

ASX : DNA

asx release



25 September 2015

Corporate Governance Statement

Donaco International Limited lodges the attached Corporate Governance Statement for the financial year ending 30 June 2015.

For further information:

Ben Reichel
Executive Director

(m) +61 412 060 281

ABOUT DONACO INTERNATIONAL LIMITED (ASX: DNA)

Donaco International Limited operates leisure and entertainment businesses across the Asia Pacific region.

Our major business is the Star Vegas Resort and Club, a successful casino and hotel complex in Poipet, Cambodia, on the border with Thailand. Star Vegas was established in 1999, and is the largest and highest quality of the Poipet casino hotels. The property has more than 100 gaming tables, more than 1400 slot machines, and 385 hotel rooms.

Our flagship business is the Aristo International Hotel, a successful boutique casino in northern Vietnam, located on the border with Yunnan Province, China. Established in 2002, the property has recently been expanded to a brand new five star resort complex with 400 hotel rooms. Donaco is a pioneer casino operator in Vietnam, and owns a 95% interest in the business, in a joint venture with the Government of Vietnam.

To learn more about Donaco visit www.donacointernational.com

Corporate Governance Statement FY15

Donaco International Limited (the Company) is committed to good corporate governance practices through its established corporate governance framework. This framework is reflected in the Company's policies, and is designed to ensure that there are appropriate levels of disclosure and accountability. Copies of the Company's policies are available from the "Investor Relations" section of our website, www.donacointernational.com.

The Company has endorsed the 3rd edition of the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council, and seeks to follow them to the extent that it is practicable having regard to the size and nature of its operations. The 3rd edition took effect for the FY15 financial year onwards. Accordingly the Board has reviewed and updated its corporate governance policies to reflect the changes made in the 3rd edition.

The Board regularly reviews all corporate governance policies and practices to ensure that they remain current and in accordance with good practice appropriate for the Company's business environment. The Board and senior management ensure that employees are aware of the requirements for corporate compliance as applicable to their specific roles within the organisation.

The table below summarises the 3rd edition of the Corporate Principles and Recommendations, and cross references these to the Company's Corporate Governance Policies. All of the Corporate Governance Policies are available on the Company's website.

ASX Corporate Governance Principles and Recommendations	Compliance	Donaco International Limited Corporate Governance Policy
Principle 1: Lay solid foundations for management and oversight		
1.1 A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	Complies	The Board Charter sets out the specific responsibilities of the Board, and those matters delegated to management.
1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Complies	Appropriate checks are undertaken pursuant to clause 4.1(c) of the Nominations, Remuneration & Corporate Governance Committee Charter. All material relevant information is provided to shareholders.
1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Complies	Written agreements are in place.
1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Complies	Board Charter, clause 4.4.
1.5 A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually	Complies	The Diversity Policy deals with the matters specified. It is disclosed on the Company's website. The proportions of men and women are as follows: Board,

<p>both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>		<p>100% men 0% women; in senior executive positions, 89% men 11% women; and across the whole organisation, 42% men 58% women.</p> <p>"Senior executives" are defined for this purpose as the CEO, the direct reports to the CEO, and their direct reports.</p>
<p>1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Complies</p>	<p>The Company's Nominations, Remuneration & Corporate Governance Committee Charter sets out the process for evaluating the performance of the Board.</p> <p>No formal evaluation was undertaken during FY15, due to the Company's focus on the acquisition of the Star Vegas Resort & Club, which led to significant changes in Board composition, with two new Directors approved for appointment by shareholders.</p>
<p>1.7 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Complies</p>	<p>The Company's Nominations, Remuneration & Corporate Governance Committee Charter sets out the process for evaluating the performance of senior executives.</p> <p>A formal performance evaluation and market benchmarking exercise was undertaken at the end of FY14, with the results implemented during FY15.</p>

Principle 2: Structure the Board to add value		
<p>2.1 The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	Complies	<p>The Company has established the Nominations, Remuneration & Corporate Governance Committee, which:</p> <ul style="list-style-type: none"> • has three members, who are named in the Annual Report; • is comprised of a majority of independent directors; • is chaired by an independent chair; • its charter is disclosed on the Company website; and • the number of meetings of the Committee and the attendance by each member is disclosed in the Annual Report.
<p>2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	Complies	<p>The Board considers that it currently has an appropriate mix of skills and experience as required for its effective functioning, including:</p> <ul style="list-style-type: none"> • Asian business and cultural expertise • Gaming industry expertise • Mergers and acquisitions • Capital raising • General management • Financial skills • Legal expertise <p>In addition, the Board is one of the most ethnically and culturally diverse Boards in the ASX300, with two representatives from each of Thailand and Malaysia. According to the 2015 Watermark Board Diversity Index, these two countries are among Australia's top 10 trading partners, yet they have minimal representation among the ASX200 boards. Further, in</p>

		companies that are outside the ASX100 but within the ASX200, fewer than 10% of board members are from outside Australia. The Company has 57% of its Board members from outside Australia.
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	Complies The Company's Board Charter, specifically clauses 5 and 6, sets out the policy regarding independent directors. The names of the independent directors, and the length of service of each director, are disclosed in the Annual Report.
2.4	A majority of the board of a listed entity should be independent directors.	Does not comply Until 30 June 2015, the Board consisted of five members. Two additional directors were appointed on 1 July 2015, for a total of seven directors. This is considered the optimum size for the Company's current ownership and operations. The Board currently has two independent non-executive directors, two non-independent non-executive directors, and three executive directors. Current Directors are considered to possess skills and experience suitable and appropriate in the context of the stage of development of the Company and the scope and scale of the Company's operations. The Board will consider its composition if appropriate, depending on changes to the scope and scale of the Company's operations.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Complies The Chairman is an independent director. The Chairman and CEO are not the same person.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and	Complies An induction pack and appropriate briefings are provided to all new directors.

maintain the skills and knowledge needed to perform their role as directors effectively.		Professional development opportunities are provided as appropriate.
Principle 3: Act ethically and responsibly		
<p>3.1 A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	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.
Principle 4: Safeguard integrity in corporate reporting		
<p>4.1 The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	Complies	<p>The Company has established the Audit & Risk Management Committee, which:</p> <ul style="list-style-type: none"> • has three members, who are named in the Annual Report; • all members are non-executive directors, with a majority of independent directors; • is chaired by an independent chair; • its charter is disclosed on the Company website; and • the number of meetings of the Committee and the attendance by each member is disclosed in the Annual Report.
<p>4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration 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</p>	Complies	Audit and Risk Committee Charter, clause 5.1(b).

	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.		
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Complies	Audit and Risk Committee Charter, clause 5.1(a)(xii).
Principle 5: Make timely and balanced disclosure			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	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. In particular, the Market Disclosure Policy ensures that there is full and timely disclosure of the Company's activities to shareholders.
Principle 6: Respect the rights of security holders			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Complies	All ASX releases and press releases are published at www.donacointernational.com , together with other information on the Company, including the Company's Corporate Governance Policies.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Complies	The Company has implemented a Market Disclosure Policy which ensures that there is full and timely disclosure of the Company's activities to shareholders. The Company also conducts regular investor briefings outside scheduled results announcement dates. These briefings are released in advance to the ASX Market Announcements Platform if they contain any price-sensitive information.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and	Complies	All shareholders receive a Notice of Meeting, and are

<p>encourage participation at meetings of security holders.</p>		<p>invited to submit questions beforehand.</p> <p>Multiple opportunities are given to ask questions at all general meetings.</p> <p>At other times, questions received by email or telephone are answered as appropriate, in the light of the Company's market disclosure obligations.</p>
<p>6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	<p>Complies</p>	<p>The Company's share registry facilitates electronic communications with shareholders.</p>
<p>Principle 7: Recognise and manage risk</p>		
<p>7.1 The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>Complies</p>	<p>The Company has established the Audit & Risk Management Committee, which:</p> <ul style="list-style-type: none"> • has three members, who are named in the Annual Report; • all members are non-executive directors, with a majority of independent directors; • is chaired by an independent chair; • its charter is disclosed on the Company website; and • the number of meetings of the Committee and the attendance by each member is disclosed in the Annual Report.
<p>7.2 The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>Complies</p>	<p>The Audit and Risk Management Committee reports to the Board in respect of material business risks and their management. The Company has also implemented the Audit and Risk Management Committee Charter, which governs the operation of the Audit and Risk Management Committee.</p> <p>In addition, pursuant to clause 4 of the Company's Board Charter, the Board must ensure that it is provided with a written statement from the chief executive officer and chief</p>

		financial officer in relation to the Company's risk management systems and controls, stating 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.
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Complies An internal audit function will be established as part of the Company's risk management function for the FY16 financial year onwards. The internal audit function will be based out of the Company's finance office in Malaysia, and review operations at the Company's operating businesses.
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Complies The Company discloses the material risks affecting its businesses in the Annual Report.
Principle 8: Remunerate fairly and responsibly		
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Complies The Company has established the Nominations, Remuneration & Corporate Governance Committee, which: <ul style="list-style-type: none">• has three members, who are named in the Annual Report;• is comprised of a majority of independent directors;• is chaired by an independent chair;• its charter is disclosed on the Company website; and• the number of meetings of the Committee and the attendance by each member is disclosed in the Annual Report.
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and	Complies Pursuant to clause 4.1(l) of the Nominations, Remuneration & Corporate Governance

<p>the remuneration of executive directors and other senior executives.</p>		<p>Committee Charter, the 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 remuneration of executives, do not receive options or bonus payments and are not provided with retirement benefits other than statutory superannuation.</p>
<p>8.3 A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>Does not comply</p>	<p>The Company will introduce such a policy if appropriate in the context of the new equity-based remuneration scheme being developed to replace the current option scheme, which expires at the end of FY15.</p>