

Background

The Trust Company (RE Services) Limited ("**Responsible Entity**") is the responsible entity for the Vitalharvest Freehold Trust ("**Trust**"), a registered managed investment scheme that is listed on the Australian Securities Exchange ("**ASX**").

The Responsible Entity is a wholly-owned subsidiary of Perpetual Limited (ASX: PPT) ("**Perpetual**").

The Responsible Entity is reliant on Perpetual for access to adequate resources including directors, management, staff, functional support (such as company secretarial, responsible managers, legal, compliance and risk, finance) and financial resources. During the year and up to the date of this report, Perpetual has at all times made such resources available to the Responsible Entity.

In operating the Trust the Responsible Entity's overarching principle is to always act in good faith and in the best interests of the Trust's unitholders, in accordance with our fiduciary duty. The Responsible Entity's duties and obligations in relation to the Trust principally arise from: the Constitution of the Trust; the Compliance Plan for the Trust; the Corporations Act 2001 ("**Act**"); the ASX Listing Rules; the Responsible Entity's Australian Financial Services License; relevant regulatory guidance; relevant contractual arrangements; and other applicable laws and regulations.

Corporate Governance

At Perpetual, good corporate governance includes a genuine commitment to the ASX Corporate Governance Council Principles and Recommendations (ASX Principles).

The Directors of the Responsible Entity are committed to implementing high standards of corporate governance in operating the Trust and, to the extent applicable to registered schemes, are guided by the values and principles set out in Perpetual's Corporate Responsibility Statement and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("**Principles**"). The Responsible Entity is pleased to advise that, to the extent the Principles are applicable to registered schemes; its practices are largely consistent with the Principles.

As a leading independent responsible entity, the Responsible Entity operates a number of registered managed investment schemes ("**Schemes**"). The Schemes include the Trust as well as other schemes that are listed on the ASX. The Responsible Entity's approach in relation to corporate governance in operating the Trust is consistent with its approach in relation to the Schemes generally.

The Responsible Entity addresses each of the Principles that are applicable to externally managed listed entities in relation to the Schemes, including the Trust, for the year ended 30 June 2017. This corporate governance statement is current as at the date of the Trust's financial report and has been approved by the Responsible Entity board.

Principle 1 – Lay solid foundations for management and oversight

The role of the Responsible Entity's Board ("RE Board") is generally to set objectives and goals for the operation of the Responsible Entity and the Schemes, to oversee the Responsible Entity's management, to regularly review performance and to monitor the Responsible Entity's affairs acting in the best interests of the unitholders of each of the Schemes. The RE Board is accountable to the unitholders of each of the Schemes, and is responsible for approving the Responsible Entity's overall objectives and overseeing their implementation in discharging their duties and obligations and operating the Schemes.

The role of the Responsible Entity's management is to manage the business of the Responsible Entity in operating the Schemes. The RE Board delegates to management all matters not reserved to the RE Board, including the day-to-day management of the Responsible Entity and the operation of the Schemes. Directors, management and staff are guided by Perpetual's Code of Conduct which is designed to assist them in making ethical business decisions.

Principle 2 – Structure the board to add value

At present the RE Board consists of four executive directors and three alternate directors. The names of the current Directors and year of appointment is provided below:

Name of Director	Year of appointment
Glenn Foster	2015
Michael Vainauskas	2015
Vicki Riggio	2018
Richard McCarthy	2018
Andrew Mclver (Alternate)	2017
Philip Blackmore (Alternate)	2018

As the RE Board consists of only executive directors, a Compliance Committee is appointed in relation to each of the Schemes (refer to Principle 7). The Committee has a majority of independent members and is chaired by an independent member who is not the chair of the RE Board

Principle 3 – Promote ethical and responsible decision-making

The Responsible Entity has a Code of Conduct and espoused Core Values and a further values framework known as "The Way We Work" within which it carries on its business and deals with its stakeholders. These apply to all directors and employees of Perpetual, and the Responsible Entity. The Code of Conduct and Core Values, and supporting risk framework supports all aspects of the way the Responsible Entity conducts its business and is embedded into Perpetual's performance management process. The Code of Conduct is available on Perpetual's website (www.perpetual.com.au).

Principle 4 – Safeguard integrity in financial reporting

The RE Board does not have an audit committee. Under delegation by the RE Board, the Responsible Entity Services management and staff operate within a Compliance and Risk Management framework with specific policies and procedures designed to ensure that the Trust's

- financial reports are true and fair and meet high standards of disclosure and audit integrity; and
- other reports released on ASX are materially accurate and balanced.

This includes policies relating to the preparation, review and sign off process required for the Trust's financial reports including the operation of an Internal Review Accounts Committee and RE Board approval process, the engagement of the Trust independent auditors and the review and release of certain reports on the ASX.

The declarations under section 295A of the *Corporations Act 2001 (the Act)* provide formal statements to the RE Board in relation to the Trust (refer to Principle 7). The declarations confirm the matters required by the Act in connection with financial reporting. The Responsible Entity receives confirmations from the service providers involved in financial reporting and management of the Trust, including the Investment Manager. These confirmations together with the overarching Responsible Entity's Risk and Compliance Framework which includes the service provider oversight framework assist its staff in making the declarations provided under section 295A of the Act.

The Responsible Entity manages the engagement and monitoring of independent 'external' auditors for the Trust. The RE Board receives periodic reports from the external auditors in relation to financial reporting and the compliance plan for the Trust.

Principle 5 – Make timely and balanced disclosure

The Responsible Entity has a continuous disclosure policy to ensure compliance with the continuous disclosure requirements of the Act and the ASX Listing Rules in relation to the Trust. The policy requires timely disclosure of information to be reported to the Responsible Entity's management and/or Directors to ensure that, information that a reasonable person would expect to have a material effect on the unit price or would influence an investment decision in relation to any of the Trust, is disclosed to the market. The Responsible Entity's employees assist management and/or the Directors in making disclosures to the ASX after appropriate consultation. The Responsible Entity requires service providers, including the Investment Manager, to comply with its policy in relation to continuous disclosure for the Trust.

Principle 6 – Respect the rights of unitholders

The Responsible Entity is committed to ensuring timely and accurate information about the Trust is available to security holders via the Trust's website. All ASX announcements are promptly posted on the Trust's website: www.vitalharvest.com.au/investor.

The annual and half year results financial statements and other communication materials are also published on the website.

In addition to the continuous disclosure obligations, the Responsible Entity receives and responds to formal and informal communications from unitholders and convenes formal and informal meetings of unitholders as requested or required. The Responsible Entity has an active program for effective communication with the unitholders and other stakeholders in relation to Trust.

The Responsible Entity handles any complaints received from unitholders in accordance with Perpetual's Complaints Handling Policy. The Responsible Entity is a member of the Australian Financial Complaints Authority (AFCA), an independent dispute resolution body, which is available to unitholders in the event that any complaints cannot be satisfactorily resolved by the Responsible Entity in relation to the Trust.

The Responsible Entity is also committed to communicating with shareholders electronically in relation to communications from the share registry. Shareholders may elect to receive information from the Company's share registry electronically.

Principle 7 – Recognise and manage risk

The RE values the importance of robust risk management systems and maintains a current risk register as part of its formal risk management program. The RE has established a Compliance Committee, comprised of Michelene Colopy (Chairperson), Virginia Malley and Michael Vainauskas. The Compliance Committee meets at least quarterly. In 2018/19 financial reporting period all five meetings were attended by all Compliance Committee members. The Compliance Committee Charter sets out its role and responsibilities, which is available on request. The Compliance Committee is responsible for compliance matters regarding the RE's Compliance Plan and Constitution and the Corporations Act.

Perpetual's Audit, Risk and Compliance Committee is responsible for oversight of the Perpetual's risk management and internal control systems. The Audit, Risk and Compliance Committee is comprised of Ian Hammond, Philip Bullock, Nancy Fox and P Craig Ueland. The Audit, Risk and Compliance Committee terms of reference sets out its role and responsibilities. This can be obtained on the Perpetual website. The majority of the Compliance Committee and the Audit, Risk and Compliance Committee members are external members. They are chaired by external members.

The RE manages the engagement and monitoring of independent external auditors for the Trust. The RE board receives periodic reports in relation to financial reporting and the compliance plan audit outcomes for the Trust.

Perpetual has a risk management framework in place which is reviewed annually. The declarations under section 295A of the Act provide assurance regarding sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The RE also receives appropriate declarations from the service providers involved in financial reporting.

Perpetual has an Internal Audit function which reports functionally to Perpetual Limited Audit Risk & Compliance Committee (ARCC), and for administrative purposes, through the General Manager – Risk & Internal Audit, and is independent from the external auditor. Perpetual Internal Audit establishes a risk-based audit plan each year that is approved formally by the ARCC, and executes internal audits of Perpetual Business Units in accordance with the plan. The plan is re-assessed quarterly and reviewed to ensure that it is dynamic and continues to address the key risks faced by the Group. Progress against the plan, changes to the plan, and the results of audit activity are reported quarterly to the ARCC.

The Trust has material exposure to the economic, environmental and social sustainable risks listed below, all of which may have an adverse impact on the aggregate rent which the Trust receives and the value of the properties. All of the material risks listed are managed by the current tenant of the Trust properties (ASX: CGC) who reports regularly to the Investment Manager, and/or the market, on its management strategies for these material risks and its outcomes.

Weather and climate risks

Extreme weather events including fire, frost, floods, hail or drought and climate change may result in damage to crops at the Trust properties which may adversely impact agricultural productivity. The Tenant partially mitigates against weather risk by investing in weather protective growing environments and equipment. Possible changes in climate may also have an adverse impact on the tenant's business operated from the properties. The Trust has sought to manage the impact of this risk by increasing the geographic diversity of its properties.

Access to water

Due to the highly regulated nature of water from the Murray River system, the citrus properties may be exposed to water availability risks which may adversely impact agricultural productivity on the citrus properties and the financial position of the Trust. Changes in government policy relating to the delivery and cost of water may also impact the underlying value properties. Water at the berry properties is predominantly locally sourced surface and groundwater and therefore is dependent on the level of rainfall into catchment areas and dams. The Tenant regularly reviews its short and medium term water security and takes steps to secure access to additional water as and when

required, together with continuing to invest in technology and growing techniques that improve water efficiency. The Trust from time to time purchases permanent water entitlements which are in turn leased to the tenant and reduce exposure to the temporary water market.

Disease and other horticultural risks

Plantings at the properties may be exposed to disease or insect infestation which may adversely impact the viability of the crops in any particular season. The suitability of the Properties to produce the intended crops in the future and the value of the Properties may also be adversely effected. Protected cropping reduces the risk of disease and the impact of weather and the tenant actively implements its bio security program on each of the properties in order to reduce the risk of exposure to disease or insect infestation.

Commodity price fluctuations

Changes in both global and domestic commodity pricing may affect the tenants' income, in particular, agricultural commodity price fluctuations in berry and citrus prices and fluctuations in the cost of farming inputs including fertiliser and insecticides. The Tenant actively employs hedging strategies to mitigate this risk.

Exchange rates

The Trusts revenues are generated in Australian dollars. However, a substantial proportion of the citrus products that the tenant produces in Australia are sold in the world market and typically traded in US dollars. Additionally, some input costs such as chemical fertiliser and fuel may be payable in US dollars. Accordingly, any appreciation or depreciation of the Australian dollar against the US dollar as well as other adverse exchange rate movements could have an adverse effect on the Trusts future financial performance and position. The Tenant actively employs hedging strategies to mitigate this risk.

Loss of citrus market

The tenant exports a substantial amount of its citrus produce to offshore markets. The closure of key offshore markets to Australian citrus produce (e.g. through tariffs and restrictions) or it becomes uneconomic to export Australian citrus to these markets by virtue of a rising Australian dollar or other costs. The Tenant actively employs hedging strategies to mitigate the risk of rising Australian dollar and is actively seeking to diversify the international markets in to which it is exporting.

Increasing competition

The berry and citrus markets are competitive, and if the tenants are unable to compete effectively, the tenants' income may suffer, which in turn may have an adverse impact on the aggregate rent which the Trust receives. The Tenant is a significant beneficiary of the import restrictions in place for fresh fruits and vegetables including avocados and berries. Any changes to these import restrictions could have an adverse impact on the tenant's margins and volumes. However, the perishable nature of certain produce also acts as a natural barrier against imports. While the tenant's operations currently benefit from scale and access to superior genetics (particularly in the berry category), this competitive landscape may change over time, if one or more competitors or new market entrants obtained access to favourable genetic varieties which compete in the same categories as those of the tenant. The tenant is investing in R&D in plant genetics, particularly blueberries at the Trust's Corindi property and controls the licensing of new commercially viable plant varieties that it develops.

Principle 8 – Remunerate fairly and responsibly

The fees and expenses which the RE is permitted to pay out of the assets of the Trust are set out in the Trust constitution. The Trust financial statements provide details of all fees and expenses paid by the Trust during the financial period.