



CORPORATE GOVERNANCE STATEMENT

The Board has reviewed its compliance with the Second Edition of the Australian Securities Exchange (ASX) Corporate Governance Council's Principles and Recommendations. All the good practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2016. Each of the eight principles are listed below.

Recently ASX Corporate Governance Council released amendments on 30 June 2010 to the Second Edition of the Corporate Governance Principles and Recommendations in relation to diversity, remuneration, trading policies and briefings. As the Company's activities develop in size, nature and scope, the changes will be given further consideration.

Principle 1 – Lay solid foundations for management and oversight by the Board

Board Roles and Responsibilities

The Board is first and foremost accountable to provide value to its shareholders through delivery of timely and balanced disclosures.

The roles and responsibilities of the Board include:

- defining and monitoring the strategic direction of the Company;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- reviewing and approving business plans, operating plans (including the annual budget) and funding plans;
- appointment or removal of the company's auditors, evaluation of auditor performance and independence;
- appointment and performance assessment of the chair, executive directors, non-executive directors, managing director, chief financial officer and company secretary;
- reviewing and approving financial and other reporting; and
- ensuring appropriate reporting to shareholders.





Principle 2 – Structure of the Board to add value

Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report.

The Board is currently comprised of four independent non-executive directors and one non-executive director.

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- less than 10% of company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- none of the directors' income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the chair prior to incurring any expense on behalf of the company.

The Board has established two committees to assist in the execution of its duties. Audit Committee and Nomination and Remuneration Committee. The names of the members of the committees and their attendance at meetings of committee are detailed in the Directors' Report.

Audit Committee

The audit committee consists of three independent non-executive directors. The chief financial officer attends audit committee meetings as an invitee.

Nomination and Remuneration Committee

The nomination and remuneration committee consists of three independent non-executive directors. The names of the members of the remuneration committee and their attendance at meetings of the committee are detailed in the directors' report.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.





Principle 3 – Promote ethical and responsible decision-making

Ethical Standards

The Board acknowledges and emphasizes the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring directors and employees to:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with the law;
- encourage the reporting and investigating of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the Code of Conduct.

Directors are obliged to be independent in judgment and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

Diversity Policy

The Company does not have a formal policy concerning diversity. Given the small size of the Company's workforce, the Board has determined that it is not currently practicable to implement a policy concerning diversity. The Board will further consider the establishment of a diversity policy as the Company grows.

Trading Policy

The company's policy regarding directors and employees trading in its securities is set by the board of directors. The policy restricts directors and senior management to trading in the Company's shares during the one month periods following the annual and half yearly results announcements and the Annual General Meeting. At all other times the Chairman must be approached, prior to trading, to determine whether trading at that particular time is appropriate.





Principle 4 – Safeguard integrity in financial reporting

Reporting standards

The financial statements of the Company are produced in accordance with Australian International Financial Reporting Standards, other authoritative pronouncements of the Australian Accounting Interpretations, Australian Accounting Standards Board and the *Corporations Act 2001*. The financial statements and reports are subject to review every half year and the auditor issues an audit opinion accompanying the full year results for each financial year.

External auditors

The Company policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually, taking into consideration assessment of performance, existing value and tender costs. MNSA Pty Ltd have been appointed as the external auditors.

Fees paid to external auditors, including a breakdown of fees for non-audit services, is provided in Note 5 to the financial statements.

Management Representation to Board

Prior to the Directors approving these financial statements, the Group Chief Executive Officer and the Group Chief Financial Officer have provided a formal written representation stating to the Board that:

- the financial records of Australian Whisky Holdings Limited have been properly maintained;
- the Financial Statement complies with all relevant accounting standards; and
- the Financial Statement give a true and fair view.
- Operating efficiency, effectiveness of the Company's risk management and internal compliance and control system are being maintained.

Principle 5 – Make timely and balanced disclosure

Continuous Disclosure

The Corporations Act 2001 and the ASX Listing Rules require that a Company discloses to the market matters which could be expected to have a material effect on the price or value of the Company's securities. Management procedures are in place throughout the Company to ensure that all material matters which may potentially require disclosure are promptly reported to the Chief Executive Officer, through established reporting lines. Matters reported are assessed and, where required by the Listing Rules, advised to the market. Advice will be sought from the Board on the requirements for disclosure of information to the market. The Company Secretary is responsible for communications with the ASX and for ensuring that such information is not released to any person until the ASX has confirmed its release to the market.





Principle 6 – Respect the rights of shareholders

Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of annual and interim financial statements. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of Australian Whisky Holdings Limited, to lodge questions to be responded by the Board and/or the Managing Director, and are able to appoint proxies.

Communications

In order to properly carry out its responsibility to govern on behalf of the Shareholders, the Board recognizes the importance of Shareholders receiving relevant information in a timely manner. Shareholders receive information from the Company through distribution of the Annual Report, the Notice of Annual General Meeting, and through the release of business updates and other relevant significant announcements to the ASX and on the Company's website. Copies of all public releases are posted on the Company's website together with the Company's Annual Report.

Principle 7 – Recognise and manage risk

Risk Management

The entire board and Audit Committee oversees credit, market (traded and non-traded), funding and liquidity, operational and strategic business, business continuity, compliance and security risks assumed by the Company in the course of carrying on its business. In performing its oversight functions, the Board and Audit Committee has access to such internal and external advisers as it deems appropriate to assist it in performing those functions.

The Company has in place an integrated risk management framework to identify, assess, manage and report risks and risk adjusted returns on a consistent and reliable basis.

A full description of the functions of the framework and the nature of the risks is set out in Note 26 to the Financial Statements.





Principle 8 – Remunerate fairly and responsibly

Remuneration Policies

The remuneration policy, which sets the terms and conditions for the key management personnel has been reviewed by the remuneration committee and approved by the board. Executives receive a base salary, superannuation and fringe benefits. The remuneration committee reviews executive packages annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The policy is designed to attract the highest caliber executives and reward them for performance which results in long-term growth in shareholder value.

Executives may also be invited to participate in the employee option arrangements.

The amount of remuneration for all directors and other key management personnel, including all monetary and non-monetary components, are detailed in Directors' Report. All remuneration paid to executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes Option Pricing Model.

The board expects that the remuneration structure implemented will result in the Company being able to attract and retain the best executives to run the economic entity. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

The payment of share options and other incentive payments are reviewed by the remuneration committee annually as part of the review of executive remuneration and a recommendation is put to the board for approval. All options and incentives are linked to predetermined performance criteria. The board can exercise its discretion in relation to approving incentives and options and can recommend changes to the committee's recommendations. Any change to the terms of issue must be justified by reference to measurable performance criteria.

Performance Evaluation

The Company did not undertake a performance evaluation for its executives and Directors during the financial year. As a consequence of the level of the Company's operations during the financial year, the Company did not undertake a formal evaluation of the performance of the Board, individual Directors and key executives.

