

# CORPORATE GOVERNANCE

This corporate governance statement outlines the framework that has been adopted by Treasury Wine Estates Limited and its group of companies ('the Company' or 'TWE') and its compliance with that framework for the reporting period commencing on 9 May 2011 (being the effective date of the Company's demerger from Foster's Group Limited prior to its listing on 10 May 2011 on the Australian Securities Exchange (ASX)) and ending on 30 June 2011, and as at the date of this Annual Report.

The Board supports the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles) and is committed to delivering best practice in corporate governance and transparency in reporting. The Board believes that the policies and practices that have been put into place following the Company's demerger comply in all substantial respects with the ASX Principles unless otherwise set out in this statement.

The charters, codes and policies in respect of TWE corporate governance practices referred to in this statement will be reviewed and updated periodically to ensure that they remain in accordance with best practice. They are available in the corporate governance section of the TWE website [www.tweglobal.com](http://www.tweglobal.com).

## Section 1 – Structure of the Board

### 1.1 Composition

The Board is committed to ensuring it is comprised of individuals with appropriate skills, experience and diversity to develop and support the Company's strategic aims.

The Board currently has five members, with four Non-executive Directors (including the Chairman) and one Executive Director.

The members of the Board as at the date of this statement are:

Max Ould – Chairman

David Dearie – Chief Executive Officer

Lyndsey Cattermole AM

Warwick Every-Burns

Paul Rayner

Details of the respective Directors' qualifications, directorships of other listed companies, experience and other responsibilities are provided on page 11 of this Annual Report and also on the Company's website.

### 1.2 Director independence

As required under the Board Charter and ASX Principles, the Board comprises a majority of independent Non-executive Directors.

Directors are expected to bring independent views and judgement to the Board's deliberations. The Board assessed the independence of the new Directors upon appointment and will review the independence of all Directors at least annually (and more regularly where appropriate).

The Board has reviewed the position and associations of all Directors in office at the date of this Report and considers that save for Mr Dearie (who is an Executive Director), all other Directors are independent.

The Company has adopted guidelines based on the factors set out in the ASX Principles in assessing the independent status of a Director. In summary, the test of whether a relationship could, or could be perceived to, materially interfere with the independent exercise of a Director's judgement is based on the nature of the relationship and the circumstances of that Director. Materiality is considered on a case by case basis, against thresholds determined by the Board from the perspective of the Company,

the Director, and the person or entity with which the Director has a relationship.

### 1.3 Appointment terms

The Directors may at any time appoint any person as a Director either to fill a casual vacancy or as an additional Director.

Any Director appointed (other than the Chief Executive Officer), holds office until the conclusion of the next annual general meeting of the Company and is eligible for election at that meeting. Thereafter, Non-executive Directors are required to submit for re-election at least at every third annual general meeting.

A summary of the process relating to the selection and appointment of new Directors will be posted on the Company's website.

### 1.4 Chairman

The Board Charter requires that the Chairman of the Board be an independent Non-executive Director.

## Section 2 – Conduct of the Board

### 2.1 Division of responsibility between Board and management

The Board is responsible for the overall corporate governance of the Company. The Board Charter sets out the following objectives of the Board:

- to provide strategic guidance for the Company and effective oversight of management;
- to optimise Company performance and shareholder value within a framework of appropriate risk assessment and management; and
- to recognise the Company's legal and other obligations to all legitimate stakeholders.

The following table summarises the main responsibilities and functions that enable the achievement of these objectives:

<b>Objectives</b>			
<b>Responsibilities and Duties</b>	<b>Strategic Guidance and Management Oversight</b>	<b>Risk Assessment and Management</b>	<b>Obligations to Stakeholders</b>
Approving	<ul style="list-style-type: none"> <li>• The overall corporate strategy and performance objectives.</li> <li>• The Company's annual financial budget.</li> <li>• Major capital expenditure, and capital management.</li> <li>• Appointment and removal of the Chief Executive Officer and approval of the terms of engagement and termination benefits.</li> <li>• Remuneration of the Chief Executive Officer, Non-executive Directors (within the parameters approved by shareholders) and the policy for remunerating senior executives.</li> </ul>	<ul style="list-style-type: none"> <li>• The Company's risk management framework and internal compliance and controls systems.</li> </ul>	<ul style="list-style-type: none"> <li>• The Company's strategies, procedures and standards relating to communication with shareholders.</li> <li>• All shareholder communications.</li> </ul>
Reviewing and monitoring	<ul style="list-style-type: none"> <li>• The Company's performance against the corporate strategy, objectives and plan.</li> <li>• The progress of major capital expenditure, capital management, and acquisitions and divestitures.</li> <li>• The management reporting processes supporting external reporting.</li> </ul>	<ul style="list-style-type: none"> <li>• Risk management, internal compliance accountability and controls systems.</li> <li>• The Company's financial position and its ability to meet its debts and other obligations as they fall due.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with the adopted strategies, procedures and standards.</li> <li>• Internal and external financial and other reporting after receiving appropriate certifications from management.</li> <li>• That reporting to all stakeholders is relevant, timely and accurate.</li> </ul>
Evaluating	<ul style="list-style-type: none"> <li>• The performance of the Chief Executive Officer and other members of the senior management team.</li> <li>• The effectiveness of the performance of the Board and its Committees.</li> </ul>	<ul style="list-style-type: none"> <li>• Whether the Company's accounts comply with relevant accounting standards and present a true and fair view.</li> <li>• Whether processes are in place to effectively monitor all relevant legal, tax and regulatory obligations.</li> </ul>	<ul style="list-style-type: none"> <li>• Whether the Company's external reporting is legally compliant, consistent with the Board's information and knowledge, and suitable for shareholder needs.</li> </ul>

The Board has implemented a practice whereby the Non-executive Directors meet periodically without the presence of management.

## 2.2 Board Committees

The Board Charter permits the Board to establish committees to streamline the discharge of its responsibilities. As at the date of this statement, three standing committees have been established as follows:

- Audit and Risk Committee;
- Nominations Committee; and
- Human Resources Committee.

The Charter of each Board Committee sets out the composition, duties and responsibilities of that particular Committee.

Further details regarding the three standing committees are set out in the following table:

	<b>Audit and Risk</b>	<b>Nominations</b>	<b>Human Resources</b>
Members	Paul Rayner (Chair) Lyndsey Cattermole Warwick Every-Burns	Max Ould (Chair) Lyndsey Cattermole Paul Rayner	Max Ould (Chair) Lyndsey Cattermole Warwick Every-Burns
Composition	<ul style="list-style-type: none"> <li>• At least three but no more than five members.</li> <li>• All members must be independent Non-executive Directors.</li> <li>• At least one member must have financial expertise or experience.</li> <li>• At least one member should have relevant risk management expertise or experience (Mr Rayner satisfies this requirement).</li> </ul>	<ul style="list-style-type: none"> <li>• The Committee must have at least three members.</li> <li>• The Chairman of the Board is to be the Chairman of the Committee.</li> </ul>	<ul style="list-style-type: none"> <li>• The Committee must have at least three members.</li> <li>• All members must be independent Non-executive Directors.</li> </ul>
Responsibilities	<p><b>Oversee and/or review:</b></p> <ul style="list-style-type: none"> <li>• The Company's systems and processes to ensure they are properly controlled and functioning effectively.</li> <li>• The ongoing maintenance of a sound system of risk oversight and management and internal control.</li> <li>• The processes used by management to ensure compliance with all requirements relating to external reporting.</li> <li>• The Company's legal and other obligations to all legitimate stakeholders.</li> <li>• The scope, coordination and conduct of the internal and external audit programs.</li> <li>• The performance and independence of the internal and external auditors.</li> </ul> <p><b>Advising the Board on:</b></p> <ul style="list-style-type: none"> <li>• The integrity of the Company's financial reporting, financing, capital management and treasury risk management.</li> <li>• The appointment or removal of internal and external auditors.</li> <li>• Standards of ethical behaviour and decision-making required of Directors and key executives.</li> </ul>	<p><b>Assess:</b></p> <ul style="list-style-type: none"> <li>• The necessary and desirable competencies of Board members.</li> <li>• The range of skills, experience and expertise on the Board and identify any additional skills or expertise that may be desirable.</li> <li>• The steps required to ensure a diverse range of candidates are considered in selecting new Directors.</li> </ul> <p><b>Review:</b></p> <ul style="list-style-type: none"> <li>• The performance of the Board, Board Committees and individual Directors.</li> </ul> <p><b>Advising the Board on:</b></p> <ul style="list-style-type: none"> <li>• The composition, size and commitment of the Board to ensure that it can adequately discharge its duties.</li> <li>• Succession plans and plans for enhancing competencies of Board members, including the Chief Executive Officer.</li> <li>• Potential candidates suitably qualified to be invited to join the Board.</li> <li>• Whether the Board should support the re-election of a Director who is retiring by rotation.</li> </ul>	<p><b>Oversee and/or review:</b></p> <ul style="list-style-type: none"> <li>• The overall human resources strategies and policies consistent with the needs of the Company to achieve its short- and long term business objectives.</li> <li>• The establishment of training and development programs and succession plans for senior management.</li> <li>• The senior executive performance review process and results.</li> <li>• The development of a Company-wide diversity policy (and reporting on progress in achieving the objectives of the policy).</li> </ul> <p><b>Advising the Board on:</b></p> <ul style="list-style-type: none"> <li>• Recruitment and retention policies and procedures for the Chief Executive Officer and senior executives.</li> <li>• The remuneration policy applicable to the Chief Executive Officer and senior management.</li> <li>• Remuneration of Non-executive Directors in respect of Board and Committee participation.</li> <li>• Senior executive remuneration (including equity-based and other incentive plans).</li> </ul>

Audit and Risk	Nominations	Human Resources
<p>Consultation and advice</p>	<ul style="list-style-type: none"> <li>The Committee has unlimited access to internal and external auditors, senior management and other employees, and has the opportunity at each meeting to engage with the internal and external auditors without the presence of management.</li> </ul>	<ul style="list-style-type: none"> <li>Subject to the consent of the Committee Chairman, the Committee or any individual member may engage an independent external adviser in relation to any Committee matter, at the expense of the Company. The Chairman may determine that such independent advice is to be circulated to all Directors.</li> </ul>

Details of meeting attendance for members of each Committee since the demerger of the Company from Foster’s Group Limited on 9 May 2011 are set out in the Directors’ Report on page 24 of this Annual Report.

All Directors receive copies of all Board Committee papers and all Non-executive Directors may attend meetings of all Board Committees whether or not they are members.

The Chief Executive Officer, senior executives and other employees, and external parties may be invited to provide information or reports, or attend the Committee meetings as required.

**2.3 Performance assessment**

In accordance with the Board Charter, a formal review of the effectiveness of the Board, its Committees and individual Directors will be conducted annually. The views of individual Directors as well as those of executives who report directly to the Chief Executive Officer in a senior management capacity and are members of the executive team referred to as the Wine Leadership Team will be canvassed.

Following each review:

- the performance of individual Directors will be discussed by the Chairman with each Director (and in the case of the Chairman, by a Director chosen by the Board for the purpose); and
- the performance of the Board and Board Committees will be discussed by the Board at its next meeting after conclusion of the review.

The Board will, from time to time, engage external consultants to conduct a comprehensive review of the effectiveness of the Board, its Committees and individual Directors. This review will be conducted against the terms of the Board Charter or relevant Committee Charter (as the case may be), and will include surveys of each Director, the Wine Leadership Team and relevant external persons.

The performance of the Chief Executive Officer will be measured against agreed annual key performance objectives, consistent with the Company’s individual performance program.

A formal process for the evaluation of the performance of senior executives will be conducted by the Chief Executive Officer on an annual basis and reviewed by the Human Resources Committee.

**Section 3 – Governance policies applicable to the Board**

**3.1 Directors’ conflicts of interest**

The Company has procedures in place for the reporting of any matter that may give rise to a conflict between the interests of a Director and those of the Company.

Should the possibility of a conflict arise, relevant information will not be provided to the Director and the Director will not participate in discussions or vote on the matter unless permitted under specific circumstances in accordance with the Corporations Act.

**3.2 Board access and independent advice**

The Directors have unlimited access to employees and advisers, and subject to the law, access to all Company documents.

The Board, an individual Director or a Committee, may engage an independent external adviser in relation to any Board matter, at the expense of the Company. Before the external advice is sought, consent needs to be obtained. In the case of:

- the Board – from the Chairman;
- an individual Director – from the Chairman or the relevant Committee Chairman, as the case may be;
- a Committee – from the Committee Chairman; and
- the Chairman – from the Chairman of the Audit and Risk Committee, or otherwise from a Director chosen by the Board for that purpose.

The Chairman or a Committee Chairman, as applicable, may determine that any external advice

received by an individual Director be circulated to the remainder of the Board.

### 3.3 Director induction and ongoing education

New Directors will be provided with a comprehensive induction program. They will receive a formal letter of appointment that sets out the key terms and conditions of appointment, including duties, rights and responsibilities, and the Board's expectations regarding involvement with Board Committee work. The induction program will include meetings with members of the Wine Leadership Team and other senior executives of the Company, and being formally briefed on the financial, strategic and operational position of the Company (including visits to key sites).

The Board is committed to ensuring its performance is enhanced by providing Non-executive Directors with regular briefings on the Company's operations, as well as periodic site visits and presentations by external parties in a range of fields.

## Section 4 – Governance policies of general application throughout the Company

### 4.1 Code of Conduct

TWE recognises that its reputation is one of its most valuable assets, founded largely on the ethical behaviour of the people who represent the Company.

The Board has approved a Code of Conduct that sets out the principles of ethical behaviour expected to be adhered to by all TWE personnel. This ethical framework provides the foundation for the maintenance and enhancement of TWE's reputation.

TWE's Code of Conduct commits its Directors, employees, contractors and consultants to not only comply with the law, but to conduct business in accordance with the highest ethical standards so that, as a global supplier of premium alcoholic beverages, TWE:

- demonstrates corporate responsibility by encouraging the responsible consumption of the Company's products;
- conducts business with integrity, honesty and fairness;
- values and respects diversity in a workplace in which no-one is discriminated against on the basis of gender, age, race, religion, sexual orientation or marital status; and
- observes both the spirit and letter of the Company's legal obligations.

Any breach of the Code of Conduct will be treated as a serious matter and may give rise to disciplinary action, including dismissal.

### 4.2 Whistleblower Policy

TWE has adopted a Whistleblower Policy to promote and support its culture of honest and ethical behaviour. The Policy encourages employees to raise any concerns and report instances of unethical, illegal or fraudulent behaviour or any other matter that may contravene the Company's Code of Conduct or policies, or the law.

The Company is committed to absolute confidentiality and fairness in relation to all matters raised and will support and protect those who report violations in good faith.

The Policy provides that any issues may be reported to the employee's immediate supervisor, a Human Resources Manager or an external Whistleblower Service Provider in instances where an employee wishes to remain anonymous. The Whistleblower Policy provides that all reports will be thoroughly investigated, and where applicable, feedback on the outcome of the investigation will be provided to the person making the report. Any person who makes a report will not be discriminated against or disadvantaged in their employment with the Company by virtue of making a report.

The Policy stipulates that the Board will be provided periodically with a report of the number and nature of reports made under the Policy.

### 4.3 Conflicts of Interest Policy

TWE has adopted a policy in relation to the disclosure and management of potential conflicts of interest. Employees must not engage in activities, hold interests or allow themselves to be in situations that involve, could potentially involve or could be perceived as involving, a conflict between their personal interests and the interests of TWE, without prior disclosure and, where appropriate, approval.

Employees are required to declare relevant potential conflicts prior to starting the activity or, in the case of prospective employees, during the application and recruitment process. Should a potential conflict arise, employees must immediately disclose this to their manager and to the Company Secretary. A register of disclosed interests is maintained by the Company Secretary and reviewed periodically by the Audit and Risk Committee.

### 4.4 Share Trading Policy

In accordance with the prohibition in the *Corporations Act 2001* in relation to insider trading, the Company's Share Trading Policy states that all Directors and employees are prohibited from trading in the Company's shares if they are in possession of 'inside information'.

Under the Policy, unless they have the prior approval of the Company Secretary, employees (other than Directors and members of the Wine Leadership Team) may only trade during certain 'trading windows':

- Directors and members of the Wine Leadership Team are prohibited from dealing in the Company's shares during 'black out' periods (which are the periods from the close of books to shortly after the announcement of the full-year or half-year results).

- Outside the 'black out' periods, a Director or member of the Wine Leadership Team who intends to buy or sell shares must seek prior approval for the proposed dealing:
  - from the Chairman, in the case of Directors and the Wine Leadership Team; or
  - in the case of the Chairman, a Director chosen by the Board for that purpose.

All employees (including Directors) are prohibited from dealing for short term gain and the use of forward contracts unless prior approval is obtained from the Chairman.

Employees (including members of the Wine Leadership Team) are prohibited from entering into any arrangement (including options or derivative products) that may alter the economic benefit they may derive with respect to their participation in any unvested equity-based incentive award or grant, and no Director or member of the Wine Leadership Team may enter into a margin loan or similar funding arrangement to acquire any shares in the Company.

### 4.5 Diversity

The Company acknowledges that the ASX Corporate Governance Council released amendments to the ASX Principles on 30 June 2010 against which the Company will have to comprehensively report in its 2012 annual report. TWE recognises the social and commercial value of diversity and aims to create a work environment which is inclusive of all people regardless of gender, age, race, background or any other area of potential difference. The Board has therefore made a commitment to create a high performance culture by attracting and retaining the best possible talent and creating an inclusive environment where the Company's people can perform at their best. TWE has adopted a Diversity

and Inclusion Policy which has particular focus on gender diversity across the organisation. TWE's approach to diversity is based on fostering a culture of attracting and advancing people based on merit and maintaining an inclusive and flexible workplace. The Company is implementing strategies to achieve these objectives and over the course of the 2012 financial year will measure its progress towards achieving them.

### 4.6 Risk management

The Board has approved a Risk and Assurance Framework and supporting processes to oversee and manage risk.

The Risk and Assurance Framework, which is posted on the Company's website, describes the risk and assurance systems to manage risk and the supporting management disciplines in place to bring these systems to life. It explains the philosophy and structure required to recognise business improvement opportunities through the management of risk. The framework is action-oriented and requires TWE's people to focus on the right things, prepare effective action plans and to be held accountable for their actions.

The framework acknowledges that all employees have a role in managing risk and in particular they are encouraged to report incidents, hazards and risks without fear. The management of risk is not treated as a separate discrete function, but is integral to the way employees work.

### 4.7 Integrity in financial reporting

#### *Role of the Audit and Risk Committee*

The Audit and Risk Committee monitors the internal control policies and procedures designed to safeguard company assets and to maintain the integrity of the Company's financial reporting. The Chief Executive Officer, Chief Financial Officer, Risk and Assurance

Director, External and Internal Auditors are invited to attend meetings, as required. Other executives and advisers are also invited to attend meetings as appropriate.

Each year the Chief Executive Officer and Chief Financial Officer must provide a written declaration to the Board confirming that the Company's financial records have been properly maintained, and that the Company's financial statements and notes give a true and fair view and comply with the accounting standards. This declaration is also required to confirm that it is founded on a sound system of risk management and internal control which is operating effectively in all material respects in relation to financial reporting risks.

#### *Appointment and rotation of the external auditor*

The Audit and Risk Committee is responsible for reviewing the effectiveness and performance of the external auditor, which is PricewaterhouseCoopers.

It has been agreed with PricewaterhouseCoopers that the lead audit partner will be changed from time to time.

The lead audit partner will attend the Company's annual general meeting and will be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

#### *Internal audit*

The Company's internal audit function monitors the internal control framework Company-wide, and is independent of the external audit function.

The Audit and Risk Committee reviews the effectiveness and performance of the informal auditor,

approves the annual internal audit plan, reviews reports and agreed actions, and ensures that planned audit activities are aligned to business risks.

#### 4.8 Disclosure to stakeholders

TWE is committed to providing timely, open and accurate information to all its stakeholders including shareholders, regulators and the investment community.

To this end, the Board has approved a Disclosure Policy that sets out both the procedures in place to ensure compliance with its regulatory obligations, including obligations under the ASX continuous disclosure regime, and the expectations on all employees of the Company, including Directors and senior executives. TWE also proposes to hold periodic briefing sessions for Directors and members of the Wine Leadership Team with a particular focus on how the continuous disclosure obligations apply to TWE, including consideration of materiality guidelines relevant to the Company.

The Company Secretary is responsible, in consultation with other senior executives, for overseeing and coordinating the disclosure of information by the Company to the ASX and for administering the Policy.

The Company's website will contain ASX announcements, annual reports and financial report announcements, as well as relevant presentations and supporting material provided to the media and investment community.

TWE's Communications Policy encourages and promotes effective communication with shareholders and effective participation at general meetings. The Company will periodically review how best to take advantage of technology to enhance shareholder communications.

#### 4.9 External directorships

Key executives including the Chief Executive Officer are only permitted to hold a non-executive directorship of an external public company with the prior approval of the Board. Such a public company may not be a competitor, supplier or customer of TWE, nor can the directorship create an actual or potential conflict of interest with TWE's business interests.

#### 4.10 Corporate social responsibility

TWE has adopted an integrated approach to corporate social responsibility. The Company is committed to continuously improving its business practices to maximise positive and minimise negative social, environmental and economic impacts.

The objectives of this approach are to protect TWE's social licence to operate through risk management, proactively engage TWE's various stakeholders with interest in the Company's social and environmental performance, enhance employee engagement and retention, and positively support TWE's corporate reputation.