



MG Unit Trust
Corporate Governance
Statement 2016



Corporate Governance Statement

1. Introduction

This Corporate Governance Statement outlines the governance framework of the MG Unit Trust (**Trust**) for the year ended 30 June 2016.

The Trust is listed on the Australian Securities Exchange (**ASX**) and is a managed investment scheme registered under the *Corporations Act 2001* (Cth) (**Corporations Act**). The responsible entity of the Trust is MG Responsible Entity Limited (**Company**) and it is a wholly owned subsidiary of Murray Goulburn Co-operative Co. Limited (**Murray Goulburn**). The Company holds an Australian Financial Services Licence which authorises it to act as the responsible entity of the Trust.

The Board of the Company is committed to ensuring that its policies and practices reflect a high standard of corporate governance. The Board considers that the Trust's governance framework and adherence to that framework are fundamental in demonstrating that the Directors are accountable to unitholders and are appropriately overseeing the management of risk and the future direction of the Trust.

The third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**) sets out a recommended corporate governance framework for listed entities. This Corporate Governance Statement sets out how the Trust has complied with the ASX Recommendations as they apply to externally managed listed trusts for the period ended 30 June 2016. The Company, as responsible entity of the Trust, has also lodged an Appendix 4G (Key to Disclosures – Corporate Governance Principles and Recommendations) with the ASX.

The ASX Recommendations provide that a number of the recommendations may require modification, or may not apply to externally managed listed entities. The Trust is externally managed by the Company and therefore ASX Recommendations 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 2.1, 2.2, 2.4, 2.5, 2.6, 8.1, 8.2 and 8.3 are not applicable to the Trust. Where, after due consideration, the Trust's corporate governance practices depart from any ASX Recommendation, this Corporate Governance Statement sets out the reasons for the departure.

The Trust's key governance documents, including the Constitution, Board Charter and key policies, are available on the website at www.mgc.com.au/investor-centre/governance.

Key activities during the year

The principal activity of the Trust during the period has been to act as a special purpose, passive funding vehicle holding only an interest in subordinated Notes and Convertible Preference Shares (**CPS**) issued by Murray Goulburn. The Notes and CPS are held by the trustee of the Murray Goulburn Sub Trust on trust for the Company as responsible entity of the Trust. Murray Goulburn is the ultimate parent of each of the Company and the trustee of the Murray Goulburn Sub Trust.

2. Role and Responsibilities of the Board

Board

The Trust is managed under the supervision and direction of the Board of the Company.

The Board is responsible for the management, administration and overall corporate governance of the Trust, in each case including the protection of unitholders' interests, developing strategic direction, establishing goals for management and monitoring the achievement of these goals.

When acting as Directors of the responsible entity of the Trust, the Directors must act in the best interest of unitholders, and if there is a conflict between the interests of unitholders and the interest of the Company, the Directors must give priority to the interest of unitholders.

The Board has adopted a Board Charter which sets out its key responsibilities, the relationship and interaction between the Board and management and the authority delegated by the Board to management and Board Committees. The Board Charter is available on the website at www.mgc.com.au/investor-centre/governance.

The Board's responsibilities, as set out in the Board Charter, include:

- contributing to and approving management's development of strategy for the Trust, including setting performance objectives and approving operating budgets;
- overseeing, reviewing and monitoring systems of risk management, internal controls and ethical and legal compliance, which includes reviewing procedures to identify the main risks associated with the Company and the Trust (including the management of material exposure to economic, environmental and social sustainability risks) and the implementation of appropriate systems to manage those risks;
- reviewing at least annually the Company's risk management framework to satisfy itself that it continues to be sound;
- monitoring performance and implementation of strategy and policy for the Trust;
- approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting and ensuring compliance with financial reporting requirements;
- developing and reviewing the Company's corporate governance principles and policies; and
- ensuring unitholders are kept informed of the Trust's performance and major developments affecting its state of affairs.

The Board also oversees the relationship with the External Auditor and reviews the External Auditor's scope of work, including the external audit plan, to ensure it is appropriate, having regard to the key risks of the Trust. The External Auditor reports to the Board and is given an opportunity to raise issues with the Board in the absence of management. Given that this is the first year of operation of the Trust and the first audit process undertaken in respect of the annual financial statements and reports, the Board will review the performance and independence of the External Auditor before the end of calendar year 2016 and on an annual basis going forward. PricewaterhouseCoopers (**PwC**) is currently the External Auditor of the Trust.

Similarly, the Board (through its Compliance Committee) oversees the relationship with the compliance plan Auditor and reviews its scope of work, including the compliance plan audit plan, to ensure it is appropriate, having regard to the key risks relevant to the compliance framework. The compliance plan Auditor reports to the Compliance Committee periodically. Given that this is the first year of operation of the Trust and the first audit process undertaken in respect of the compliance plan, the Compliance Committee will review the performance of the compliance plan Auditor before the end of calendar year 2016 and on an annual basis going forward. PwC is currently the compliance plan Auditor. The financial statements and compliance plan audit services are provided by separate divisions of PwC.

Given the economic relationship between the Trust and Murray Goulburn through the Notes and CPS and that control of Murray Goulburn's business and operations is with the board of Murray Goulburn, it is considered that most of the information that will have a material effect on the price of units will relate to the performance and operations of Murray Goulburn. Accordingly, the Trust has an exposure to the specific and general risks facing Murray Goulburn's business. The board of Murray Goulburn (which is the same as the Board of the Company) has created a framework for managing Murray Goulburn, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Murray Goulburn's business and which are designed to promote the responsible management and conduct of Murray Goulburn. While the Trust does not have a separate internal audit function, such a function does exist to support efforts to manage and control risks relevant to Murray Goulburn's business and to:

- improve the efficiency and effectiveness of key business processes and internal control systems;
- monitor compliance with Company-wide requirements, policies and procedures; and
- provide assurance on the operating effectiveness of controls.

Notwithstanding that the Board of the Company is the same as the Board of Murray Goulburn, the Company has access to all information required to fulfil its obligations under the Corporations Act and ASX Listing Rules by virtue of the Relationship Deed entered into with Murray Goulburn.

Delegation to management

The Board has delegated to the Chief Executive Officer (**CEO**) and, through the CEO, to other officers to whom the management function is properly delegated by the CEO, responsibility for the day-to-day management of the Trust and implementation of the Trust's strategy and budgets. The CEO and the management team are required to operate in accordance with Board approved policies and delegations of authority and management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Management also attend all scheduled Board meetings, by invitation, where they present, discuss and provide input on their respective areas of responsibility.

Independent professional advice

The Board and its Committees may access independent experts and professional counsel for advice where appropriate and may invite any person from time to time to attend meetings.

3. Structure of the Board

Membership

The Board currently has nine Non-executive Directors – Philip Tracy, Ken Jones, Natalie Akers, William Bodman, Peter Hawkins, Michael Ihlein, Graham Munzel, John Pye and Martin Van de Wouw. All Directors were appointed in April 2015 and each is considered to be independent.

The Directors are appointed by the Company's sole shareholder, Murray Goulburn. Murray Goulburn seeks to ensure that the Board has an appropriate range of skills, experience and expertise to enable it to effectively carry out its responsibilities.

The Board comprises the same Directors as the individuals on the board of Murray Goulburn. The Company's Chairman is Philip Tracy and the Deputy Chairman is Ken Jones. The Chairman and Deputy Chairman are both Non-executive Directors who the Board consider to be independent, having regard to the guidelines adopted by the Board to assist in considering independence (as described below).

The Company has an interim CEO, David Mallinson, who has not been appointed as a Director. It is intended that once the position of CEO is permanently filled, the new CEO will be appointed as a Director.

Meetings

The Board met 10 times during the year, which included various ad hoc meetings.

All Directors have direct access to the Company Secretary, Fiona Smith, who is responsible for coordination of all Board business.

Independence and conflicts of interest

The Board has adopted guidelines, as set out in the Board Charter, which are used to assist the Board in considering the independence of Directors and are based on the definition of independence listed in Box 2.3 of the ASX Recommendations. The Board only consider a Director to be independent where he or she is not a member of management and is free of any interest, position, association or relationship that might influence, or might reasonably be perceived to influence, in a material respect his or her capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of the Company and unitholders of the Trust. A copy of the guidelines can be found in Attachment 1 to the Board Charter at www.mgc.com.au/investor-centre/governance. On this basis, all Directors are considered to be independent.

Under the Corporations Act, ASX Listing Rules and general law, Directors and senior officers must avoid situations where their interests and those of the Company conflict. The Board has adopted the Conflicts of Interest Policy to provide the Directors and senior officers with guidelines for complying with their obligations to take all reasonable steps to avoid actual, potential or perceived conflicts of interests. The Conflicts of Interest Policy also provides guidelines for the Company in handling related party transactions.

Committees

To assist the Board to carry out its responsibilities with respect to management of the Trust's operations and business, the Board has established a permanent Compliance Committee. Other committees may be established from time to time to deal with specific matters.

The Trust has received an ASX waiver from ASX Listing Rule 1.1 condition 13 and ASX Listing Rule 12.7, relieving the Trust from the requirement to establish an Audit Committee. Similarly, the Trust has received an ASX waiver from ASX Listing Rule 1.1 condition 16 and ASX Listing Rule 12.8, relieving the Trust from the requirement to establish a Remuneration Committee.

The ASX granted the waivers on the basis that the Trust has very limited operational functions and strict compliance with ASX Recommendation 4.1 by the Trust would be an added administrative burden with very little additional corporate governance benefit. In addition, Murray Goulburn is responsible for the administration costs for the Trust, including the provision of employees and payments to Directors of the responsible entity (see section 5 below). Neither the Trust nor the Company employ any personnel directly.

The Board has not established a separate Risk Committee. As discussed above, the Board has responsibility for overseeing risk and the Trust's risk management framework.

Compliance Committee

Role and responsibilities

The role of the Compliance Committee is to assist the Board to oversee and monitor the performance of the procedures and processes implemented by management to ensure compliance with key legislative and regulatory requirements relevant to the Trust.

The Committee's key responsibilities and functions include:

- ensuring the Company complies with the Trust's compliance plan;
- reporting to the Board any breach of the Corporations Act involving the Trust or any breach of the Trust's Constitution or compliance plan; and
- assessing the adequacy of the Trust's compliance plan at regular intervals.

Membership and meetings

The Committee must consist of a minimum of 3 members and a majority of members must be external members (as defined in the Corporations Act).

The members of the Committee during this period were:

Name	Membership status for FY2016
Raymond Kellerman	External member for the entire period
Clifford Clayton	External member for the entire period
Bradley Hingle	Member for the entire period

Since the end of the reporting period, Bradley Hingle has ceased to be a member of the Compliance Committee, with David Mallinson appointed to replace him.

Non-committee members, including members of management, the External Auditor and the compliance plan Auditor may attend meetings of the Committee at the invitation of the Committee chair.

The Compliance Committee met four times during the period.

4. Risk Management

The Board of the Company is primarily responsible for the oversight of the Trust's risk management framework. This includes reviewing procedures to identify the main risks associated with the Company and the Trust (including the management of any material exposure to economic, environmental and social sustainability risks), the implementation of appropriate systems to manage those risks and setting the risk management tone and expectations across the Company.

Risk Management Statement

The Company has developed a Risk Management Statement to address its risk management arrangements. The Statement reflects the Company's role as the responsible entity of an externally managed trust, which is listed on the ASX with specific legal and statutory obligations.

The Company's risk management framework is based on the methodology set out in the Australian New Zealand standard on Risk Management Systems (AS/NZS 31000-2009) and is designed to:

- describe the Company's risk management arrangements in relation to its role as the responsible entity of the Trust;
- ensure the Company complies with its obligations to have adequate risk management systems;
- identify the Company's risk management reporting lines; and
- describe the frequency and nature of the Company's internal and external risk review processes.

The Board annually reviews the Trust's risk management framework, including during the reporting period, to satisfy itself that it continues to be sound. Given its structure and the arrangements in place with Murray Goulburn, the Trust has an exposure to specific and general risks facing Murray Goulburn's business. Murray Goulburn has implemented a robust enterprise risk management framework underpinned by regular risk assessments and monitoring key risk exposures. The board of Murray Goulburn (which is the same as the Board of the Company) plays a key role in the oversight of key risks by providing strategic guidance on all aspects of risk management across Murray Goulburn, reviewing and approving Murray Goulburn's risk profile each year, reviewing, ratifying and monitoring systems of risk management and setting the risk management tone and expectations across Murray Goulburn.

Economic, environmental and social sustainability risks

The Trust is considered to have a material economic exposure to the Murray Goulburn milk price and the level of distributions delivered to unitholders, based on the structure of the Trust and its arrangements with Murray Goulburn. Returns on units relate to the financial performance of Murray Goulburn and, in particular decisions made by the board of Murray Goulburn in relation to dividends paid by Murray Goulburn to its shareholders. Distribution decisions will be made by Murray Goulburn and not the Company and will be positively correlated to movements in the actual weighted average southern milk region farmgate milk price. In order to manage this risk, the Company has in place a profit sharing mechanism with Murray Goulburn (as described in the Product Disclosure Statement dated 29 May 2015) and a Relationship Deed (see section 5) and the Directors appointed to the Board of the Company are the same individuals as those elected to the board of Murray Goulburn.

Compliance plan and Australian Financial Services Licence

The Company must ensure it complies with the requirements of its Australian Financial Services Licence, the Corporations Act, ASX Listing Rules, and other statutory duties and obligations as imposed by law. The Trust's compliance plan sets out the procedures the Company must follow in operating the Trust to meet its statutory obligations.

To determine whether the Trust has met these statutory obligations, the compliance plan Auditor conducts an annual audit on the Trust's compliance plan. The compliance plan Auditor reports to ASIC on whether the Company has complied with the compliance plan for the financial year and whether the compliance plan continues to meet the requirements of Part 5C.4 of the Corporations Act.

CEO and Chief Financial Officer declaration

The Board receives a written declaration from the CEO and Chief Financial Officer that, in their opinion, the financial records of the Trust have been properly maintained, the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Trust, and that the opinion has been formed on the basis of an adequate system of risk management and internal control which is operating effectively. The interim CEO and the interim Chief Financial Officer gave this declaration to the Directors for the full year ended 30 June 2016.

5. Remuneration

Under the Trust's Constitution, the Company is not entitled to any fee or other remuneration from the Trust but is entitled to be remunerated by a third party for its services as the responsible entity and to be indemnified by a third party for any liabilities incurred by it as the responsible entity and may retain and is not required to account for any benefit so derived by it from that third party. There were no fees paid to the Company for the reporting period.

The Company, in its personal capacity, has entered into the Relationship Deed with Murray Goulburn. The costs of the Trust are payable by Murray Goulburn in accordance with the Relationship Deed.

Under the Relationship Deed:

- Murray Goulburn will be responsible for, and pay directly or reimburse the Company for, all costs properly incurred by the Company in relation to its operations and the operation of the Trust, including accounting, audit, legal and regulatory costs, rental costs and fees and expenses of Directors, responsible managers and Compliance Committee members of the Company;
- Murray Goulburn will provide the Company with staff and with premises, computer systems and other equipment, software, know-how and other tangible and intangible property used by the staff to assist the Company to perform its obligations as the responsible entity of the Trust as specified in the Trust Constitution and the Corporations Act.

6. Conduct and Ethics

Code of Conduct

Murray Goulburn has in place a Code of Conduct, which applies to all Directors, employees, contractors of, and people associated with, or acting on behalf of, Murray Goulburn and its related bodies corporate (the **MG Group**), which includes the Trust.

The key values underpinning the Code of Conduct are:

- actions must be governed by the highest standards of integrity and fairness;
- decisions must be made in accordance with the spirit and letter of applicable law; and
- business must be conducted honestly and ethically, with skill and the best judgement, and for the benefit of customers, employees, investors and the MG Group alike.

The Code of Conduct provides clear direction and advice on general workplace behaviour and how to conduct business both domestically and internationally, interacting with investors, business partners and the communities in which the MG Group operates.

Securities Dealing Policy and insider trading

A Securities Dealing Policy is in place and covers dealings in securities by Directors and employees of the Company and complies with the ASX Listing Rule requirements for a trading policy. Murray Goulburn has also adopted this policy for its directors and employees. The Securities Dealing Policy, which is available at www.mgc.com.au/investor-centre/governance, restricts dealings by Directors and employees in Murray Goulburn securities and units in the Trust during designated prohibited periods and at any time they are in possession of unpublished price sensitive information. The Securities Dealing Policy aims to ensure that public confidence is maintained in the reputation of the MG Group, the reputation of the Directors and employees of the MG Group and in the trading of units in the Trust and in Murray Goulburn securities.

7. Continuous Disclosure and Communications with Unitholders

Market disclosure

The Company (through the Board) is responsible for the corporate governance of the Trust and therefore has significant continuous disclosure obligations under the Corporations Act and the ASX Listing Rules.

The Company is committed to making timely and balanced disclosure of all material matters concerning the Trust and effective communication with its key stakeholders so as to give them ready access to clear and relevant information to assist them in making informed decisions. Accordingly, the Company and Murray Goulburn have adopted a Market Disclosure and Communications Policy. Further information regarding the mechanism in place in relation to market disclosure and stakeholder communication is set out in the Market Disclosure and Communications Policy which is available at www.mgc.com.au/investor-centre/governance.

Murray Goulburn and the Company have entered into the Relationship Deed and Continuous Disclosure Deed Poll in recognition that most of the information that will have a material effect on the price of units in the Trust will relate to the performance and operations of Murray Goulburn. The deeds provide that Murray Goulburn and the Company will coordinate their continuous disclosure functions and specify a process designed to enable the Company to obtain information that is, or may be, information that would have a material effect on the price or value of units for the purpose of the Company meeting its continuous disclosure obligations.

Communication with unitholders

The Company places a high priority on communication with its shareholder, unitholders, market participants and other stakeholders and aims to ensure they are kept informed of all major developments affecting the state of affairs of the Trust.

One of the key communication tools is the website. The website contains the key governance documents, market announcements, the Annual Report and half-yearly financial statements and other communications to key stakeholders. The website also contains a facility for unitholders to direct inquires to the Company.

In conjunction with the website, the Company has an Investor Relations program to facilitate effective two-way communication with investors. The program is intended to supplement the Company's Market Disclosure and Communications Policy. The Company has provided unitholders with contact details for the investor relations and media personnel through which they can direct questions. As part of the program, the Company has also adopted a Complaints Handling and Dispute Resolution Policy and has an email contact through which unitholders can lodge a complaint.

The Company encourages unitholders to receive Trust communications electronically. Unitholders may elect to receive all or some of their unitholder communications electronically. This election can be made directly with the Trust's registry, Computershare Investor Services Pty Limited.

Unitholder meetings

The Trust is not required to hold an annual general meeting of unitholders. In the event that the Company convenes a general meeting of the Trust's unitholders, the Board will follow the procedures set out in the Trust Constitution and will consider best practice methods to facilitate unitholder participation.

This Corporate Governance Statement has been approved by the Board of the Company.