



the**wine**society

Corporate Governance Statement 2011

The Australian Wine Consumers Co-operative Society Limited

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Corporate Governance Statement for the year ended 30th June 2011

Introduction

The Directors of Australian Wine Consumers Co-operative Society Limited (the Co-operative) are committed to achieving an effective system of corporate governance. The Directors of the Co-operative believe that a functional and flexible governance framework is essential to the health of the Co-operative and accountability in the achievement of the Co-operative's objectives.

The Directors have adopted, to the extent that they apply to the Co-operative, the Principles of Good Corporate Governance and Best Practice Recommendations published by the ASX Corporate Governance Council as a guide to the governance framework. A description of the Co-operative's governance framework is set out below.

Members' rights

The Board fully supports member participation in all aspect of the Co-operative's business and in particular in the election of directors and participation at general meetings. To promote an understanding of this, the Board has adopted a Members' Charter which may be viewed at www.winesociety.com.au.

The Board ensures that communications with members are timely, effective and clear. Through the Co-operative's website, members are able to access an email query mechanism and have an option to register their email address to access the Co-operative's financial and annual reports and governance policies and statements. Members may complete a hardcopy election notice to receive a hard copy of the financial and annual reports.

ASX Corporate Governance Council Principle Recommendation 6.1

Board of Directors

The Co-operative's governance policies regulate the relationship between the Board and members, the Board's relationship with executive management and each individual Director. The relationship between the Board and executive management is critical to the Co-operative's long term success. The Board's focus is to enhance the interests of members and other key stakeholders and to ensure the Co-operative is properly and efficiently managed.

Role of Board

The Board Charter clarifies the respective roles of the Board and executive management, and assists in decision making processes through the identification of a schedule of matters reserved solely for the Board. The Board Charter is able to be viewed at www.winesociety.com.au. The Board has primary responsibility for guiding and monitoring the affairs of the Co-operative and has delegated to

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the Chief Executive those matters which are not formally reserved for the Board under the Board Charter.

ASX Corporate Governance Council Principle Recommendation 1.1

Role of the Chairman

In addition to the role of the Board, the Board Charter also sets out the role of the Chairman. The Chairman is responsible for the leadership of the Board, the efficient organisation and conduct of the Board's function, the briefing to all Directors in relation to issues arising at Board meetings, facilitating effective contribution of all Directors, promoting constructive relations between Board members and between the Board and management, follow up of matters arising from the Board meetings, and ultimately setting the Board agenda.

Delegation to management

Day-to-day management of the Co-operative's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive and executive management.

Board Composition

The Board's structure is outlined in the Rules of the Co-operative. The Board must have a minimum of six to a maximum of eight member Directors, all of whom are considered independent Directors. The Board may also recommend that the Members appoint additional Directors, who may be an independent Director, an employee Director or both. The two Directors whose current term commenced prior to that of all other Member Directors retire each year. Any independent or employee Director retires after three years and may be renominated by the Board.

Name	Position Held	Tenure
John Love	Chairman	10 yrs, since July 2001
	Member of Audit, Risk and Governance Committee	
Geoff Ballard	Deputy Chairman	12 yrs, since Sept 1999
	Member of Audit, Risk and Governance Committee	
	Member of Nominations Committee	

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Name	Position Held	Tenure
Robert Whitton	Chair of Audit Risk and Governance Committee Member of Sales and Marketing Committee Chair of Nominations Committee	9 yrs, since Nov 2002
Greg Melick	Member of Wine Committee	8 yrs, since Sept 2003
Paul Foster	Member of Wine Committee	2 yrs, since Nov 2009
Lance Hogan	Chair of Sales and Marketing Committee Member of Wine Committee	6 yrs, since Nov 2005
Ian McKenzie	Independent Director Chair of Wine Committee	7 yrs, since Nov 2004

ASX Corporate Governance Council Principle Recommendation 2.1, 2.2, 2.3 and 2.5.

Access to information

Upon appointment, new Directors enter into a Deed of Access, Insurance and Indemnity. Accordingly, they are entitled to request from the Co-operative and its directors, employees, auditors and advisors, all information reasonably required in order to be able to perform their duties as a Director of the Co-operative or to assess the financial condition and prospects of the Co-operative. .

Board performance

The Board operates an induction process for new Directors conducted by the Co-operative Secretary and executive management. The induction covers the history and structure of the Co-operative, divisional overview of the business, legal and financial overview, key strategy, an introduction to key executives within the Co-operative, terms and conditions of appointment and Board meeting protocol. In addition, new Directors are supplied with a Director's Manual containing copies of key Co-operative documents for reference.

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Upon request the Co-operative Secretary will arrange for Directors to attend development programs as requested or as determined in consultation with the Chairman at the individual Director's performance assessment.

Following a complete review of its performance and of its committees, the Board undertook the following new initiatives

- a) a review of the changes to Principles of Good Corporate Governance and Best Practice Recommendations published by the ASX Corporate Governance Council
- b) a review of the Board Performance and Director evaluation process,
- c) preparation of and presentation of this corporate governance statement.

The Chairman has completed an evaluation of Board performance. This evaluation was undertaken by each individual Director and the Board as a whole. The results of the evaluation have been documented and considered by the Board. The Board is in the process of formulating an improvement plan as a result of the evaluation. Individual Director evaluations have been undertaken in the 2010/2011 period.

ASX Corporate Governance Council Principle Recommendation 2.5

Board Committees

The Board has established several sub-committees to assist it in meeting its obligations as follows:

- a) Audit Risk and Governance Committee
- b) Wine Committee
- c) Nominations Committee
- d) Sales and Marketing Committee

The Board Committees are governed by Charters which are available on the Co-operative's website – www.winesociety.com.au

The Board members that serve on each Committee are noted in the Board Composition table above.

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Ethical Framework

Directors' Code of Conduct

The Directors have established and maintain a Code of Conduct regarding the standards of conduct expected of them in the course of their appointment and in their dealings with third parties.

ASX Corporate Governance Council Principle Recommendation 3.1

Conflict of interests

The Directors Code of Conduct stipulates that Board members should not have any business or other relationship that could materially influence or interfere with the exercise of the independent judgement apart from those formally disclosed to the Co-operative in accordance with the Co-operatives Act 1992 and the Co-operative's Rules.

Where the Board believes that a significant conflict exists for a Director on a board matter, the Director concerned is not present at the meeting whilst the item is considered

Integrity in Financial Reporting

Certification by Chief Executive Officer and Chief Financial Officer

The Chief Executive Officer and the Chief Financial Officer have provided to the Board and the external auditor a written statement that in their opinion the financial reports of the Co-operative are free of material misstatement, and have been properly prepared and maintained in accordance with the Co-operatives Act 1992 and Co-operatives Regulations 2005.

ASX Corporate Governance Council Principle Recommendation 4.1

The statement made by the Chief Executive Officer and the Chief Financial Officer has been supported by an assessment of the status and operation of the financial risk management and internal compliance and control systems by the Audit and Risk Committee.

ASX Corporate Governance Council Principle Recommendation 7.2

Audit and Risk Committee

The role of the Audit and Risk Committee in promoting integrity in financial reporting is described above.

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External auditors

The policy of the Board is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided on page 18 of the Financial Report.

It is the policy of the external auditors to provide an annual declaration of their independence to the Audit and Risk Committee.

The external auditor is required to attend the annual general meeting and to be available to answer member questions about the conduct of the audit and the preparation and content of the audit report.

ASX Corporate Governance Council Principle Recommendation 6.2

Risk assessment and management

The Board, through the Audit and Risk Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable the Co-operative to achieve its business objectives and comply with applicable laws.

A summary of the risk management principles utilised at the Co-operative, include:

- a) establishing the context within which risks are to be considered (risk appetite, key philosophy, operating environment, competitive environment, objectives);
- b) identifying risks;
- c) testing and analysing risks for likelihood and impact;
- d) evaluating risks and possible responses; and
- e) minimising the risks (e.g. insurance, contract terms, and engagement of specialist advisors).

Considerable importance is placed on maintaining a strong control environment responsible for ensuring compliance with the principles above. This has been supported through the role of the Co-operative's Audit and Risk Committee and the Chief Financial Officer.

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This strong control environment is also reinforced through the definition of the organisation structure with clearly drawn lines of accountability and delegation of authority.

The past twelve months has shown ongoing development of risk management systems and structures within the Co-operative such as the review and development of the Audit and Risk Committee.

The Co-operative's risk function continues to manage and monitor risk issues associated with insurance, occupational health and safety, and litigation.

ASX Corporate Governance Council Principle Recommendation 7.1

With the exception of the departures from the ASX Principles of Good Corporate Governance and Best Practice Recommendations that are not attributable to the governance of a co-operative, the Co-operative believes that it has followed those principles and best practice recommendations set by the ASX Corporate Governance Council.