

Corporate Governance Statement

OVERVIEW

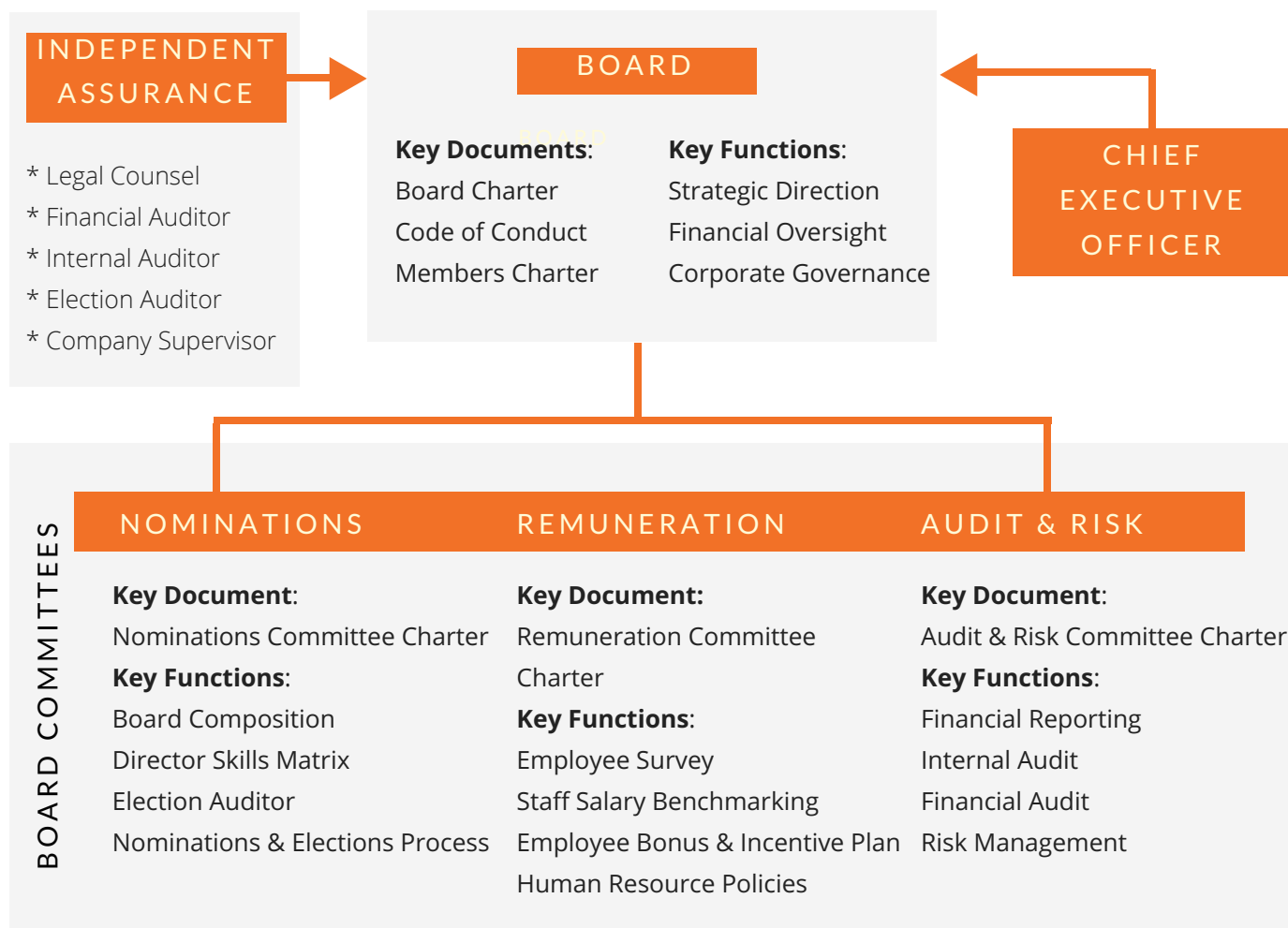
This Corporate Governance Statement, which has been approved by the Board, describes the governance framework, policies and practices of AustCham Shanghai as at 1st June 2017. Our approach to corporate governance is based on a commitment to consultation with our members and being open and transparent when reporting our decisions and performance. This approach includes a commitment to excellence in governance standards, which the Board sees as fundamental to the sustainability of our business.

The diagram below illustrates the legal structure of our Company and the relationship between our Members, Directors and Employees within this framework:



BOARD STRUCTURE AND OPERATION GOVERNANCE FRAMEWORK

The diagram below shows AustCham Shanghai's current governance framework, including the current Committees of the Board. From time to time, the Board may form other Committees or request Directors to undertake specific extra duties. The key functions of the Board and each of the Board Committees are outlined in this Governance Statement. The Board and Committee Charters are available on our website at www.austchamshanghai.com.



Note: Working committees such as Industry Committees or the CSR Committee are not Board Committees (that is, they have no delegation of authority from the Board) but sit beneath the CEO to implement Board-approved strategies and policies, or to provide a forum for consultation with members.

Key people and independent service providers who provide oversight of corporate governance for AustCham Shanghai are listed in the table below.

AO SHANG HUI CONSULTING (SHANGHAI) LTD

Board of Directors

Mr Craig Aldous	Chairman & Non-executive Director
Mr Craig Weightman	Deputy Chair & Non-executive Director
Mr Bernie Landy	Treasurer & Non-executive Director
Ms Susan Heffernan	Non-executive Director
Ms Kim Gilliland	Non-executive Director
Mr John O'Shea	Non-executive Director
Ms June Fu	Non-executive Director
Mr Paul Glasson	Non-Executive Director

Mr Alan Chang	Non-executive Director
Mr Simon Lance	Non-executive Director
Mr Udo Doring	CEO, Executive Director & Legal Representative

Board Appointments

Ms Shannon Doecke	Company Secretary
Mr Martyn Huckerby	Company Supervisor
Mr Li Man Fai, Prime Pillar	External Auditor
Azure Group	Internal Auditor
King & Wood Mallesons	Legal Counsel
Ms Frances Gong, CPA Australia	Election Auditor

AUSTCHAM CONSULTING (HONG KONG) LTD

Board

Mr Craig Aldous	Non-executive Chairman
Mr Craig Weightman	Non-executive Director
Mr Bernie Landy	Non-executive Director

Board Appointments

Ethos Ltd	Trustee & Secretariat
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BOARD MEETINGS

The Board held eleven (11) scheduled meetings during the one-year term of the current Board up until June 2017. In addition to the Board considering strategic matters at each Board meeting, the Board also discusses our strategic plan and approves our overall strategic direction on an annual basis.

Directors are encouraged to voice their opinions in an informed and constructive manner at Board meetings, so that their experience and independent judgement can bear on the issues and decisions at hand. Time is set aside in Board meetings without management present, so that Non-executive Directors can discuss issues appropriate to such a forum. In all other respects, senior managers are invited, where considered appropriate, to participate in Board meetings. The Chairman sets the agenda for each meeting, in conjunction with the Company Secretary and CEO. All Directors are welcome to suggest to the Chairman that particular items of business be included in the agenda. Papers are distributed to all Directors in advance of the meetings.

The Board comprises eleven (11) Directors, including ten (10) non-executive Directors and one (1) executive Director. The current non-executive Directors, their date of appointment and their meeting attendance record since the last Annual General Meeting is set out below.

NAME OF DIRECTOR	TERM IN OFFICE	MEETINGS ATTENDED (OUT OF 11)*
Mr Craig Aldous	Director since July 2012 and Chairman since July 2016	10
Mr Craig Weightman	Director since July 2015 and Deputy Chairman since July 2016	9
Mr Bernie Landy	Director and Treasurer since July 2015	9
Ms Susan Heffernan	Director since July 2014	10
Mr John O'Shea	Director since July 2015	11
Ms Kim Gilliland	Director since July 2015	5**
Ms June Fu	Director since July 2016	8
Mr Paul Glasson	Director since July 2016	8
Mr Alan Chang	Director since July 2016	7
Mr Simon Lance	Director since January 2017	4***

* The Board held 10 General meetings and 1 Strategy Day meeting during the period from 1st July 2016 to 1st June 2017.

** Ms Gilliland was absent on maternity leave for a period of time from November 2016.

*** Mr Lance was appointed to the Board in January 2017 after the resignation of Ms Kellie Grimsley in October 2016. There have been 5 meetings of the Board since Mr Lance was appointed.

ROLE OF DIRECTORS

The Board Charter outlines the roles and responsibilities of the Board. Key responsibilities in summary are:

- Approving the strategic direction of the Company and significant strategic initiatives;
- Approving the Company's annual targets and financial statements and monitoring financial performance against forecast and prior periods; and
- Overseeing good governance practice.

The Constitution and the Board Charter enables the Board to delegate to Committees and management.

The roles and responsibilities delegated to the Board Committees are captured in the Charters of each of the three established Committees, namely:

- Audit & Risk
- Remuneration
- Nominations

The Board Charter, Board Committee Charters and the Constitution are available on our website at www.austchamshanghai.com.

The Board has also delegated to the CEO, and through the CEO to other managers, responsibility for the day-to-day management of the business. The scope of, and limitations to, management-delegated authority is clearly documented. These delegations balance effective oversight with appropriate empowerment and accountability of management.

ROLE OF THE CHAIRMAN

The Board elects one of the Non-executive Directors as Chairman. Our Chairman is Mr. Craig Aldous, who became Chairman on 20th July 2016. The Chairman's role includes:

- Providing effective leadership to the Board in relation to all Board matters;
- Guiding the agenda and conducting all Board meetings;
- In conjunction with the Company Secretary, arranging regular Board meetings throughout the year, confirming that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual Directors;
- Ensuring the performance of the Board and its directors is in line with the Directors Code of Conduct;
- Acting as the primary point of communication between the Board and the CEO;
- Representing the views of the Board to the public; and
- Taking a leading role in creating and maintaining an effective corporate governance system.

ROLE OF THE CEO

Our CEO is Mr. Udo Doring. The CEO's role includes:

- Leadership of the management team;
- Developing strategic objectives for the business; and
- The day-to-day management of AustCham Shanghai's operations.

DIRECTOR INDUCTION AND PROFESSIONAL DEVELOPMENT

All new Directors participate in an induction program to familiarize themselves with our business and strategy, culture and values and any current issues before the Board.

The induction program includes meetings with the Chairman and the CEO. New Directors receive appropriate background documentation, coordinated by the Company Secretary and by the CEO on the nature of the Company's business and its key drivers.

The Board encourages Directors to undertake continuing education and training to develop and maintain the skills and knowledge needed to perform their role as Directors effectively. The Board, therefore, supports Directors being members of the Australian Institute of Company Directors so that they can keep abreast of current governance issues and participate in webinars or online courses provided by the Institute.

ACCESS TO INFORMATION

All Directors have complete access to senior management through the Chairman, CEO and Company Secretary at all times and may seek information from the Company's External and Internal Auditors provided that all such enquiries are first advised to the Chairman and the CEO.

BOARD AND DIRECTOR PERFORMANCE ASSESSMENT

The Board is committed to implementing a system for review of its own performance and that of its Committees annually. Under this system, the Chairman will also hold individual discussions with each Director to discuss their performance on a needs basis.

The Chairman is responsible for evaluating the performance of the CEO, who in turn evaluates the performance of all other Senior Executives.

The evaluations are based on Board-approved criteria, including the Company's business performance, whether long-term strategic objectives are being achieved and the attainment of individual performance objectives.

COMPANY SECRETARY

Our Company Secretary is Ms Shannon Doecke, who was appointed to the role in November 2016. Under the Board Charter, the Company Secretary is accountable to, and reports directly to, the Board (through the Chairman where appropriate) on all governance matters. All Directors have unfettered access to the Company Secretary. Under the Board Charter, the Directors appoint the Company Secretary.

KEY FOCUS AREAS OF THE BOARD OVER THE PAST TWELVE MONTHS

- Approving a 3-year Strategic Business Plan for the Company
- Overseeing management's performance in strategy implementation
- Monitoring the Company's operating and cash flow performance, financial position and key metrics
- Implementing a good governance framework for the Company, including a Board Charter, Committee Charters, a Director Code of Conduct, and a Members Charter

- Appointing a Company Secretary to ensure that meeting minutes, agendas, attendance records and Board papers are produced in a timely and accurate manner.
- Ensuring that the legal structure of the Company accurately reflects the relationship between the Company and its members
- Reviewing policies to improve the Company's system of corporate governance, including approving amendments to the Operations Manual and Employee Handbook and revising delegated authorities

BOARD COMPOSITION

Essential Requirements

- High standards of personal integrity and ethical behaviour
- Independence of thought
- Sound judgment and decision-making
- Team player
- Good listener
- Strong interpersonal and communication skills
- Active networker
- Available to serve the needs of the Company

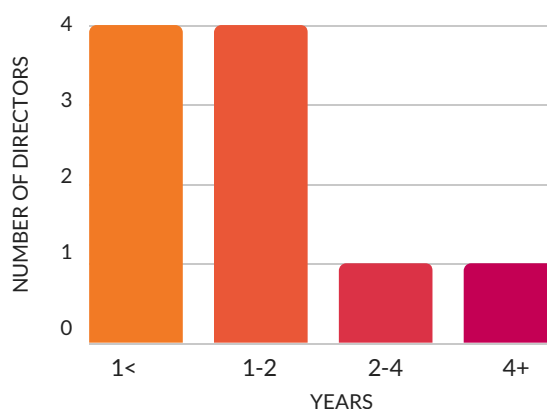
Diversity

The Board recognizes that a mix of Directors that represents a diverse range of viewpoints contributes to better decision-making. Therefore, it is important to ensure that its membership has an appropriate mix of people based on gender, ethnicity, industry represented, company-type represented, and length of tenure on the Board. The below tables and charts outline the current diversity of the Board membership.

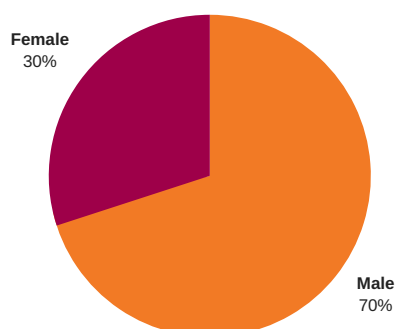
INDUSTRY REPRESENTATION

Food, Beverage and Agriculture	1
Banking and Financial Services	2
Real Estate	1
Manufacturing	1
Creative Industries	1
Leisure, Hospitality & Travel	2
Consumer Goods	1
Professional Services	1

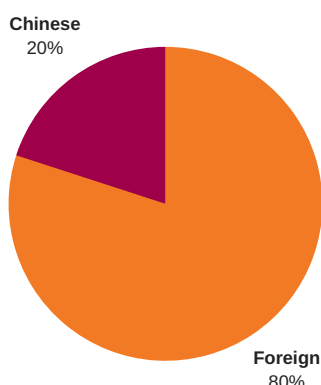
BOARD TENURE



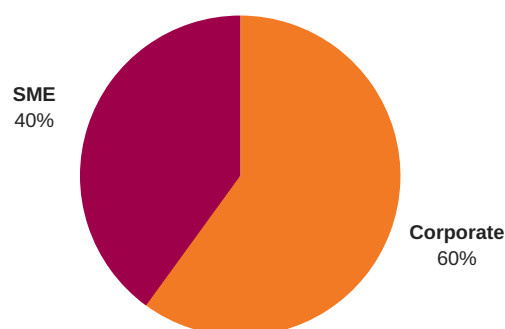
GENDER



ETHNICITY



COMPANY



Skills, Knowledge and Experience

The Board recognizes that each Director will not necessarily possess experience in all areas relevant to the Company's operations so seeks to ensure that its membership includes an appropriate mix of Directors with skills, knowledge and experience in core competencies.

BOARD COMMITTEES

PURPOSE

To increase the effectiveness of the Board's functioning and to allow the Board to spend additional and more focused time on specific issues, the Board has three standing committees, being the Nominations Committee, the Remuneration Committee, and the Audit and Risk Committee.

MEMBERSHIP AND ATTENDANCE

Each of the Board Committees is comprised of Non-Executive Directors.

The CEO has a standing invitation to attend all Board Committee meetings – except where the relevant Committee is discussing the CEO's employment arrangements or Non-Executive Director only sessions are being held – and may participate in discussions but has no voting rights. Other Senior Managers may be invited to attend Board Committee meetings where the Committee Chairman believes that person's attendance would be useful and relevant.

Each Board Committee has a formal Charter which details the Committee's role and responsibilities. Each Committee Charter can be found on the Company website at www.austchamshanghai.com.

COMMITTEE NAME	MEMBERS	MEETINGS ATTENDED	MEETINGS HELD
Audit and Risk Committee	Mr Bernie Landy (Chair)	9	9
	Mr Craig Aldous	9	
	Ms Susan Heffernan	7	
	Ms June Fu	8	
	Mr Paul Glasson	6	
Nominations Committee	Ms Susan Heffernan (Chair)*	2	4
	Mr Craig Aldous	4	
	Mr Alan Chang**	2	
Remuneration Committee	Mr Simon Lance (Chair)***	2	3
	Mr Craig Weightman	3	
	Mr John O'Shea	1	
	Ms Kim Gilliland	2	

* Ms Heffernan was appointed Chair of the Nominations Committee in December 2016 after the resignation of Mr Weightman from the role. Mr Weightman had chaired the two committee meetings held before his resignation. Ms Heffernan has chaired the two committee meetings held since her appointment.

** Mr Chang was appointed to the Nominations Committee in December 2016 after the resignation of Mr Landy from the committee. At the same time, Mr Chang resigned from the Remuneration Committee where he had attended the only meeting of that committee prior to his transfer. Mr Chang has attended both of the Nominations Committee meetings held since his appointment. Mr Landy had attended both of the Nominations Committee meetings held prior to his resignation.

*** Mr Lance was appointed as Chair of the Remuneration Committee immediately upon his appointment to the Board in January 2017. He has chaired both committee meetings held since his appointment.

BOARD COMMITTEE MEETINGS

Board Committee meetings are held at scheduled intervals during the year, with additional meetings convened as required. The Board Committees are generally scheduled to meet prior to the Board meeting. Minutes of each Board Committee meeting are formally approved by the Committee Chair and included with papers in the following Board meeting.

AUDIT AND RISK COMMITTEE

The Board is concerned to ensure the integrity of the Company's financial reporting, its management of risk and its legal, regulatory and policy compliance. The Audit and Risk Committee assists the Board in achieving this objective.

The Audit and Risk Committee assists the Board to meet its oversight responsibilities in relation to the Company's:

- Financial statements and financial reporting;
- Financial risk management processes, accounting and control systems;
- Internal and external audit arrangements;
- Compliance with legal, regulatory and internal policy requirements; and
- Risk management programs.

KEY FOCUS AREAS OF THE AUDIT & RISK COMMITTEE OVER THE PAST TWELVE MONTHS

- The preparation of the statutory financial accounts of the Company, including the review of those accounts and the application of accounting policies in accordance with Chinese Accounting Standards
- The appointment of the Company auditor
- The establishment of an internal audit plan and appointment of an internal auditor to assess the effectiveness of the Company's internal control environment
- Review of the Company's policy on capital reserves
- Periodic assessments of the significant risks of the Company
- Reviewing and evaluating the adequacy of the Company's insurance arrangements to ensure appropriate cover for identified operational and business risks

REMUNERATION COMMITTEE

The Board's objective is to ensure that the Company has adopted remuneration and human resources policies that meet the needs of the Company and encourage a performance-oriented culture. The role of the Committee is to:

- Ensure appropriate policies and procedures are in place to assess the remuneration levels of the CEO, senior Managers and the staff;
- Ensure a clear relationship between business performance and the key performance indicators and remuneration of the CEO and senior Managers;

- Align management and staff incentive awards with the creation of value for members;
- Ensure that the Company's human resources strategy, policies and procedures are appropriate to the Company's needs and clearly designed and executed.

KEY FOCUS AREAS OF THE REMUNERATION COMMITTEE OVER THE PAST TWELVE MONTHS

- Determining reward outcomes for the CEO
- Review of staff incentive plans
- Salary benchmarking review for all staff positions

NOMINATIONS COMMITTEE

The Board's objective in relation to Board nomination and review is that the Company has adopted transparent policies and practices to allow members to elect a Board that:

- Has an effective composition, size, mix of skills, experience and commitment to adequately discharge its responsibilities and duties and add value to the Company and its members;
- Has a proper understanding of, and competence to deal with, the current and emerging issues of the Company; and
- Can effectively review and challenge the performance of management and exercise independent judgment.

KEY FOCUS AREAS OF THE NOMINATIONS COMMITTEE OVER THE PAST TWELVE MONTHS

- Review of nominations and elections process
- Formulation of a Directors skills matrix
- Appointment of an Election auditor

RISK MANAGEMENT FRAMEWORK

The Board is responsible for approving the Risk Management Strategy and for monitoring the effectiveness of risk management by the Company. The Board has delegated to the Audit and Risk Committee responsibility to:

- Review and recommend the Risk Management Strategy to the Board for approval
- Approve frameworks, policies and processes for managing risk

The CEO and management team are responsible for implementing our risk management strategy and frameworks, and for developing policies, controls, processes and procedures for identifying and managing risk in all of the Company's activities.

INTERNAL AUDIT FUNCTION

The Audit and Risk Committee Charter sets out the role of the Committee in executing the internal audit function. The Audit and Risk Committee oversees a risk identification process and then recommends an annual internal audit plan to ensure that planned audit activities are aligned to material business risks.

The Audit and Risk Committee recommends an internal auditor to the Board for approval and reviews internal audit reports issued by the internal auditor. Our internal auditor is Azure Group, and was appointed in March 2017 for a two-year term.

The Committee also monitors progress with recommendations made in internal audit reports to ensure the adequacy of the internal control environment. The internal audit function and external audit function are separate and independent of each other. The roles and responsibilities of the Audit and Risk Committee are further set out in the Audit and Risk Committee Charter.

EXTERNAL AUDIT INDEPENDENCE POLICY

The role of the external auditor is to provide an independent opinion that our consolidated financial reports are true and fair, and comply with applicable regulations. The Audit & Risk Committee reviews the effectiveness, performance and independence of the external auditor annually.

In reviewing the independence of the auditor, the Audit & Risk Committee must assess whether:

- An employment relationship exists or could be deemed to exist, between the Company and the auditor, its officers or former officers, employees or former employees or certain relatives;
- A financial relationship exists between the auditor and the Company; and
- The auditor provides any non-audit services to the Company.

Our external auditor is Mr Li Man Fai from Prime Pillar, and was appointed by the Board for a two-year term in January 2017.

Mr Li has provided an independence declaration to the Board for the financial year ended 31st December 2016. The independence declaration forms part of the Auditors report and is in accordance with the Hong Kong Institute of Certified Public Accountants Code of Ethics for Professional Accountants..

If it becomes necessary to replace the external auditor for performance or independence reasons, the Audit & Risk Committee will provide a recommendation to the Board for the selection and appointment of a new auditor

FINANCIAL RISK CERTIFICATION

The CEO and the Finance Manager provide written statements to the Board in respect of the full-year reporting periods.

With regard to the maintenance of financial records, compliance of financial statements with accounting standards and systems or risk management and internal compliance in this written statement, the Board received assurance from the CEO and the Finance Manager that the declarations were founded on a sound system of risk management and internal control and that the system was operating effectively in all material aspects in relation to financial reporting risks, in respect of the full-year reporting period.

COMPANY SUPERVISOR

In accordance with the Company Law of China and the Company's Constitution, the Directors of our Shareholding Company in Hong Kong must appoint a Company Supervisor. The main role of the Company Supervisor is to:

- Check the financial affairs of the Company; and
- Ensure that Directors are performing their duties in accordance with the Company Constitution.

The Company Supervisor may attend meetings of the Board or its Committees provided that prior notice is given to the Chairman of the Board. The Company Supervisor has complete access to senior management through the Chairman, CEO and Company Secretary at all times and may seek information from the Company's External and Internal Auditors provided that all such enquiries are first advised to the Chairman and the CEO.

Our Company Supervisor is Mr Martyn Huckerby, and was appointed in January 2017 for a 3-year term.

CONDUCT AND ETHICS

CODES OF CONDUCT

The Board has adopted Codes of Conduct that detail standards for acceptable practices by the Company Directors, Members, and Employees, and the behavior and responsibilities expected of them.

The Codes exist to ensure that all of the Company's people act in the best interests of the Company, manage any potential conflicting interests, act in the best interests of their customers and colleagues (absent any conflict with their duties to the Company), ensure all business is undertaken safely, fairly, honestly and ethically, maintain confidentiality, comply with Company policy and behave in accordance with the underpinning values of the Company.

The Board is committed to promoting conduct and behavior that is honest, fair, legal and ethical and respects the rights of the Company's members and other stakeholders, including clients and customers, suppliers, creditors and employees.

The Codes of Conduct will be reviewed annually to ensure compliance with legal obligations and ethical principles.

DIRECTORS' CONFLICT OF INTEREST

All Directors are required to disclose any actual, potential or apparent conflicts of interest upon appointment and are required to keep these disclosures to the Board up to date.

Any Director with a material personal interest in a matter being considered by the Board must declare their interest and, unless the Board resolves otherwise, may not be present during the boardroom discussions or vote on the relevant matter.

BOARD OF DIRECTORS' GUIDING PRINCIPLES

To complement the Directors Code of Conduct, the Board has agreed on a set of guiding principles for the operation of the Board and the conduct of its meetings. The Guiding Principles Statement is:

"The Board of AustCham Shanghai is committed to developing a high performance Board and aspires to excellence in standards of governance. We will achieve this by:

- Being respectful and supportive of management, asking questions that stimulate management thinking and provide constructive input that ensures management derives value from Board input.
- Working together as a team.
- Encouraging and valuing diverse but well-informed opinions.
- Being accountable to members for our decisions.
- Maintaining openness and transparency in disclosing information at Board and Committee meetings.
- Adopting a consultative approach in our communications with members and other key stakeholders.
- Ensuring that the roles of the Board, Committees, the Chairman, the CEO and management are clearly defined in writing.
- Keeping debate and decisions within the Boardroom.
- Ensuring Board papers are circulated at least 5 working days before Board meetings. Last minute papers will be kept to a minimum.
- Keeping communications open with the CEO about relevant stakeholder activity outside of meetings."