



15 July 2014

Dear Supplier/Shareholder

**RE: Update on negotiations with the Electrical Trade Union (ETU) and Australian Manufacturers Workers Union (AMWU) and ongoing industrial action**

As you may know, Murray Goulburn Co-Operative Co. Limited (MG) has been in a bargaining period for a new Reliability enterprise agreement with employees via the ETU and AMWU. The agreement relates to 115 employees that provide MG's site maintenance roles.

Negotiations commenced on 28 April 2014 and several meetings have been held in the past 11 weeks to discuss the terms and conditions for the new enterprise agreement.

It has been a key objective for MG to achieve an outcome that:

- supports our employees and protects their entitlements now, and in the future; and
- enables the co-operative to become a more sustainable and globally competitive business, providing improved farmgate returns to our dairy farmer-owners.

Industrial action has been ongoing at all manufacturing sites since 4 July 2014. MG is disappointed that the ETU and AMWU chose to proceed with industrial action at a time when the current enterprise bargaining negotiations were continuing.

The ETU and AMWU have also given MG notice that this industrial action will be escalated to an indefinite stoppage of work for unspecified periods of time commencing at 6am tomorrow, 16 July 2014. It is MG's view that this industrial action is completely unnecessary and unjustified.

At the most recent meeting of the parties held yesterday, MG made a final offer to the relevant workers via the ETU and AMWU. The key components of the offer are set out below.

- MG has offered an overall wage increase of 10.5% over the life of the Agreement (3.5% per year). This is an increase that is well above CPI (2.9%) and the average enterprise agreement wage rises in the manufacturing industry (3.1%).
- Whilst our all current employee's entitlements remain intact, the current redundancy cap is excessive and as such we are firmly of the view that the cap for future new employees must be commercially anchored at 52 weeks.
- MG has made a commitment to directly employ a minimum of one apprentice in each region (i.e. North, East and West). MG will continue to support apprentices by providing them with an opportunity to develop electrical/mechanical skills.

**Next steps**

MG management believes this offer represents a very fair proposal for employees and protects their current entitlements.

Unfortunately the unions involved have still not endorsed this offer. This is very disappointing and presents a further road block that is stalling the process of reaching a positive outcome for our employees.

With industrial action set to continue, MG will need to make alternative arrangements in order to mitigate the impact of industrial action. While we can continue to process your milk, the action does impose costs and risks on our operations.

We have written to the employees involved and encouraged them to accept the offer and support the business and its dairy farmers.

We will keep you up-to-date with developments and hopefully this important matter is resolved soon.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R Poole', written in a cursive style.

**Robert Poole**  
**Executive General Manager Shareholder Relations**