



Top Shelf International Holdings Ltd

**Principal Place of Business:
16-18 National Boulevard
Campbellfield
Victoria
Australia 3061**

27 August 2021

Top Shelf International Holdings Ltd: 2021 Corporate Governance Statement pursuant to Listing Rule 4.10.3.

This document discloses the extent to which Top Shelf International Holdings Ltd (the Company) and wholly owned subsidiaries (the Group) has followed the recommendations set by the ASX Corporate Governance Council in the fourth edition of its Corporate Governance and Recommendations (the Recommendations) during the reporting period ending 30 June 2021 (the Reporting Period or FY21).

Where possible, TSI seeks to adopt the Recommendations as best practice. In the instance that a recommendation is not deemed appropriate considering the Group's specific circumstances, the Recommendations that have not been followed are identified along with reasons provided. Any alternative governance practices that have been adopted in lieu of the recommendation have been outlined.

This statement should be read in conjunction with information available on our website <https://www.topshelfgroup.com.au/>; particularly the Investor Centre and our FY21 Annual Report.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: Role of the Board and Management

The Board's role is to represent and serve the interests of shareholders by overseeing and appraising the Company's strategies, policies and performance. This includes overseeing the financial and human resources the Company has in place to meet its objectives and reviewing management performance; protecting and optimise Company performance and build sustainable value for shareholders.

The Board is also responsible for setting, reviewing and monitoring compliance with the Group's values and governance framework (including establishing and observing high ethical standards and demonstrating leadership); and ensuring shareholders are kept informed of the Group's performance and major developments affecting its state of affairs.

The Group has established a clear delineation between the Board's responsibility for the Group's strategy and activities, and the day-to-day management of operations conferred upon the Executive Directors, who has the authority and power to manage the Group and its business within levels of authority specified by the Board from time to time.

The Board has a formal Board Charter which is available on our website at <https://www.topshelfgroup.com.au/investors> that clearly sets out those matters expressly reserved for the Board's determination and those matters delegated to management.

Recommendation 1.2: Appointment of Directors

The Board, together with the Remuneration and Nomination Committee, will review the skills, experience, expertise and diversity represented by Directors on the Board and determine whether the composition and mix remain appropriate for the Group's strategy and covers the skills needed to address existing and emerging business and governance issues relevant to the entity.

It is the Remuneration and Nomination Committee's responsibility to review and recommend to the Board the criteria for nomination as a director and the membership of the Board more generally, including: making recommendations for the re-election of Directors, subject to the principle that a Committee member must not be involved in making recommendations to the Board in respect of themselves; and assisting the Board to identify qualified individuals for nomination to the Board

Recommendation 1.3: Appointment Terms

The Group's Remuneration and Nomination Committee Charter requires the Remuneration and Nomination Committee to ensure that each director and senior executive is a party to a written agreement with the Group.

Upon appointment, each director receives a Letter of Appointment setting out the formal terms of their appointment.

Each senior executive has a written contract with the Group, setting out the terms of his or her appointment, including remuneration entitlements and performance requirements.

Recommendation 1.4: Company Secretary

The Board has appointed a Company Secretary who is responsible for coordination of all Board business, including agendas, board papers, minutes, communication with regulatory bodies, and all statutory and other filings.

The Company Secretary is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board. All Directors have direct access to the Company Secretary.

Details regarding our Company Secretary, including experience and qualifications, is set out in the Directors' Report in our FY21 annual report.

Recommendation 1.5: Diversity Policy

The Group recognises that people are its most important asset and is committed to the maintenance and promotion of workplace diversity. The Board has implemented a Diversity Policy (available at <https://www.topshelfgroup.com.au/investors>) in order to actively facilitate a more diverse and representative management structure and workforce.

Diversity drives the Group's ability to attract, retain, motivate and develop the best talent, create an engaged workforce, deliver the highest quality services to its customers and continue to grow the business.

The Group has not yet developed measurable objectives to achieve gender diversity, however, is committed to achieving a culture of inclusion and embracing different experiences, viewpoints and backgrounds of its people, and to increasing the proportion of women on the Group's board and in senior executive positions.

The proportion of women across the entire organisation was 38% as at 30 June 2021.

Recommendation 1.6: Board Performance Assessment

The Board is committed to evaluating its performance, the performance of its Committees and individual Directors, as well as the governance processes supporting the Board.

The Board has implemented an informal evaluation process following each meeting to discuss any areas and actions for improvement. In addition, the Chairman has sought feedback from non-executive directors to improve the preparation for and engagement during meetings.

Whilst a formal review has not taken place since completion of the Company's initial public offering in December 2020, such a review is planned to be conducted during the current calendar year.

Recommendation 1.7: Senior Executive Performance Assessment

The Group's senior executives are appointed by the Chief Executive Officer and their key performance indicators (KPI's) contain specific financial and non-financial objectives. The performance of each senior executive is evaluated against these objectives, informally on a regular basis and formally on an annual basis. The senior executive KPIs will be reevaluated on an annual basis. Assessment of the Chief Executive Officer's performance is conducted by the Chairman and the results are reported to the Board.

Principle 2: Structure the Board to be Effective and Add Value

Recommendation 2.1: Nomination Committee

The Company has established the Remuneration and Nomination Committee and adopted a Remuneration and Nomination Charter (available at <https://www.topshelfgroup.com.au/investors>). As at the date of this Corporate Governance Statement, the Remuneration and Nomination Committee is comprised of three non-executive directors.

In respect of the Reporting period, the number of Remuneration and Nomination Committee meetings and individual attendances of members was:

Non-executive director	Number Eligible to Attend	Number Attended
Ken Poutakidis (Chair)	2	2
Peter Cudlipp	2	2
Michael East	2	2

Recommendation 2.2: Board Skills Matrix

According to the Remuneration and Nomination Charter, it is the responsibility of the Remuneration and Nomination Committee to assist the Board to develop and regularly review its board skills matrix setting out the mix of skills, expertise, experience and diversity that the Board currently has or is looking to achieve in its membership.

It is the directors' view that the current Board composition possess an appropriate mix of relevant skills, experience and expertise to enable that Board to discharge its responsibilities and deliver the Group's strategic objectives.

The skills and experience represented in the Board and relevant to the Group's business are set out in the matrix below:

Skills and experience:

Strategy and leadership	Capital and debt market expertise
Industry experience and knowledge	Corporate governance, risk and compliance
Brand development & marketing expertise	People management experience
Financial acumen	Technology and digital knowledge
Stakeholder communication experience	Project management experience

Recommendation 2.3: Independent Directors

The Board only considers a director to be independent where he or she is free of any interest, position, or relationship that might influence, or might reasonably be perceived to influence, in a material respect his or her capacity to bring independent judgment to bear on issues before the Board and to act in the best interests of the Group as a whole rather than in the interests of an individual shareholder or other party. The Board has adopted a definition of independence based on that set out in Recommendation 2.3 of the ASX Corporate Governance Council's Principles and Recommendations.

The Board's independence assessment for each Director is set out below:

Name	Position	Appointment Date	Status
Adem Karafili	Executive Chairman	1 April 2018	Executive
Drew Fairchild	Chief Executive Officer / Managing Director	27 July 2017	Executive
Ken Poutakidis	Non-Executive Director	21 May 2020	Independent
Peter Cudlipp	Non-Executive Director	29 May 2018	Independent
Michael East	Non-Executive Director	15 September 2020	Independent

Recommendation 2.4: Majority Independence

Three of the five directors of the Company are considered to be independent.

Recommendation 2.5: Board Chair

Adem Karafili, Chair of the Board, served as Non-Executive Director and Chairman since 1 April 2018, and on 1 September 2020 became Executive Chairman.

The directors consider the role of Adem as Executive Chairman to be appropriate as he is not the CEO of the Group and the Board has three non-executive directors to provide the appropriate independence and governance to the Board composition and, more broadly, to the Group.

Recommendation 2.6: Induction, Education and Training

New directors are provided with copies of all relevant documents and policies governing the Group's business, operations and management at the time of joining the Board. All directors are provided with ongoing professional development and training opportunities to enable them to develop and maintain their skills and knowledge.

Principle 3: Instil a Culture of Acting Lawfully, Ethically and Responsibly

The Board has adopted a Code of Conduct to be followed by all employees and directors, designed to express core values driving behaviour and govern high standards of integrity and fairness.

The Code of Conduct is available at <https://www.topshelfgroup.com.au/investors> along with other codes instilling a culture of lawful, ethical and responsible practise, including the "Speak Up" Whistleblower Policy and Anti-Bribery and Corruption Policy.

Principle 4: Safeguard the Integrity of Corporate Reporting

Recommendation 4.1: Audit Committee

The Company has established an Audit and Risk Committee with the Audit and Risk Committee Charter being available at <https://www.topshelfgroup.com.au/investors>.

The Audit and Risk Committee consists of three non-executive directors and is chaired by an independent director, Ken Poutakidis. The relevant qualifications and experience of these directors is disclosed in the FY21 director's report.

In respect of the reporting period, the number of Audit and Risk Committee Meetings and individual member attendances were as follows:

Non-executive director	Number Eligible to Attend	Number Attended
Ken Poutakidis (Chair)	4	4
Peter Cudlipp	4	4
Michael East	3	3

Recommendation 4.2: Assurances

The CEO and CFO provide a declaration to the Board prior to the approval of full year financial statements. The declaration states that in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3: External Auditor

The Company's external auditor is Ernst & Young (EY). EY will be in attendance at the Company's Annual General Meeting (AGM) and available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. A copy of EY's independence declaration is included within the FY21 annual report.

During the reporting period, the Board reviewed and approved the release of all unaudited financial information provided to the market.

Principle 5: Make Timely and Balanced Disclosure

The Group has adopted a Disclosure Policy with the purpose of ensuring investors have equal and timely access to material information concerning the entity – including its financial position, performance, ownership and governance.

A copy of the Disclosure Policy and Communications Strategy can be found at <https://www.topshelfgroup.com.au/investors>

Principle 6: Respect the Rights of Security Holders

Information regarding the Company and its governance is available via the website. The website also contains a facility for shareholders to direct enquiries to the Company and to elect to receive communications from the Company via email.

The Company recognises that shareholders and other stakeholders are entitled to be informed in a timely and readily accessible manner of all major developments affecting the state of affairs of the Company. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time. To achieve this, the Company communicates information regularly to shareholders and other stakeholders through a range of forums and publications.

The Company encourages full participation of shareholders at its AGM each year. Shareholders are encouraged to lodge direct votes or proxies electronically, subject to the adoption of satisfactory authentication procedures.

Please refer to the Communications Strategy available at <https://www.topshelfgroup.com.au/investors>.

Principle 7: Recognise and Manage Risk

Recommendation 7.1: Risk Committee

The Company has established an Audit and Risk Committee with the Audit and Risk Committee Charter being available at <https://www.topshelfgroup.com.au/investors>.

The Audit and Risk Committee consists of three non-executive directors and is chaired by an independent director, Ken Poutakidis. The relevant qualifications and experience of these directors is disclosed in the FY21 director's report.

In respect of the reporting period, the number of Audit and Risk Committee Meetings and individual member attendances was as follows:

Non-executive director	Number Eligible to Attend	Number Attended
Ken Poutakidis (Chair)	4	4
Peter Cudlipp	4	4
Michael East	3	3

Recommendation 7.2: Risk Management Framework

The Group's risk management framework is supported by the Board, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Group's risk management strategy and policy. Management is responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. Management is responsible for monitoring compliance with and the effectiveness of risk management systems and controls including financial and non-financial risks. An operational risk assessment matrix has been specifically developed, adopted and communicated based on input from a cross section of Company personnel.

Recommendation 7.3: Internal Audit

The Group does not currently have an internal audit function. The Board and management consider that processes in place in line with the risk management framework are sufficient. The Audit and Risk Committee will continue to monitor the need for an internal audit function having regard to the Group's size and complexity of operations.

Recommendation 7.4: Economic, Environmental and Social Sustainability Risk

The Group is not subject to any particular or significant single economic, environmental or social sustainability risk. The Group is subject to a range of general economic risks including macro-economic risks, capital and debt market risks, government policy (including research and development), general business conditions and many other factors.

The Group is subject to environmental regulation under State law at the Campbellfield distillery and Dry North Queensland agave farm. The Group is in compliance with these regulations.

The Board currently does not believe that the Group has any material exposure to any specific economic, environmental or social sustainability risks.

Principle 8: Remunerate Fairly and Responsibly

Recommendation 8.1: Remuneration Committee

The Company has established the Remuneration and Nomination Committee and adopted a Remuneration and Nomination Charter (Available at <https://www.topshelfgroup.com.au/investors>). As at the date of this Corporate Governance Statement, the committee is comprised of three non-executive directors. In respect of the reporting period, the number of Remuneration and Nomination Committee Meetings and individual member attendances was as follows:

Director	Number Eligible to Attend	Number Attended
Ken Poutakidis (Chair)	3	3
Peter Cudlipp	3	3
Michael East	3	3

Recommendation 8.2: Remuneration Policies and Practices

Executive remuneration and incentive policies and practices must be performance based and aligned with the Group's purpose, values, strategic objectives and risk appetite. Executive remuneration and incentive policies and practices are designed to attract and retain skilled executives and motivate executives to pursue the Group's long-term growth and success.

Recommendation 8.3: Equity Based Remuneration Scheme

The Company has an equity-based incentive plan. The Company's Policy for Dealing in Securities provides explains the Company's policy and procedures for the buying and selling of securities to assist the Group's directors and employees; and recognises that some types of dealing in securities are also prohibited by law. Please refer to the Policy for Dealing in Securities available via the Company website. <https://www.topshelfgroup.com.au/investors>

For further information regarding the remuneration of Directors and Senior Executives please refer to the remuneration report contained in the Company's FY21 annual report.