of the roles of the Independent Directors is to complement the skills, competencies and experience of the Member Directors.

Although CBH is required to have a majority of Member Directors, there is no requirement that this majority be a nine to three majority – it is possible for the CBH Board to have a higher proportion of Independent Directors while maintaining a majority of Member Directors. It is also possible for the number of Independent Directors to be fixed, whereas the Rules currently permit the CBH Board to appoint up to three Independent Directors.

Diversity

Currently all of CBH's Directors are male and 49 years of age or older.

There is a body of research indicating that there is a correlation between greater diversity on boards and better financial performance and that groups with a more diverse composition tend to be more innovative and make better decisions.

It is also generally accepted as appropriate that boards be reflective of their membership base.



THOUGHT STARTERS

- What is the right size board for CBH?
- What is the right balance between Member Directors and Independent Directors on the CBH Board (noting the Co-operatives Act requirement for a majority of Member Directors)?
- How important is greater diversity on the CBH Board to you and how would we achieve this?



CURRENT APPROACH

Member Directors

Member Directors are elected by grower members.

To be eligible to stand for election as a Member Director a person must be;

- at least 18 years old
- either a member, or a representative of a corporation, incorporated association, unincorporated association or partnership that is a member

There is no maximum age limit for a Member Director.

A candidate for election as a Member Director must be nominated by five other eligible grower members.

Independent Directors

One of the important roles played by the Independent Directors is to complement the collective skills and experience of the Member Directors. Under the Rules, the special skills required of an Independent Director are determined by the CBH Board and may vary.

The CBH Board receives recommendations on the appointment of Independent Directors from the CBH Board's Remuneration and Nomination Committee. The Committee assesses the necessary and desirable skills and competencies of the CBH Board as a whole, identifies any gaps and engages outside consultants to find suitable Independent Director candidates with those skills and competencies in mind.

Following appointment by the CBH Board, the appointment of an Independent Director is ratified by members at the next Annual General Meeting.

Director terms

Under the Rules, the term of office for a Member Director commences from the Annual General Meeting at which their election is confirmed and expires at the third Annual General Meeting thereafter; resulting in a term of approximately three years.

A retiring Member Director, if qualified, may submit for re-election. There is no maximum number of terms that a Member Director may serve. Member Directors have overlapping terms so generally three Member Directors are elected each year.

Independent Directors are appointed by the CBH Board for a period of up to three years. As is the case for Member Directors, there is no maximum number of terms that an Independent Director may serve.

Currently, Directors may be removed from office at any time by a special resolution of members requiring a two-thirds majority of those members who vote. Under changes to the Co-operatives Act proposed by the Co-operatives Amendment Bill 2015 (WA), which are expected to become effective in 2017, Directors may be removed from office by an ordinary resolution of members, requiring a simple majority of those members who vote.

Education and training

The CBH Board has adopted a policy that all Directors complete the Australian Institute of Company Directors course which is designed to give them a greater understanding of their role and responsibilities as Directors. Directors are encouraged (at CBH's cost) to continue their professional development and to obtain any skills they feel they need to acquire through attending seminars, courses and conferences.

CBH regularly sends Directors to attend the Executive Leadership Program for Co-operatives and Mutuals which is a six-day course run jointly by the Business School of the University of Western Australia and the Australian Institute of Management. This program has been specifically designed to address the unique challenges faced by directors and managers in co-operative and mutual enterprises.

Future Directors

CBH endeavours to develop the knowledge and skills of grower members and their interest and ability to stand as future Member Director candidates in a number of ways, including:

- Appointing grower members as Councillors on the Growers Advisory Council.
- Hosting groups of WA growers on study tours that visit some of Australia's most important grain export markets. The purpose of the tours is to link growers to customers, increase the general understanding of Australia's grain export markets and to give growers insight into the quality requirements needed by our customers to maximise performance.
- In partnership with the Grower Group Alliance, offering grower group members access to a tailored Australian Institute of Company Directors course, developed to provide governance training to growers.

Earlier this year, the CBH Board developed a set of personal attributes for Member Directors which it recommends that grower members consider when voting in Member Director elections. The desired attributes are:

1. Honesty/Integrity – in all dealings whilst representing CBH
2. Teamwork – ability to respect alternative viewpoints and to work cohesively with fellow Directors
3. Respect/Fairness – towards CBH, its employees and other Directors
4. Emotional intelligence – ability to interact constructively and positively with fellow Directors, management and other stakeholders
5. Critical thinking/Decision making – ability to form a considered view on an issue having regard to the relevant information and facts available and to make good decisions and commercially astute judgements on behalf of growers
6. Community minded – demonstrates community values
7. Inquisitive nature – ability to ask insightful and probing questions in a constructive manner
8. Continuous improvement – willingness to undertake education, training and self-improvement in relevant areas, including an expectation to graduate from the Director's course run by the Australian Institute of Company Directors



COMMENTARY

When co-operatives grow in size and complexity, there is a greater need to balance:

- the democratic control of the co-operative by its members through the election of member directors directly on to the board, and
- ensuring the board has adequate collective capabilities and experience to exercise leadership and effective oversight of management

Board skills and experience

It is widely recognised that in order to fulfil its role effectively, a board should collectively possess an appropriate balance of skills, experience and perspectives taking into account the demands and complexity of the organisation's business model and the environment in which it operates.

Boards of large businesses typically seek to have a mix of the following skills:

- strategic expertise – the ability to guide and review strategy through constructive questioning and suggestion
- accounting and finance – the ability to read and comprehend CBH's financial statements, financial material presented to the board and an understanding of the business's financial drivers/funding and business model
- legal – the board's responsibility involves overseeing compliance with numerous laws as well as understanding an individual director's legal duties and responsibilities
- managing risk – experience in managing areas of major risk to the business
- managing people and achieving change
- specific industry knowledge

Member Director election system

The district-based electoral system for Member Directors differs from the practices by which directors are appointed in most large Australian companies. The pool of potential Member Director candidates is also defined by CBH's membership base.

Member Directors are themselves growers and have knowledge of the industry and the issues impacting grower members. The election of Member Directors by CBH members is an important factor in ensuring CBH is a democratic organisation controlled by its grower members.

The Member Director election system does not require any minimum level of skills for candidates. There is no guarantee that the elected Member Directors will collectively hold the right mix of skills to effectively govern CBH, which is a large, complex business operating both in Australia and internationally, with operations extending along the grain supply chain. The CBH Board seeks to supplement pre-existing board capabilities and skills by appointing Independent Directors and by building up the skills of the elected Member Directors.

There are a number of ways CBH could address any concerns about whether the CBH Board collectively has the right mix of skills, experience and competencies. These include:

- increasing the number of Independent Directors that may be appointed to the CBH Board
- setting eligibility requirements for Member Director election candidates
- preparing and publishing clear guidelines about the skills required of Directors and requiring Member Directors to address how they satisfy these requirements (without this affecting eligibility to stand)
- the use of an independent assessment panel for assessing the capability of candidates in Member Director elections which could either act as a vetting mechanism for eligibility or provide members with an independent assessment of the candidates

Tenure limits

The Co-operatives Act does not prescribe a particular term length for directors.

As with board size, it is generally recognised that there is no optimal or "one size fits all" approach to tenure.

Some of the benefits of limiting the time a director may serve on a board may be:

- it results in a regular infusion of fresh ideas and enthusiasm to the board
- it fosters a culture of director independence and lessens the risk of cronyism, “group think”, directors becoming too trusting of particular executives, or of a particular faction of directors becoming entrenched.

However, some of the potential disadvantages of limiting the time directors may serve on the board include:

- the risk that high performing Directors or “organisational memory” is lost, which may result in the Board having the same discussions and repeating the mistakes of the past
- for large, complex organisations it may take a number of years for directors to obtain a deep understanding of the organisation and the industry in which it operates

Succession planning

Succession planning can help ensure a board will have the right mix of skills, experience and perspectives into the future.

It is important to ensure there is a talented pool of future Directors of CBH with the skills necessary to meet CBH's goals and challenges.

The CBH Board has a role to play in ensuring there are appropriately qualified Member Director candidates in the “pipeline” and that members are well-informed about the competencies and skills required of Member Directors. Because a co-operative can't always recruit to supplement pre-existing knowledge and skills on the board, it may be appropriate to educate and develop its membership base to fill those gaps.



THOUGHT STARTERS

- **How can we ensure the CBH Board possesses the necessary skills and diversity of experience?**
- **Should there be minimum eligibility requirements for standing as a Member Director? If so, what should they be?**
- **Should an independent panel or committee vet or make recommendations to grower members with respect to potential candidates for election as Member Directors?**
- **Is three years an appropriate term length for Directors serving on the CBH Board?**
- **Should there be a maximum number of terms that an individual Director may serve?**
- **How could CBH look to develop future Directors of CBH?**



Governance Review

MEMBER DIRECTOR ELECTIONS



CURRENT APPROACH

Currently CBH divides the grain growing region of Western Australia into five districts and each district is represented by two Member Directors, except for District 5 which has one.

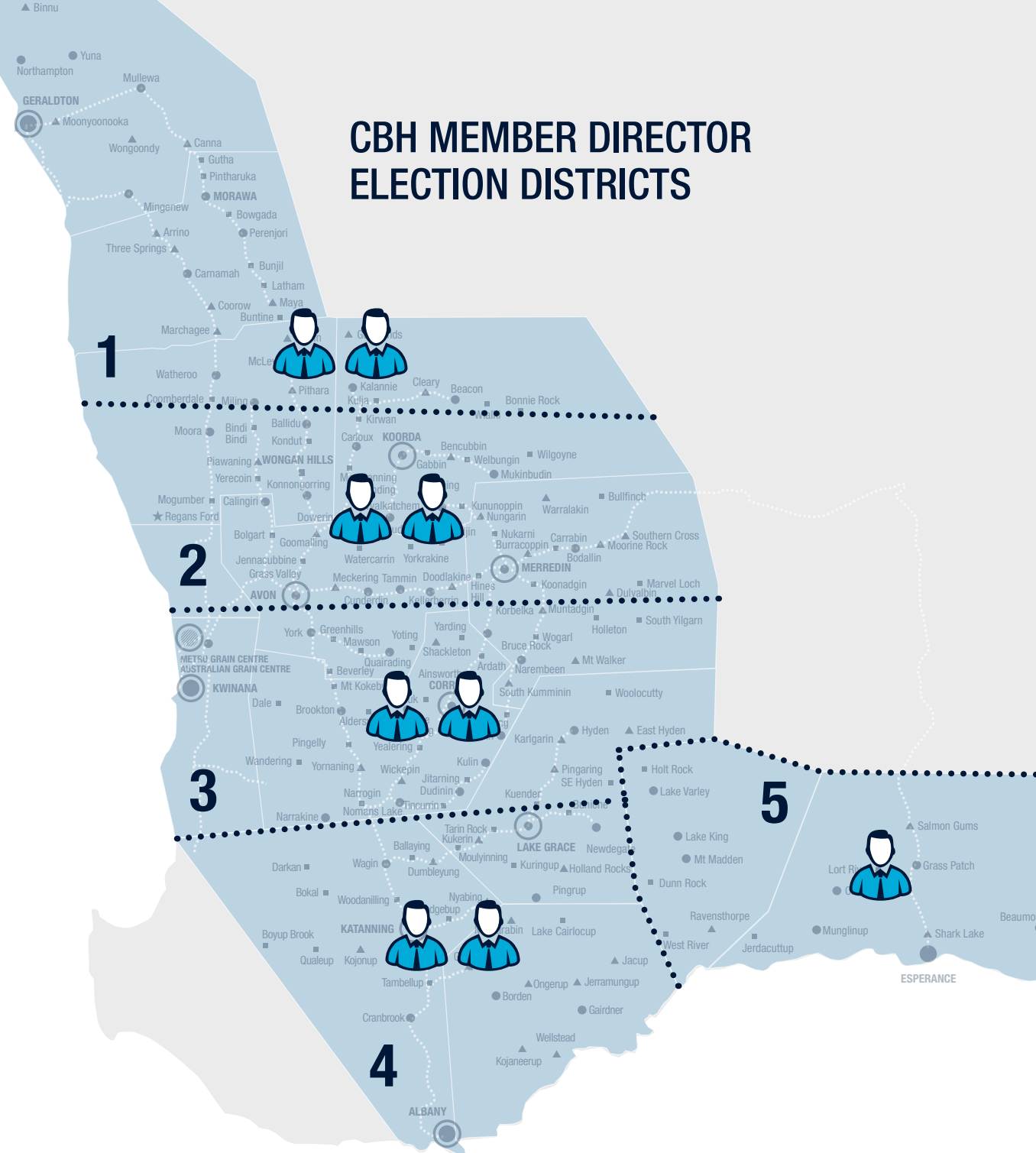
A member does not have to have their main grain growing interests in a district to stand for election in that district. However, only members in that district can vote for a candidate standing in their district and a member can only stand for election in one district.

Under the Rules, the CBH Board has the power to adjust the number of districts, the number of Directors to be elected from each district, and the boundaries of the districts. In exercising this power the CBH Board must have regard to the objective of adopting a district representation system that is fair between districts having regard to grower member numbers and the volume of grain delivered to CBH from each district (or other factors that the CBH Board considers appropriate).

The Rules require that the Member Director elections are conducted as near as possible to the Annual General Meeting which is generally conducted in late February. It has been CBH practice to conduct the annual Member Director elections so voting closes in February.

During the past five years, voter turnout in Member Director elections has varied between 38% and 68%.

CBH MEMBER DIRECTOR ELECTION DISTRICTS



The system of electing Member Directors based on geographic districts was introduced in 1943.

The current five district system was adopted in 2009, following changes in the number and location of grower members and in the amount of grain being delivered from different locations.

The change was designed to better align CBH Board representation with the number of members and the volume of grain produced in each district.



COMMENTARY

There is no “one size fits all” approach to how member directors should be elected in a co-operative.

A number of co-operatives adopt a system similar to CBH's by dividing their membership into geographic districts with members in these districts electing directors to represent them on the board.

In other co-operatives, member directors are elected by the entire membership, with no account being taken of the geographic location of the members or the director.

Some co-operatives use a combination of these, where a certain number of member director positions on the board are elected on a district basis and a certain number are elected on a more general basis.

District versus state-based elections

Some of the advantages of electing member directors based on geographic districts include:

- the Board is geographically representative of the membership base and all regions have a voice in the governing process
- regional issues are likely to be brought to the attention of the Board, with the result that members from different regions receive equitable services

Some of the disadvantages of electing member directors based on geographic districts include:

- member directors may feel pressure to seek to prioritise the interests of their constituencies over those of the group as a whole

- elections held on a district basis may revolve around regional issues which are more short term in nature and which affect only a small segment of the membership rather than focussing on issues affecting the membership and organisation as a whole
- this system may make it more difficult to ensure the Board has an appropriate range of skills and diversity and that appropriate board succession plans are in place, due to the limited number of potential candidates in each district

Timing of elections

Under the Co-operatives Act, CBH is required to hold its Annual General Meeting within five months after the close of its financial year (which is currently 30 September).

It is common for the process of electing or appointing directors to be aligned with an entity's Annual General Meeting. One reason for this is that it allows members to consider information in the entity's Annual Report when making decisions about filling board positions.



THOUGHT STARTERS

- What election system do you think is best for CBH? District-based or another system?
- Should there be more or less than five election districts?
- What factors might be discouraging members from nominating for Member Director positions?
- How could we increase the number of members who vote in Member Director elections?



Governance Review

GROWERS ADVISORY COUNCIL



CURRENT APPROACH

The Growers Advisory Council (GAC) was established in 2002 as a replacement for the Grain Pool's Producers Council following the merger between the Grain Pool of Western Australia and CBH.

The GAC supports CBH in a number of ways including:

- providing a formal mechanism for issues raised by growers to be communicated to CBH
- acting as a grower advocacy group so CBH can better communicate with growers
- considering issues of a strategic nature to the industry
- making appropriate comments and recommendations to the CBH Board and/or management on issues impacting on growers

The GAC comprises up to 15 Councillors, with a minimum of two Councillors generally required from each district. A maximum of five Councillors may be appointed from each of Districts 1 – 4 and a maximum of three from District 5.

Eligibility to nominate for a position as a GAC Councillor is the same as for being a Member Director. Candidates are required to supply a minimum of five grower member referees in support of their application.

Councillors are appointed by the CBH Board following the recommendation of a selection panel of four Directors, the current GAC Chairman, and a member of the CBH executive team. Councillors are selected by CBH rather than democratically elected so as to ensure a diversity of views and voices on the GAC, including in terms of geographic representation, age, gender and patronage.

Councillors of the GAC are appointed for a three year term. The terms of appointment are staggered so as not to have a full retirement of all Councillors every three years. Up to five Councillors are appointed each year. Retiring Councillors may nominate for re-appointment at the end of their first term, however, the term of office for Councillors is capped at six years made up of two, three-year terms. The GAC Chairman may serve for one additional term if considered desirable by the selection panel.

The GAC meets at least three times a year and at least once a year with the CBH Board to share information and views on relevant topics. CBH also facilitates meetings with past GAC members (the GAC alumni).



COMMENTARY

There is no statutory requirement to have a GAC. However, it is not uncommon for larger co-operatives, with widely dispersed members, to have a body similar to the GAC. As is the case with the GAC, such bodies are typically intended to act as a sounding board for Directors and management on issues affecting members and as an additional set of “eyes and ears” in the membership community to ensure the thoughts and opinions of members are relayed to the Board and management.



THOUGHT STARTERS

- **Is the role of the GAC/Councillors clear enough and does it have the right focus?**
- **Should Councillors be selected by the CBH Board or elected by members or a combination of both?**
- **What training and development opportunities should be offered to Councillors?**
- **What is the right length of term for a Councillor?**
- **How can Councillors best engage with grower members?**



Governance Review

ELIGIBILITY FOR CBH MEMBERSHIP



CURRENT APPROACH

The eligibility requirements to become a member of CBH are as follows:

- must have delivered grain to CBH in the same delivery title in either of the past two seasons
- the aggregate of all grain deliveries to CBH by a member in a single delivery title over the past three seasons must be no less than 600 tonnes
- the member must have had an involvement in the actual production of the grain delivered and not merely be the deliverer for the purposes of receiving the financial proceeds from delivered grain

To retain membership of CBH, grower members must continue to meet these eligibility requirements. Under the CBH Rules, the CBH Board must declare a member's membership cancelled if they have not met the eligibility requirements at any time in the past 12 months. The CBH Board has discretion to defer the cancellation of a membership if there is an event that's beyond the reasonable control of the grower member which affected their grain production, such as a drought, flood, fire or storm.



COMMENTARY

Under the Co-operatives Act, the rules must include active membership provisions to determine what constitutes eligibility for initial and continued membership.

One of the most significant benefits of CBH membership is the right to vote at meetings and in postal ballots of CBH members. Members vote on a variety of matters including the appointment and removal of Directors, any proposal to amend the CBH Rules, and any proposal for fundamental structural change. A grower does not need to be a CBH member in order to deliver or sell grain to CBH.

The current membership requirements were approved by grower members in 2011 when CBH transitioned to the current Co-operatives Act.

The 600 tonne delivery requirement over three years was considered appropriate when it was adopted.

CBH is not able to provide for patronage-based voting while it remains registered under the Co-operatives Act due to the requirement that, regardless of the number of tonnes of grain they may deliver, each grower member only has one vote on co-operative matters. However, the level of patronage required to become a member could be increased if it is considered the current 600 tonne delivery requirement over three years is too low.



THOUGHT STARTERS

- Is the 600 tonnes over three years CBH membership threshold too low? If so, what is an appropriate level?
- Would you prefer to have voting that is proportionate to tonnes delivered rather than one member one vote (if CBH's governing legislation allowed this)?

Where to from here?

WE NEED YOUR INPUT

AS CBH GROWS AND EXTERNAL FORCES CHANGE, IT IS CRUCIAL THAT CBH'S STRUCTURE AND GOVERNANCE ARE CONSIDERED TO ENSURE THEY ARE FIT FOR PURPOSE TO DELIVER CBH'S STRATEGY.

This booklet has been developed to ensure grower members have an understanding of the options, benefits and trade-offs available and to ensure that any decisions on future change are in the hands of our grower members.



Grower meetings

Members of the CBH Board, management team and independent advisors will be available to respond to your questions and guide you through the structural options and governance matters explored in the review, at a series of meetings throughout late August and September.



Grower survey

After grower meetings, CBH will provide you the opportunity to participate in a survey. The survey will take no longer than 30 minutes to complete and will explore your preferences in relation to the structural and governance elements discussed in this booklet.

CBH will be using an independent market research organisation to conduct the survey, Thinkfield Research.

When they contact you, they will make sure you are aware the survey is being conducted on behalf of CBH.

If they send you an online version of the survey, it will be sent from the email address **CBHfeedback@thinkfield.com.au**

What's next?

Following grower meetings and the grower survey, the CBH Board will review the feedback obtained, consider how best to proceed and then advise grower members of next steps on both CBH governance and structure before the end of 2016.

As the owners of the CBH business, this review provides a critical opportunity to provide your input to the Board. This feedback will assist the Board to make a recommendation, to lead the business forward and continue to deliver value to WA grain growers.

Further information

www.cbh.com.au

Email **consult@cbh.com.au**

Grower Service Centre on **1800 199 083**.

Where to from here?

GROWER MEETING LOCATIONS

| LOCATION | DATE | TIME |
|----------------|------------|---------|
| Brookton | 29/08/2016 | 9.00am |
| Esperance | 29/08/2016 | 10:30am |
| Bruce Rock | 29/08/2016 | 2.00pm |
| Ravensthorpe | 29/08/2016 | 3.30pm |
| Merredin | 30/08/2016 | 9.00am |
| Lake King | 30/08/2016 | 9.00am |
| Southern Cross | 30/08/2016 | 1.30pm |
| Lake Grace | 30/08/2016 | 2.00pm |
| Mukinbudin | 31/08/2016 | 9.00am |
| Nyabing | 31/08/2016 | 9.30am |
| Kalannie | 31/08/2016 | 2.00pm |
| Jerramungup | 31/08/2016 | 2.00pm |

| LOCATION | DATE | TIME |
|-------------|-----------|---------|
| Cranbrook | 1/09/2016 | 8.00am |
| Moora | 1/09/2016 | 9.00am |
| Williams | 1/09/2016 | 1.30pm |
| Dowerin | 1/09/2016 | 1.45pm |
| Tammin | 2/09/2016 | 9.00am |
| York | 2/09/2016 | 1.30pm |
| Hyden | 8/09/2016 | 9.00am |
| Northampton | 8/09/2016 | 10.00am |
| Corrigin | 8/09/2016 | 1.00pm |
| Mingenew | 8/09/2016 | 3.00pm |
| Perenjori | 9/09/2016 | 9.00am |
| Coorow | 9/09/2016 | 1.30pm |

Final meeting details can be found at cbh.com.au

GLOSSARY

| | | | |
|--|--|---|---|
| Annual General Meeting | means the annual general meeting of grower members. | Dividend | means a distribution of an entity's earnings to a class of shareholders (or the holders of financial instruments). Dividends can be paid as cash payments, as shares, or potentially other property. |
| ASX | means Australian Securities Exchange. | Equity | means the value of assets less the value of liabilities. |
| BLM | means Blue Lake Milling Pty Ltd, a wholly-owned subsidiary of CBH, manufacturing premium Australian oat products. | Franking credit (or imputation credit) | means a tax offset that allows a company to pass on the benefit of tax already paid by the company to shareholders when paying dividends. In the hands of shareholders, these offsets can be used to reduce income tax payable on that dividend received. |
| CBH | means Co-operative Bulk Handling Limited. | Group | means Co-operative Bulk Handling Limited and its subsidiaries. |
| CBH Board | means the Board of Directors of CBH. | Grower | means a Western Australian grain grower who is not necessarily a member of CBH. |
| Chairperson | means the chairperson of the CBH Board. | Grower member | means a grower member of CBH. |
| Collective equity | means equity that is held collectively as a group but which cannot be accessed by individual group members. | Growers Advisory Council or GAC | means the Growers Advisory Council of CBH. |
| Co-operatives Act | means the Co-operatives Act 2009 (WA). | Grower Group Alliance | means a non-profit, farmer-driven organisation connecting grower groups, research organisations and agribusiness in a network across WA. |
| Co-operative Capital Unit (CCU) | is a financial instrument created in accordance with the Co-operatives Act that is issued by a co-operative and confers an interest in the capital, but not the share capital, of the co-operative. A Co-operative Capital Unit can be structured to be debt-like or equity-like and can be issued to members and non-members of the co-operative. | Independent Director | means a Director appointed by the CBH Board and ratified by members (i.e. a Director that is not a Member Director). |
| Councillor | means a councillor appointed to the Growers Advisory Council. | | |
| Director | means a Director of CBH. | | |

| | |
|--------------------------------|---|
| Interflour | means the Interflour group of companies, owned 50% by CBH and operating nine flour mills in Indonesia, Malaysia, Vietnam and Turkey. |
| Liquidity | means the degree to which an asset or security can be readily bought or sold in a market without a negative impact on the price that can be obtained by the seller of the asset. |
| Marketing & Trading | means the Marketing & Trading division of CBH which manages grain accumulations, trading and marketing. |
| Member Director | means a Director elected by grower members. |
| Member | means a grower member of CBH. |
| Net Assets | means the value of assets less the value of liabilities. |
| Ordinary share | means a share in the ordinary capital of an entity that does not have any special or preferred rights. |
| Quality Optimisation | means a virtual grain blending system offered by CBH to assist growers protect the value of their wheat. |
| Preference share | means a share in the capital of an entity that confers on the holder a preference over ordinary shareholders, such as a preference on dividend rights, voting rights or rights on a winding up. |
| Patronage rebate | means a rebate of charges paid by growers to CBH for storage and handling services in line with patronage to CBH. CBH effectively returns excess charges to growers through a rebate mechanism. |
| Redeemable | means a financial instrument being capable of being bought and/or cancelled by the entity that issued it, usually subject to certain conditions. |

| | |
|-----------------------------|---|
| Rules | means the rules of CBH. |
| Storage and Handling | means the Operations division of CBH which manages the grain storage and handling network and logistics. |
| Supply chain | means all of the assets and services that CBH owns and manages to get growers' grain from site to customers including grain storage sites, handling equipment, transport assets, logistics, ports and shipping. |
| Surpluses | means when a business generates more funds or capital than it requires to pay operational expenses, financing costs and other liabilities, and to make necessary reinvestment in the business. |
| Tax exemption | means the exemptions from income taxes under the Income Tax Assessment Act 1997 which are available to CBH as a result of its non-distributing co-operative structure and its not for profit charitable status. |

Where you can find **FURTHER INFORMATION**

On CBH

- **CBH Rules**
www.cbh.com.au/about-cbh/membership/membership-rules
- **Co-operative Principles**
www.cbh.com.au/about-cbh/membership/cooperative-principles
- **Board Charter Extract**
www.cbh.com.au/about-cbh/corporate-governance
- **Board Committee Charters**
www.cbh.com.au/about-cbh/corporate-governance

On Tax

- **Income Tax Assessment Act 1997**
www.legislation.gov.au/Details/C2016C00760

On Regulation

- **Western Australian Co-operatives Act 2009**
www.slp.wa.gov.au/legislation/statutes.nsf/main_mrtile_11234_homepage.html
- **Co-operatives Amendment Bill 2015**
www.parliament.wa.gov.au/parliament/bills.nsf/BillProgressPopup?openForm&ParentUNID=F924C37C0548AB8148257EE4003EAFAC
- **Corporations Act 2001**
www.legislation.gov.au/Details/C2016C00368
- **Bulk Handling Act 1967**
www.slp.wa.gov.au/legislation/statutes.nsf/main_mrtile_100_homepage.html

On Governance

- **Australian Institute of Company Directors**
www.companydirectors.com.au
- **ASX Corporate Governance Council's Principles and Recommendations**
www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-3rd-edn.pdf



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