

Donaco International Limited (Company) Corporate Governance Statement

This Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's 2nd edition Corporate Governance Principles and Recommendations with 2010 Amendments (**Recommendations**). The Recommendations are not mandatory. However, the Company will be required to provide a statement in future annual reports disclosing the extent to which the Company has followed the Recommendations.

	Recommendations	Compliance	Comment
1. Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Complies	The Company's Board Charter sets out the specific responsibilities of the board and those delegated to senior executives. The Company's Board Charter is available on the Company's website.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Complies	The Company's Nominations, Remuneration & Corporate Governance Committee Charter sets out the process for evaluating the performance of senior executives. The Company's Nominations, Remuneration and Corporate Governance Committee Charter is available on the Company's website.
1.3	Provide the information indicated in <i>Guide to reporting on Principle 1</i> .	Will comply	The Company will provide an explanation of any departures from Recommendations 1.1, 1.2 and 1.3 (if any) in future annual reports.
2. Structure the board to add value			
2.1	A majority of the board should be independent directors.	Does not comply	The Company's Board Charter, specifically clause 5, sets out the policy regarding independent directors. The Company's Board Charter is available on the Company's website. As at 1 February 2013, the Board will have 2 independent members.
2.2	The chair should be an independent director.	Complies	The Chairman is an independent director.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Complies	The Company's Chairperson and chief executive officer are not the same person.
2.4	The board should establish a nomination committee	Complies	The Company has established a Nomination Committee in accordance with Clause 8 of its Board Charter.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual	Will comply	The Company's Board Committee Standing Rules and Nominations, Remuneration & Corporate Governance Committee Charter sets out the

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	directors.		process for evaluating the performance of the Board
2.6	Provide the information indicated in <i>Guide to reporting on Principle 2</i> .	Will comply	The Company will provide an explanation of any departures from Recommendations 2.1 to 2.6 (if any) in future annual reports.
3. Promote ethical and responsible decision-making			
3.1	<p>Companies should establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity; the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Complies	The Company has implemented a number of policies and procedures including the Company's Board Charter, Directors' Code of Conduct and Audit and Risk Management Committee Charter that maintain confidence in the Company's integrity, take into account the Company's legal obligations and govern the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. These policies are available on the Company's website.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Does not comply	The board will determine the appropriate policy concerning diversity. This policy will include a recommendation as to whether it is appropriate for the board to establish measurable objectives for achieving gender diversity for the board to assess annually.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Does not comply	See above.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Will comply	The Company will disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the board in future annual reports.
3.5	Provide the information indicated in <i>Guide to reporting on Principle 3</i> .	Will comply	The Company will provide an explanation of any departures from Recommendations 3.1 to 3.5 in future annual reports.
4. Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee.	Complies	The Company has an Audit Committee (referred to as the "Audit & Risk

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			Management Committee")
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; and • has at least three members. 	Complies	The Company has implemented an Audit and Risk Management Committee Charter which governs the operation of the Audit and Risk Management Committee. This charter is available on the Company's website. At present, the Audit and Risk Management Committee is comprised of two members however the Company believes that this is sufficient having regard to the current operations of the Company.
4.3	The audit committee should have a formal charter.	Complies	See above.
4.4	Provide the information indicated in <i>Guide to reporting on Principle 4</i> .	Will comply	The Company will provide an explanation of any departures from Recommendations 4.1 – 4.4 (if any) in future annual reports.
5. Make timely and balanced disclosure			
5.1	Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Complies	The Company has implemented a Directors' Code of Conduct, Market Disclosure Policy, Directors' Disclosure Policy and Policy for Handling Conflicts of Interest which are designed to ensure compliance with the ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for compliance and disclosure. These policies are available on the Company's website.
5.2	Provide the information indicated in <i>Guide to reporting on Principle 5</i> .	Will comply	The Company will provide an explanation of any departures from Recommendations 5.1 and 5.2 (if any) in future annual reports.
6. Respect the rights of shareholders			
6.1	Companies should design a communications strategy for promoting effective communication with shareholders and encouraging effective participation at general meetings and disclose their policy or a summary of that policy.	Complies	The Company has implemented a Market Disclosure Policy which ensures that there is fully and timely disclosure of the Company's activities to shareholders. The Company's Market Disclosure Policy is available on the Company's website.
6.2	Provide the information indicated in <i>Guide to reporting on Principle 6</i> .	Will comply	The Company will provide an explanation of any departures from Recommendations 6.1 and 6.2 (if any) in future annual reports.
7. Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a	Complies	The Company has implemented an Audit & Risk Management Committee Charter. The Audit & Risk Management Committee Charter outlines the

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	summary of those policies.		powers and duties of the Audit and risk Management Committee. The Audit & Risk Management Committee Charter is available on the Company's website.
7.2	The board should require management to design and implement a risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Complies	The Company's Board Charter requires that an Audit and Risk Management Committee be established. The Audit and Risk Management Committee has been established and reports regularly to the Board in respect of material business risks and their management. The Company has also implemented an Audit and Risk Management Committee Charter which governs the operation of the Audit and Risk Committee.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Complies	Pursuant to clause 4 of the Company's Board Charter, the Board must ensure that it is provided with an additional written statement from the chief executive officer and chief financial officer in relation to the Company's risk and management systems and controls that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
7.4	Provide the information indicated in <i>Guide to reporting on Principle 7</i> .	Will comply	The Company will provide the relevant details (including an explanation of any departures from Recommendations 7.1, 7.2, 7.3 and 7.4) in future annual reports.
8. Remunerate fairly and responsibly			
8.1	The board should establish a remuneration committee.	Complies	Pursuant to clause 8 of the Company's Board Charter, a remuneration committee has been established.
8.2	The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent chair and has a least three members.	Does not comply	There is currently only one independent director on the Company's Board. As such, the remuneration committee does not comprise a majority of independent directors, nor is it chaired by an independent chair.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Complies	Pursuant to clause 4.1(k) of the Company's Nominations, Remuneration & Corporate Governance Committee Charter, the Company's Nominations, Remuneration & Corporate Governance Committee must review the remuneration of non-executive directors annually and ensure that the structure of non-executive director's remuneration is clearly distinguished from that of executives by ensuring that non-executive directors are remunerated by way of fees; do not participate in schemes designed for the

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			remuneration of executives, do not receive options or bonus payments and are not provided with retirement benefits other than statutory superannuation.
8.4	Provide the information indicated in <i>Guide to reporting on Principle 8</i> .	Will comply	The Company will provide an explanation of any departures from Recommendations 8.1-8.4 (if any) in future annual reports.