

Monday, 6 June 2016



Supplier update

Dear Suppliers

It's important I begin today with acknowledgment that no member of the Board or Executive Leadership Team shies away from the fact that MG is a farmer-controlled co-operative. It's our defining attribute and what makes us a unique and important player in the Australian dairy industry.

Public commentary from suppliers, governments, industry stakeholders and the media has been robust and extensive following April's announcement. The Board remains committed to communicating fully with suppliers.

Zero tolerance approach to misconduct

Allegations detailed in today's *Australian Financial Review* are very serious. They amount to serious misconduct and go against everything the co-operative stands for and the *Code of Conduct* that the Board and our employees are bound by.

We strongly encourage the suppliers making these allegations to report them to the company without delay so they can be properly investigated. If they are not comfortable doing that, we encourage them to contact a confidential hotline, which is run by an independent third party. To access the confidential alert line:

- From Australia: Call 1300 30 45 50 (from 8am to 6pm AEST, Monday to Friday)
- Outside of Australia: Call +61 3 9811 3275
- By email: mg@stoline.com.au

As Chairman, I take any and all reports of misconduct incredibly seriously. As does interim Chief Executive Officer, David Mallinson, who encourages suppliers who have a genuine concern to call his office on (03) 9040 5561 so the matter can be promptly investigated. Your Board is also available to discuss issues of this nature with you as a priority.

Discussion regarding Profit Sharing Mechanism

As part of its due diligence, the Board has considered the Profit Sharing Mechanism for FY16. It unanimously believes it is not in the best interests of either shareholders or unitholders to step away from the Profit Sharing Mechanism and is therefore unable to support such calls.

The factors leading to a reduced FY16 opening farmgate milk price have been well documented by MG. The Board does not consider these circumstances are critical enough to allow a one-off deviation from the Profit Sharing Mechanism. As advised previously, our supplier/shareholders receive two-thirds (66%) of the dividend/distribution pool so stepping away from it will further impact suppliers.

In closing, we will continue to keep you updated as we move forward.

Yours sincerely,

Philip Tracy
Chairman