



2020 Corporate Governance Statement

The Board of Lark Distilling Co. Ltd (the **Company, Lark or Group**) is responsible for the overall corporate governance of the Group. The Board believes that good corporate governance helps ensure the future success of the Company, adds value to stakeholders and enhances investor confidence.

The ASX Listing Rules require listed companies to prepare a statement disclosing the extent to which they have complied with the recommendations of the ASX Corporate Governance Council (**Recommendations**) during the reporting period. The Recommendations are not prescriptive, such that if a company considers a recommendation to be inappropriate having regard to its own circumstances, it has the flexibility not to follow it. Where a company has not followed all the Recommendations, it must identify which Recommendations have not been followed and provide reasons for not following them.

This Corporate Governance Statement (**Statement**) discloses the extent to which Lark Distilling Co. Ltd has followed the Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation. This Statement should be read in conjunction with the material on our website <https://larkdistillery.com/>, including the 2020 Annual Report.

This Statement is current as at 25 September 2020 and has been approved by the Board of Directors of Lark Distilling Co. Ltd.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 - Role of the Board and Management

The role of the Board is to approve the strategic direction of the Group, guide and monitor the management of the Company and its businesses and oversee the implementation of appropriate corporate governance with respect to the Group's affairs. The Board aims to protect and enhance the interests of its shareholders, while considering the interests of other stakeholders, including employees, customers, suppliers and the wider community.

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

The Board delegates responsibility for the day-to-day management of the Company and its businesses to the Managing Director (**MD**). The MD is supported by the senior executive team and delegates authority to appropriate senior executives for specific activities and transactions via a formal 'delegations of authority'. The Board maintains ultimate responsibility for strategy, control and risk profile of the Group.

Recommendation 1.2: Appointment of Directors

The Nomination Committee (or in its absence the Board) facilitates the selection and appointment of Directors. Before the Board appoints a new Director or puts forward a candidate for election, the Nomination Committee will ensure that appropriate background checks are undertaken. We provide our shareholders with all material information in our possession that is relevant to their decision on whether or not to elect or re-elect a Director through a number of channels, including via the notice of meeting and other information contained in the 2020 Annual Report.

Recommendation 1.3: Appointment Terms

Upon appointment, each Director receives a letter of appointment which sets out the formal terms of their appointment. Directors also receive a deed of indemnity, insurance and access.

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



Recommendation 1.4: Company Secretary

The Board is supported by its Company Secretary, whose role includes supporting the Board on governance matters, assisting the Board with meetings and directors' duties, and acting as an interface between the Board and senior executives across the Group. The Board and individual Directors have access to its Company Secretary.

Under the Company's governance framework, the Company Secretary is accountable to the Board, through the Chair, on all matters regarding the proper functioning of the Board. The Board is responsible for the appointment of the Company Secretary.

Details regarding our Company Secretary, including experience and qualifications, is set out in the Directors' Report in our 2020 Annual Report.

Recommendation 1.5: Diversity Policy

The workforce of the Company comprises individuals with diverse skills, backgrounds, perspectives and experiences and this diversity is valued and respected. To demonstrate the Company's commitment to developing measurable objectives to achieve diversity and inclusion in its workplace, the Company has implemented a Diversity Policy which can be viewed at <https://larkdistillery.com/investor-centre/>. The Company's policy has meritocracy as a guiding principle and seeks to align the Company's management systems with its commitment to continue to develop a culture that values and achieves diversity in its workforce and on its Board.

The Board and management considers building a diverse and inclusive workforce as paramount to gaining the best insight into the needs of our customers and stakeholders. A diversity of perspectives and backgrounds also strengthens creativity and innovation in teams. Particular focus is paid to achieving a balance of men and women in senior management positions across the Group.

The proportion of women on the Board, in senior executive positions and women across the entire organisation as at 30 June 2020 was as follows:

- Women on the Board – 20%
- Women in senior executive positions – 16.7%
- Women across the entire organisation – 37.3%

The Company has not developed measurable objectives at this time. However, the Company is committed to cultivating an inclusive workplace of fairness and equality which fosters the unique skills and talents of a diverse range of people and to encourage diversity in skill set, experience, qualifications and age of our workforce. With a diverse mix of professionals, we will continue to encourage diversity in the hiring of candidates with a goal to increase over the next 5 years.

Recommendation 1.6: Board Performance Assessment

The Board is committed to formally evaluating its performance, the performance of its Committees and individual Directors, as well as the governance processes supporting the Board. The Board does this through an annual assessment process.

The review process involves:

- completion of a questionnaire/survey by each Director, facilitated by the Company Secretary;
- the preparation and provision of a report to each Director with feedback on the performance of the Board based on the survey results; and
- The Board meeting to discuss any areas and actions for improvement.

An internal Board assessment took place in July 2020 for the 2020 financial year. An analysis of the data collected indicated that the Board is functioning effectively against the majority of its criteria. It was also noted that there were some opportunities identified to improve Board effectiveness.



Recommendation 1.7: Senior Executive Performance Assessment

Senior Executives are appointed by the Managing Director and their Key Performance Indicators (**KPI's**) contain specific financial and non-financial objectives. These KPI's are reviewed annually by the MD. The performance of each Senior Executive against these objectives is evaluated annually. In the case of the Managing Director, this review is conducted by the Chair and the results are reported to the Board.

Performance evaluations were undertaken during the reporting period by the Company in accordance with the process.

PRINCIPLE 2 – BOARD STRUCTURE

Recommendation 2.1: Nomination Committee

The Company's Remuneration and Nomination Committee Charter provides for the creation of a Committee, with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director. The Nomination Committee Charter is available on our website at <https://larkdistillery.com/investor-centre/>.

During the period, the Board fulfilled the roles and responsibilities in relation to nominations. The duties of the Board in relation to nomination were the same that would otherwise be fulfilled by a Nomination Committee to address any issues and continuously review the range of skills, knowledge, experience, independence and diversity to ensure that the Board can discharge its duties and responsibilities effectively.

As of July 2020, the Board established a Nomination and Remuneration Committee, which consists of two members, being Warren Randall an independent Director and David Dearie who is non-independent. The Committee is chaired by Warren Randall. All Directors have relevant experience as shown in their biographies in the Directors Report. Although the Company does have an appointed Committee, it does not have three members of whom are independent and therefore the Company does not comply with the recommendation in its entirety.

In accordance with the Company's Remuneration and Nomination Committee Charter the primary function of the Committee is to assist the Board to carry out the following:

- review director competence standards;
- review Board succession plans;
- evaluate the Board's performance;
- make recommendations for the appointment and removal of directors to the Board; and
- make recommendations to the Board on recruitment, retention and termination policies for senior management.

Recommendation 2.2: Board Skills Matrix

Our objective is to have an appropriate mix of expertise and experience on our Board so that it can effectively discharge its corporate governance and oversight responsibilities. It is the Board's view that the current directors possess an appropriate mix of relevant skills, experience, expertise and diversity to enable the Board to discharge its responsibilities and deliver the Company's strategic objectives. This mix is subject to review on a regular basis as part of the Board's performance review process.

The skills and experience represented in the Board and relevant to the Company's business are set out in the matrix below and following the Company's annual performance and skills review, it is satisfied that it meets expectations in all the these categories:

| <i>Skills and experience</i> | |
|--|--|
| Strategy and Leadership | Stakeholder communication and engagement |
| Policy Development | Project Management |
| Corporate Governance | Operational Leadership |
| Financial analysis & capital markets expertise | Global Experience |
| Risk and compliance oversight | Technology |
| People management | Critical and Innovative thinking |
| Commercial Experience | Negotiation and Influence |



Legal and Regulatory approval

Enabling Innovation and Technology

Health, Safety, Social and Environmental responsibility

To the extent that any skills are not directly represented on the Board, they are augmented through management and external advisors. Full details of each Directors' relevant skills and experience are set out in the Company's 2020 Annual Report.

Recommendation 2.3: Independent Directors

An independent director is a Non-Executive Director who is not a member of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of judgement.

The Board regularly assesses the independence of each Non-Executive Director in light of the information which each Director is required to disclose in relation to any material contract or other relationship with the Company in accordance with the Director's terms of appointment, the Corporations Act 2001, the Board Charter.

When appointing an independent director or reviewing the independence of its Directors', the Board will have regard to the definition of independent director and the factors set out in the Recommendations, in particular the factors relevant to assessing the independence of a director set out in Recommendation 2.3.

The Board's assessment of each current Director is set out below.

| Name | Position | Appointment Date | Status |
|------------------|------------------------|-------------------------|-----------------|
| Geoff Bainbridge | Managing Director | 21 May 2019 | Non-Independent |
| David Dearie | Non-Executive Chair | 20 May 2019 | Non-Independent |
| Laurent Ly | Non-Executive Director | 2 September 2019 | Non-Independent |
| Warren Randall | Non-Executive Director | 21 May 2019 | Independent |
| Laura McBain | Non-Executive Director | 1 June 2020 | Independent |

The Board considers that Warren Randall and Laura McBain are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the exercise of their unfettered and independent judgement and is able to fulfil the role of independent director for the purpose of the Recommendations.

Geoff Bainbridge is considered by the Board not to be independent as Managing Director of the Company

David Dearie is considered by the Board not to be independent as he has been appointed an Executive Director of the Company in the past 3 years.

Laurent Ly is also deemed to be not independent as he is a substantial shareholders of the Company and as such is not considered by the Board to be independent.

Recommendation 2.4: Majority Independence

As at the date of this Statement, three of our five Directors' are deemed non-independent. Although the composition of our Board does not comply with Recommendation 2.4, the current Board composition reflects an appropriate balance of skills, expertise and experience to fulfil its obligations to act in the best interests of the Company and all stakeholders. The Board also considers that there are appropriate safeguards in place including policies and protocols to ensure independent thought and decision making.

It is noted that the composition of the Board will be reassessed in the future in line with changes in the Group's operations and will be adjusted as deemed appropriate. The Board will consider the Recommendations in assessing any future changes in board composition.

Further information regarding our Directors', including their experience and qualifications, is set out in the Directors' Report of our 2020 Annual Report.



Recommendation 2.5: Board Chair

The Chair, Mr David Dearie, was appointed to the position on 25 November 2019 and is considered a non-independent Director due to his Chair role having previously been an Executive position up until 30 April 2020. From this date he reverted to Non-Executive Chair. The Chair provides leadership to the Board in relation to all Board matters and is responsible for ensuring that the Board meets its responsibilities under the Board Charter. His role is set out in more detail in the Board Charter.

The roles of Chair and Managing Director are exercised by different individuals, being Mr David Dearie and Mr Geoff Bainbridge respectively.

Recommendation 2.6: Induction, Education and Training

New Directors are provided with copies of all relevant documents and policies governing the Company'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. Directors are also encouraged to personally undertake appropriate training and refresher courses as appropriate to maintain the skills required to discharge their obligations to the Company.

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

Recommendation 3.1: Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Code of Conduct (**Code**) designed to:

- provide a benchmark for professional behaviour throughout the Group;
- support the Company's business reputation and corporate image; and
- make Directors' and employees aware of the consequences if they breach the Code.

The Code can be found on our website at <https://larkdistillery.com/investor-centre/>. The key aspects of this Code are to:

- act fairly with honesty and integrity in the best interests of the Company and in the reasonable expectations of shareholders;
- act in accordance with all applicable laws, regulations, and the Company policies and procedures;
- have responsibility and accountability for individuals for reporting and investigating reports of unethical practices; and
- use the Company's resources and property properly.

The Code sets out the Company's policies on various matters including ethical conduct, business conduct, compliance, privacy and security of information.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Recommendation 4.1: Audit Committee

The Company's Audit and Risk Committee Charter provides for the creation of an Audit and Risk Committee, with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director who is not the Board Chair. The Audit and Risk Committee Charter is available on our website at <https://larkdistillery.com/investor-centre/>.

During the period the Board established an Audit and Risk Committee, which consists of three members, Mr Warren Randall who is an independent directors and Mr David Dearie and Mr Laurent Ly who are non-independent. The Committee was chaired by Mr Laurent Ly.

Following the appointment of Laura McBain, the Board thought it timely to review the composition of its Audit and Risk Committee and appointed Laura McBain and Laurent Ly as non-independent. The Committee is now Chaired by Laura McBain. All Directors have relevant experience as shown in their biographies in the Directors Report.

Although the Company does have an appointed Committee, it does not have three members of whom are independent



and therefore the Company does not comply with the recommendation in its entirety.

Details of meetings held by the Committee during the year and member attendance are set out in the 2020 Directors' Report.

In accordance with the Company's Audit and Risk Committee Charter the primary function of the Committee is to assist the Board to carry out the following:

- review and monitor the integrity of the Company's financial reports and statements;
- monitor the performance and independence of the external auditor; and
- reviewing the consolidated accounts of the company.

It also has risk management and internal control functions as set out under Recommendation 6.1.

Recommendation 4.2: Assurances

The CEO and CFO provide an annual declaration to the Board prior to the Board's approval of the Company's full year financial results. This process was followed for the 2020 full year financial results, where the CEO and CFO provided a declaration to the Board that, in their opinion, the financial records 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 Group, and their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. On this basis, the 2020 full year financial results were approved by the Board.

Recommendation 4.3: External Auditor

Our external auditor is Deloitte Touche Tohmatsu (**Deloitte**). Deloitte attends our AGM and a representative is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Deloitte's independence declaration is contained in the Directors' Report in our 2020 Annual Report.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1: Continuous Disclosure Policy

We are committed to providing information to shareholders and to the market in a manner that is consistent with the meaning and intention of the ASX Listing Rules and the Corporations Act.

To comply with these obligations, the Board has adopted a Continuous Disclosure Policy, which is available on our website at <https://larkdistillery.com/investor-centre/>. This Continuous Disclosure Policy sets out the key obligations of directors and employees in relation to the Company's continuous disclosure requirements.

The Board has overarching responsibility for compliance with continuous disclosure obligations and Board approval is required for certain key matters (as set out in the Continuous Disclosure Policy) and matters may be referred to the Board for approval by the MD or the Company Secretary.

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market and in compliance with our Securities Trading Policy (as applicable). In accordance with continuous disclosure obligations under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner. The Company website includes a link to all information disclosed to the ASX.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

Recommendation 6.1: Information and Governance

Information about the Company and its corporate governance policies is available on our website at <https://larkdistillery.com/investor-centre/>



The Company also maintains a separate investor page on our website to provide shareholders with links to annual and interim reports, ASX announcements, presentations and other key information.

Recommendation 6.2: Investor Relations

We endeavour to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions.

Through its shareholder communications, we aim to provide information that will allow existing shareholders, potential shareholders and financial analysts to make informed decisions about the Group's intrinsic value and meet its obligations under the ASX's continuous disclosure regime.

Our investor relations program which includes:

- issuing regular written shareholder communications such as quarterly financial reporting and an Annual Report to address the Company's strategy and performance;
- sending and receiving shareholder communications electronically;
- maintaining the Board and corporate governance and investor sections on our website including posting all announcements after they have been disclosed to the market;
- promoting two-way interaction with shareholders, by supporting shareholder participation at general meetings including encouraging shareholders to send their questions to the Company prior to the annual general meeting and responding to their questions and feedback; and
- ensuring that continuous disclosure obligations are understood and complied with throughout the Group.

Shareholder queries should be referred to the Company Secretary in the first instance.

Our Shareholder Communications Policy is available on our website at <https://larkdistillery.com/investor-centre/>.

Recommendation 6.3: Shareholder Meeting Participation

Shareholders are forwarded the Company's Annual Report, if requested (it is otherwise made available on the Company's website), and documents relating to each general meeting, being the notice of meeting, any explanatory memorandum and a proxy form and shareholders are invited to attend these meetings.

The Board regards each general meeting as an important opportunity to communicate with shareholders and it provides a key forum for shareholders to ask questions about the Company, its strategy and performance. At shareholder meetings, the Company will provide an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and if applicable our external auditor.

Recommendation 6.4: Electronic Communication with Shareholders

Shareholders are encouraged to take advantage of the benefits of electronic communications by electing to receive communication from the Company and its share registry electronically.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Recommendation 7.1: Risk Committee

The Company's Audit and Risk Committee Charter provides for the creation of an Audit and Risk Committee, with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director who is not the Board Chair. The Audit and Risk Committee Charter is available on our website at <https://larkdistillery.com/investor-centre/>.

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Although the Company does have an appointed Committee, it does not have three members of whom are independent and therefore the Company does not comply with the recommendation in its entirety.

Details of meetings held by the Committee during the year and member attendance are set out in the 2020 Directors' Report.

In accordance with the Company's Audit and Risk Committee Charter the Committee also has delegated responsibilities in relation to risk management which includes assisting the Board to:

- review and make recommendations regarding the adequacy and integrity of the Company's risk management framework and system of internal controls; and
- reviewing compliance with relevant laws and regulations

Recommendation 7.2: Risk Management Framework

The Group's risk management framework is supported by the Board of Directors, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. Management are responsible for monitoring compliance with and the effectiveness of risk management systems and controls at a divisional level including financial and non-financial risks. Senior management regularly reports to the Board on the adequacy of its risk management systems, processes and key matters for consideration.

Recommendation 7.3: Internal Audit

The internal audit function provides independent and objective assurance on the adequacy and effectiveness of the Group's systems for risk management, internal control and governance, along with recommendations to improve the efficiency and effectiveness of these systems and processes.

The Audit and Risk Committee oversees relevant financial and non-financial risks and not through a separate internal audit function.

During the past financial year, the Company employed the following process for evaluating and continually improving the effectiveness of its risk management and internal control processes:

- the Audit and Risk Committee monitors the need for an internal audit function having regard to the size, location and complexity of the Company's operations;
- senior management facilitate the periodic review of financial and non-financial systems and processes and present to the Board the objectives and scope, proposed outcomes and any recommendations arising from the review;
- the Group has retained the services of a leading firm of compliance consultants (which report to the Audit and Risk Committee) to perform an internal audit function in relation to the Group's Registered Training Organisation licence compliance obligations; and
- the Board reviews risk management and internal compliance procedures at each Board meeting and any risk matters raised for consideration by Senior Management.

Recommendation 7.4: Economic, Environmental and Social Sustainability Risk

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

The Board does not believe the Company has any material exposure to economic and social sustainability risks at the present time.



PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBILITY

Recommendation 8.1: Remuneration Committee

The Company's Remuneration and Nomination Committee Charter provides for the creation of a Committee, with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director. The Nomination Committee Charter is available on our website at <https://larkdistillery.com/investor-centre/>.

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In accordance with the Company's Remuneration and Nomination Committee Charter the Committee has delegated responsibilities in relation to remuneration matters which includes assisting the Board to:

- make recommendations to the Board on:
 - executive remuneration and incentive policies;
 - the remuneration packages of senior management;
 - incentive schemes;
 - superannuation arrangements; and
 - the remuneration framework for directors.

Recommendation 8.2: Remuneration Policies and Practices

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration policies for the directors and senior executives. If necessary, it obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the Company.

Details of the Company's remuneration practices for its Directors and senior executives are disclosed in the Remuneration Report in the Company's Annual Report. The Remuneration Report highlights the balance between fixed pay, short term incentive and long-term incentives, and includes details of the remuneration paid and the relationship to the Company's performance.

Recommendation 8.3: Equity Based Remuneration Scheme

The Company's Employee Incentive Plan, as displayed on the Company's ASX platform, prohibits participants from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

The Company also has a Securities Trading Policy, as displayed on the Company's website, which provides that participants must not, without prior approval of the MD, entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.