

Corporate Governance Policy



Approved: 21 February 2013
By: Board of Directors

Murray Irrigation

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This policy is supported by a Directors' Handbook and various internal procedures and resources that define specific practices to be implemented by directors and management alike, to give effect to the statements contained in this policy.

Murray Irrigation's approach to corporate governance

1. Murray Irrigation's Board of Directors and management strongly support the principles of good corporate governance. This is particularly important given the highly regulated industry in which Murray Irrigation and its subsidiaries and other business units operate, the Constitutional provision of a large proportion of the Board comprising shareholders who are also customers, the relatively high barriers to entry and exit for shareholders, and for the long term sustainability of our businesses.
2. The Board seeks to operate as a professional, efficient and effective body whose practices accord with, and reflect, accepted principles and standards of corporate governance – where that expression is understood to mean:
*'...the framework of rules relationships, systems and processes within and by which authority is exercised and controlled in corporations. Understood in this way, the expression 'corporate governance' embraces not only the models or systems themselves but also the practices by which that exercise and control of authority is in fact effected.'*¹
3. The Board will ensure Murray Irrigation's corporate governance practices are reviewed regularly and will continue to be developed and refined to meet the needs of the Murray Irrigation Limited taking account of best practice.
4. In matters of corporate governance standards and within the boundaries of the company's Constitution, Board and Management take as their chief guides:
 - a) The Australian Securities Exchange Corporate Governance Principles and Recommendations (2007, with 2010 amendments)
 - b) Australian Standard AS 8000 Good Governance Principles
 - c) Applicable standards advocated by the Australian Institute of Company directors and Chartered Secretaries Australia.

Composition, skills and performance of the Board

5. The Board is committed to seeking composition of the Board, within the parameters approved by shareholders in the company Constitution, that provides an appropriate mix of skills and expertise in order to discharge its duties.
6. The Board will maintain a set of 'candidate criteria' that summarises all legal and Constitution requirements, as well as describes desirable attributes and skills sought by the Board. This criteria is to be made available to all potential director candidates at each election or appointment.
7. The Chairman of the Board is appointed by the Board as a whole in accordance with procedures developed and adopted by the Board.
8. The Board supports the continuing education of all directors and staff to enable them to conduct their duties in an efficient and knowledgeable manner.

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9. All Directors are required to obtain accreditation or membership with the Australian Institute of Company Directors including completion of the 'Company Directors Course' or equivalent.
10. The Board will undertake an independent evaluation of its performance at least once every two years and will commit to reviewing and implementing appropriate recommendations from such reviews.
11. Details of the directors, their qualifications and experience are published on the Murray Irrigation website and in the company's annual reports.

Responsibilities and functions of the Board and management

12. At law the authority of the Board derives from the Corporations Act 2001, Murray Irrigation Limited's own Constitution and the State legislation governing the licences issued to Murray Irrigation to conduct its operations and related activities.
13. To assist it in the execution of its duties the Board enlists, through delegated powers, the assistance of Management. The Board agrees the responsibilities and functions of the Board as well as those of directors, the Chairman and the General Manager.
14. The principal functions of the Board are to:
 - a) Review, critique, enhance (where appropriate, in collaboration with Management) and approve the strategies, budgets and business plans prepared by Management
 - b) Assure itself of the effectiveness of MIL's governance models, systems and practices including, amongst other things:
 - c) The quality, performance and remuneration of the executive team
 - d) The appropriateness of organisational arrangements and structures
 - e) The adequacy of internal controls, policies, procedures and processes
 - f) Review, ratify and monitor systems of risk management
 - g) Oversee performance against targets and objectives
 - h) Oversee the reporting to shareholders and stakeholders on the strategic direction, governance and performance of Murray Irrigation
 - i) Appoint and oversee the performance of the General Manager
 - j) Oversee the performance of the executives reporting to the General Manager.
15. Powers delegated by the Board to Management include the authority to undertake both financial and non-financial transactions and incur expenditure on behalf of Murray Irrigation up to specified thresholds. These authorities are set down in Murray Irrigation's Delegation of Authority instrument, which has been agreed by the Board with Management.
16. Powers that remain the preserve of the Board as 'key decisions' (defined in the company Constitution) will comprise:
 - a) A determination, increase or decrease of Annual Allocation
 - b) A determination of an application by a customer to convert Water Entitlements from one class to another
 - c) The making determinations on applications by shareholder customers to convert classes of Water Entitlement
 - d) A determination of charges
 - e) The investment of reserves.

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Director Independence and Conflict of Interest

17. Directors are required to be meticulous in their disclosure of any material contract or relationship, including relevant interests of family companies and spouses and involvement with other companies, professional firms, or other related parties.
18. Directors are required to adhere strictly to the constraints on their participation and voting in relation to matters in which they may have an interest, in accordance with the Corporations Act and policies of Murray Irrigation.
19. Appropriate procedures and protocols are in place to assist directors to meet these obligations and are regularly reviewed by the Board.
20. These procedures and protocols place, amongst other things, obligations and restrictions on customer directors in relation to their trading activities to assist avoid potential conflicts of interest. This includes appropriate blackout periods where directors are not permitted to trade in Murray Irrigation marketable products.
21. Protocols forming part of the organisation's code of conduct will be enforced in relation to gifts and corporate hospitality received to ensure that no inappropriate or unethical behaviour occurs or could be inferred or perceived.

Committees of the Board

22. To assist it further in attending to its duties – and as a means of providing directors with first-hand insight into critical aspects of Murray Irrigation's business, the Board has established three Committees:
 - a) A Finance, audit and Risk Management Committee.
 - b) A Service Infrastructure Committee.
 - c) A Remuneration Committee.
23. Each Committee must include one independent, non-executive Director. Each Committee has its own charter, which sets out its composition, role, responsibilities and key processes. The Board has not delegated executive authority to its Committees.
24. Committees of the Board serve an essential purpose in supplementing the resources of the Board where policy development and implementation, the monitoring and control of the application of policy, and the carriage of special briefs are concerned (among other things, in accordance with the individual Committee's charter).

Internal control framework

25. The Board is committed to ensuring appropriate frameworks are in place and regularly reviewed in relation to:
 - a) Internal controls
 - b) Sound annual budgeting and financial management processes including capital budgeting and expenditure, procurement, investment of reserves and taxation management.
 - c) Adequate and appropriate monthly reporting of both financial and operational performance is provided by Management to the Board
 - d) Risk and compliance management and business continuity planning
 - e) Preparation of annual and half-yearly financial statements

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- f) Assurance reporting on the above topics by both Management and the company auditor

Management of risk

- 26. Murray Irrigation adopts concepts and principles identified in the AS/NZS ISO 31000:2009 – Risk Management standard.
- 27. A framework of policy, processes and guidelines is established to ensure that Murray Irrigation's Risk and Compliance attributes and responsibilities are monitored and updated appropriately, including major projects. These profiles identify the:
 - a) Nature and likelihood of occurrence for specific material risks;
 - b) Key controls that are in place to mitigate and manage the risk;
 - c) Sources and levels of assurance provided on the effective operation of key controls;
 - d) Responsibilities for managing these risks;
 - e) Applicability of a Business Continuity Plan.

Independent professional advice

- 28. The Board supports individual directors, after following documented protocols including notification to the Chairman (or in the case of the Chairman, the Chair of the Finance, Audit and Risk Management Committee), obtaining independent professional advice at the expense of the company to assist directors to discharge their duties in a responsible manner.

Strategic Planning

- 29. Murray Irrigation will maintain, and monitor performance against, a five-year strategic plan reviewed and approved by the Board each year. The Strategic Plan is to define the underlying values and objectives of the company over the five-year planning window and is to guide company activities and policy during that time.

Sustainability

- 30. Murray Irrigation is committed to the long term sustainability of its operations and aims to optimise the social, environmental, workplace and economic impact of its operations for the benefit of all stakeholders.
- 31. Murray Irrigation will develop and maintain appropriate policies and protocols to achieve these aims, having regard to compliance with the company's various licences and the regulated environment in which it operates.

Engaging Shareholders

- 32. Murray Irrigation will maintain a variety of communication methods with its shareholders to ensure appropriate and timely information is provided including:
 - a) Website,
 - b) annual report,
 - c) annual general meeting
 - d) Regular customer information and consultation meetings
 - e) weekly bulletins ('Talking Water'),
 - f) mail-outs,

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- g) email and other means where appropriate.
- 33. Murray Irrigation's website provides stakeholders with a range of information about Murray Irrigation, including its operations, history, strategies, values, market information about tradeable products, and shareholder reports.
- 34. Dedicated shareholder relations personnel are made available to assist in responding promptly to all shareholder inquiries. Such personnel include Water Trade Officers, Administration Manager (Company Secretary), and the Executive Manager Corporate Affairs.
- 35. Murray Irrigation encourages its shareholders to participate fully at its annual general meeting and other relevant meetings held by the company throughout each year.

Policies of the Company

- 36. The Board of Directors will ensure that the policies of the company are reviewed and updated on a regular basis to ensure currency and appropriateness.
- 37. All 'external' policies applying to customers or third parties outside the company will be approved by the Board and changes communicated to relevant stakeholders as soon as possible.

Ownership, Implementation and Review

- 38. The Board of Directors will own this policy and its content and be responsible for its review and implementation with the input and support of Management.
- 39. The policy will be reviewed in accordance with the Board's agreed framework.

¹ Justice Neville Owen, HIH Royal Commission, *The Failure of HIH Insurance, Commonwealth of Australia*, 2003, vol. 1, p 101, as cited in Harris J., *Company Law: Theories, Principles and Applications*, Lexis/Nexis Butterworths Australia, 2012, p 169.