

## THE STAR ENTERTAINMENT GROUP LIMITED 2017 CORPORATE GOVERNANCE STATEMENT

### The Star Entertainment Group Limited's Approach to Corporate Governance

The Board of Directors of The Star Entertainment Group Limited (the **Company**) and management support the principles of good corporate governance. This is important given the highly regulated industry in which the Company and its subsidiaries and other controlled entities (collectively referred to as the **Group**) operate, and for the long term sustainability of the Group's businesses.

Processes have been established to ensure that the Company's corporate governance practices are reviewed regularly and will continue to be developed and refined to meet the needs of the Group.

In developing the appropriate corporate governance practices, the Company takes into account all applicable legislation and recognised standards, which include, but are not limited to:

- Corporations Act 2001 (Cth) (**Corporations Act**);
- Australian Securities Exchange (**ASX**) Listing Rules;
- State legislation governing the licences issued to the Group to conduct its casino operations and related activities; and
- Australian Standard AS 8000 - 2003 – Good Governance Principles.

This corporate governance statement outlines the Company's main corporate governance practices and policies in place during the 12 month period ended 30 June 2017, except where indicated otherwise.

This statement and other related information is available from the Corporate Governance section of the Company's website at <https://www.starentertainmentgroup.com.au/corporate-governance/>.

The Company adopts the ASX Corporate Governance Council's '*Corporate Governance Principles and Recommendations 3rd edition*' which was published on 27 March 2014 (**ASX Principles & Recommendations**).

The Company complies with all of the recommendations in the ASX Principles & Recommendations unless otherwise stated and has established processes to maintain ongoing compliance with the recommendations.

This Corporate Governance Statement has been approved by the Board and is current to 27 July 2017.

### PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

#### Recommendation 1.1 – Roles and responsibilities of the Board and Management

##### **Board Responsibilities**

The Board Terms of Reference specify the responsibilities and functions which the Board has reserved to itself or which may be delegated to one of its Committees.

 A copy of the Board Terms of Reference is available from the Corporate Governance section of the Company's website at <https://www.starentertainmentgroup.com.au/corporate-governance/>.

The Board's role includes:

- reviewing and approving the strategies, budgets and business plans prepared by management;
- assuring itself of the effectiveness of arrangements for the governance of the Group including:
  - the quality of the executive team;
  - the appropriateness of organisational arrangements and structures; and
  - the adequacy of internal controls, policies, procedures and processes;
- overseeing performance against targets and objectives; and
- overseeing reporting to shareholders and other stakeholders on the strategic direction, governance and performance of the Group.

The appointment and removal of the Managing Director and Chief Executive Officer is a matter for the Board.

### **Board Committees and Membership**

The Board may from time to time delegate specific functions to a Committee comprised of such number of Directors as it thinks fit.

The following standing Board Committees operate under their respective terms of reference as approved by the Board:

- Audit Committee;
- Risk and Compliance Committee;
- Remuneration Committee;
- People, Culture and Social Responsibility Committee; and
- Investment and Capital Expenditure Review Committee.

Membership of each of the Board Committees is restricted to Non-Executive Directors only. Details of the current membership and composition of each Board Committee are set out in the table below.

<b>Committee Name</b>	<b>Members</b>	<b>Composition</b>	<b>Meetings held during FY2017</b>
Audit Committee	Greg Hayes (Chair) Gerard Bradley Richard Sheppard Sally Pitkin John O'Neill (ex-officio member)	In accordance with Recommendation 4.1 of the ASX Principles & Recommendations: <ul style="list-style-type: none"><li>• At least 3 members, all of whom are Non-Executive Directors and independent</li><li>• Chaired by an independent director who is not the chair of the Board</li><li>• Members between them have accounting and financial expertise and a sufficient understanding of the industry in which the Group operates</li></ul>	5
Risk & Compliance Committee	Gerard Bradley (Chair) Richard Sheppard Katie Lahey Greg Hayes John O'Neill (ex-officio member)	In accordance with Recommendation 7.1 of the ASX Principles & Recommendations: <ul style="list-style-type: none"><li>• At least 3 members, all of whom are Non-Executive Directors and independent</li><li>• Chaired by an independent director</li><li>• Members between them have the necessary technical knowledge and a sufficient understanding of the industry in which the Group operates</li></ul>	4
Remuneration Committee	Sally Pitkin (Chair) Katie Lahey Gerard Bradley John O'Neill (ex-officio member)	In accordance with Recommendation 8.1 of the ASX Principles & Recommendations: <ul style="list-style-type: none"><li>• At least 3 members, all of whom are Non-Executive Directors and independent</li><li>• Chaired by an independent director</li></ul>	4
People, Culture & Social Responsibility Committee	Katie Lahey (Chair) Sally Pitkin John O'Neill (ex-officio member)	<ul style="list-style-type: none"><li>• All Non-Executive Directors</li></ul>	4
Investment & Capital Expenditure Review Committee	Richard Sheppard (Chair) Gerard Bradley Greg Hayes John O'Neill (ex-officio member)	<ul style="list-style-type: none"><li>• All Non-Executive Directors</li></ul>	5

The qualifications and experience of the members of each Board Committee are set out in the Directors' Report section of the 2017 Annual Report.

Each Board Committee has terms of reference which set out the roles, responsibilities, composition and processes of each Committee. The terms of reference for the Board and for each Board Committee were reviewed and approved by the Board in July 2016.

Each Board Committee has the right to access any employee or other individual (including members of management) to ask questions and/or to seek explanations and additional information, interview management, access internal and external auditors (with or without management present), and seek advice from external advisers as considered necessary or appropriate by the Committee.

☞ The terms of reference for each of the Board Committees are available from the Corporate Governance section of the Company's website at <https://www.starentertainmentgroup.com.au/corporate-governance/>.

### **Board and Committee Meetings**

The Board and its Committees meet regularly to discuss matters relevant to the Group. Additional meetings may be scheduled to address specific matters. Any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered and may not vote on the matter, unless all other Directors present resolve otherwise. During the financial year, there were no instances where a Director declared a material personal interest which affected his or her ability to participate in any Board or Committee meeting.

Management representatives are invited to attend meetings where matters relevant to their respective areas of responsibility are to be considered.

Directors are expected to attend all Board meetings, shareholder meetings and meetings of Board Committees of which they are members, subject to any unusual or unforeseen circumstances which may prevent them from attending. The number of Board and Board Committee meetings held during the financial year and details of Directors' attendance at those meetings are provided in the Directors' Report section of the 2017 Annual Report.

### **Independent professional advice**

An individual Director may, after discussion with the Chairman, and advising the Managing Director and Chief Executive Officer, obtain independent professional advice at the expense of the Company. Such advice is to be made available to all other Directors.

Board Committees and their members may also obtain independent professional advice, subject to the terms of reference for the applicable Committee.

During the financial year, there were no instances where an individual Director, a Board Committee or the Board sought independent advice other than in relation to a remuneration consultant engaged by the Remuneration Committee in accordance with section 206K of the Corporations Act.

☞ The terms of reference for each Board Committee are available from the Corporate Governance section of the Company's website at <https://www.starentertainmentgroup.com.au/corporate-governance/>.

### **Management Responsibilities**

To assist the Board with carrying out its responsibilities and functions, certain powers have been delegated to management, including the authority to undertake transactions and incur expenditure on behalf of the Group, within specified limits. These are referred to in the Company's Delegated Authorities Policy, which has been approved by the Board. The policy includes the financial and non-financial matters that the Board has delegated to management, the capital and operational expenditure approval limits applicable to each level of management, and specific key responsibilities within each division of the Group.

### **Recommendation 1.2(a) – Background checks on Directors**

The Board has responsibility for managing the process for the selection, appointment and re-election of Directors, including engaging external consultants to identify and propose potential candidates for directorships, and undertaking appropriate background checks on short-listed candidates.

Appropriate background checks are conducted on short-listed candidates, including checks as to character, experience, education, and any other integrity checks considered appropriate by the Board. The selected candidate is required to complete all necessary casino regulatory checks and obtain probity clearance before they can be unconditionally appointed as a Director. Such checks have been undertaken in relation to all current Directors, and will be undertaken in respect of any relevant future candidates prior to their unconditional appointment as a Director.

### **Recommendation 1.2(b) – Information regarding election and re-election of Director candidates**

The Company's Constitution requires that the number of Directors (not including alternate Directors) shall not exceed 12, nor be less than three. The Board has the power to appoint any person as a Director, either to fill a casual vacancy or as an addition to the Board, subject to receiving all necessary regulatory approvals, but that person must stand for election at the following annual general meeting.

A Director, other than the Managing Director and Chief Executive Officer, may not hold office for a continuous period in excess of three years or past the third annual general meeting following the Director's appointment or last re-election to the Board, whichever is the longer, without standing for re-election.

☞ The Company's Constitution is available from the Corporate Governance section of the Company's website at <https://www.starentertainmentgroup.com.au/corporate-governance/>.

Sufficient information to enable shareholders to make an informed decision on whether or not to elect a candidate or re-elect a Director will be provided in the Notice of Annual General Meeting (and in the Annual Report, for current Directors), including a biography summarizing relevant qualifications, experience and skills, details of material directorships presently held, the term of office currently served by that Director, and a statement as to whether the Board supports the election of that candidate or re-election of that Director.

☞ The names of the Directors, the period of office held by each Director, details of their qualifications, skills, experience and expertise, and details of other directorships held are set out in the Directors' Report section of the 2017 Annual Report and also on the Company's website at <https://www.starentertainmentgroup.com.au/boardofdirectors/>.

### **Recommendation 1.3 – Written contracts of appointment**

Directors receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment.

Employees have agreed position descriptions and balanced scorecards that set out their duties, responsibilities, objectives and key performance indicators. Letters of appointment or employment contracts set out other key terms of employment.

### **Recommendation 1.4 – Company Secretary**

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters relating to the proper functioning of the Board, and all Directors have direct access to the Company Secretary for advice.

The Company Secretary's responsibilities include communicating with regulatory bodies and assisting the Group in complying with the statutory requirements of the Corporations Act, the ASX Listing Rules and other regulatory requirements.

The Company Secretary also assists with organising and facilitating the induction and professional development of Directors, and advises the Board (through the Chair) on governance matters.

The appointment and removal of the Company Secretary is a matter for discussion by the Board.

### **Recommendation 1.5 – Diversity**

The Group continues its focus on building talented teams to deliver on its organisational strategy. One method it uses to develop talent is to promote a diverse, inclusive workforce.

The Board, supported by management, is responsible for devising and implementing strategies to achieve the Company's diversity objectives, including monitoring and assessing progress against measurable diversity objectives set by the Board.

The People, Culture and Social Responsibility Committee assists and guides management's activities in achieving diversity across all nominated diversity groups. Gender equality remains a priority for the Group and its progress against achieving the measurable gender diversity objectives are reported to the Board by the People, Culture and Social Responsibility Committee. The three other diversity areas of focus for the Group are age diversity, multicultural diversity, and Lesbian, Gay, Bisexual, Transgender and Intersex (**LGBTI**) diversity.


The Board will annually review and assess the measurable objectives and key performance indicators to track and verify progress towards attainment of the objectives and the success of the overall strategy.

Measurable Objectives (established in FY15)		Details	Commentary / Update
1.	Gender diversity	To develop policies, practices and activities to provide a more inclusive workforce for female employees, as measured by 50% female representation in the top four levels of leadership by 2020.	The Group has 35.4% female representation in its top four levels of leadership, with 50% of General Managers appointed in 2017 being female. The Company continues to focus on developing careers for female leaders through education, targeted recruitment practices, flexible working conditions and networking opportunities. In 2017, the Company launched the Women in Gaming Australasia initiative in conjunction with Aristocrat Leisure Limited.
2.	Multicultural Diversity	To develop policies, practices and activities to provide a more inclusive workforce for employees of all cultures, as measured by 20% representation of leaders of Asian ethnicity in the top three levels of leadership by 2020.	The Group has 12.2% Asian representation in its top three levels of leadership, up from 10% in late 2015. By focusing on the barriers to greater representation in leadership roles for Asian employees, the Company has built a stronger pipeline of talented individuals.
3.	Lesbian, Gay, Bisexual, Transgender and Intersex ( <b>LGBTI</b> ) Diversity	To develop policies, practices and activities to provide a more inclusive workforce for LGBTI employees, as measured by a 50% year on year increase in the Australian Workplace Equality Index ( <b>AWEI</b> ).	The AWEI is Australia's premier survey for LGBTI inclusion in the workplace. In 2017, The Company received Silver Employer status in the benchmarking index, placing it within the top 22 employers for LGBTI inclusion in Australia, scoring 53.5% (against a target of 48.5%).
4.	Age Diversity	To develop policies, practices and activities to provide a more inclusive workforce for aged employees, as measured by an increase in the employee engagement scores for targeted age demographics.	The Group conducted multiple activities to provide greater inclusion for mature aged workers, including targeted education, career expos, wellbeing advice and targeted benefits.

The Company has lodged a report on its workplace program to the Workplace Gender Equality Agency in compliance with its obligations under the Workplace Gender Equality Act 2012 (Cth) to report annually on its workplace program. A notice of compliance was issued to the Company in June 2017 stating that it is compliant with the Act. A copy of the report is available from the Corporate Governance section of the Company's website at <https://www.starentertainmentgroup.com.au/corporate-governance/>.

As at 30 June 2017, the Company has two female Directors on the Board (representing 28.5% of all Directors or 33% of Non-Executive Directors), 23 female senior executives (representing 29.1% of all senior executives, defined as Executives and General Managers) and 3,681 female employees across the whole of the Group (representing 43.1% of all employees).

The Group partners with a range of external organisations to support achievement of best practice in diversity and inclusion, as well as partnering with organisations aligned with the Group's diversity and inclusion activities. These organisations include Diversity Council Australia, Pride in Diversity, SageCo, Queensland Tourism Industry Council, Wear It Purple, Dress For Success and Australian Marriage Equality. The Group has also participated in initiatives such as Harmony Day and International Women's Day.

 The Company's Diversity and Inclusion Policy is available from the Corporate Governance section of the Company's website at <https://www.starentertainmentgroup.com.au/corporate-governance/>.

## **Recommendation 1.6 – Board Reviews**

The Board will review and evaluate on an annual basis or as considered appropriate by the Chairman of the Board:

- the effectiveness of the Board against the requirements of its Terms of Reference and the performance of the Board as a whole;
- the performance of Board Committees;
- the performance of individual Directors.

In addition, the Board will facilitate an independent three yearly review of the performance of the Board, Board Committees and individual Directors.

An independent review of the performance and effectiveness of the Board, its Committees and individual Directors was last conducted in 2015. Following that review, the Board implemented various actions as recommended by the external consultant, including the following which continue to occur on an ongoing basis:

- a post-meeting debrief is conducted after Board and Committee meetings to assess the effectiveness of each meeting and to provide feedback to the Managing Director and Chief Executive Officer on management's performance at the meeting;
- the Chairman, the Managing Director and Chief Executive Officer, and the Company Secretary regularly conduct feedback sessions (both formal and informal) to consider improvements for Board and Committee meetings, and for the Managing Director and Chief Executive Officer to provide regular direction and feedback to the management team;
- on-going site visits, industry familiarisation and further education as required by Directors.

The Board also continues to conduct ongoing self-assessments and informal reviews of the effectiveness of Board and Committee meetings, including assessing its information needs and its requirements of management for those meetings.

During the financial year, the Chairman completed a review of the performance of the Board and confirmed the optimal composition of each Board Committee as set out on page 2 of this Corporate Governance Statement.

## **Recommendation 1.7 – Management Reviews**

Processes have been established to annually conduct formal performance and development evaluations for each employee, including all senior executives and the Managing Director and Chief Executive Officer. Individual performance is assessed using a balanced scorecard setting out individual targets that are aligned to and are supportive of the Company's annual objectives. Individuals are also assessed on whether they have exhibited the Company's behavioural values as set out in the Code of Conduct.

During the financial year, performance and development evaluations were conducted for senior executives and the Managing Director and Chief Executive Officer in accordance with the processes described above.

## **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

### **Recommendation 2.1 – Nomination Committee**

All functions with respect to the selection and appointment of new Directors are handled by the Board as a whole, rather than by a separate nomination committee.

The Board considers that the efficient handling of those matters is not diminished by the absence of a nomination committee.

The Board's responsibilities include the following succession planning and nomination matters:

- developing succession plans for the Board (including for the Managing Director and Chief Executive Officer);
- developing and implementing Board succession plans to enable an appropriate mix of skills, experience, expertise and diversity on the Board to be maintained and to facilitate orderly succession of Board membership;
- considering matters relating to the composition of the Board and Board Committees, including reviewing and assessing the necessary and desirable competencies of Directors required to discharge the Board's duties and the extent to which they are represented in the composition of the Board and each Board Committee;
- undertaking Director nomination matters and managing the process for the selection, appointment and re-election of Directors, including engaging external consultants to identify and propose potential candidates for directorships and undertaking appropriate background checks on short-listed candidates;

- determining which Director/s shall stand for re-election by shareholders under the retirement by rotation provisions of the Company's constitution.

Directors are required to regularly review the number of Boards on which they serve so that they can give the time and attention required to fulfil their duties and responsibilities as a Director of the Company. Directors are required to seek approval from the Chairman prior to accepting an invitation to become a Director of any other corporation and, in the case of the Chairman, to seek approval from the Deputy Chairman of the Board (if one has been appointed) or from the Chair of the Audit Committee.

If the Board considers that there is a need for the services of a new Director to add to the Board's existing mix of skills and experience, the Board will undertake a search for suitable candidates and engage external consultants to assist with the selection process as necessary. The Board will consider candidates who have the appropriate range of skills, experience and diversity that will best complement Board effectiveness. Each Director has the opportunity to meet with the short-listed candidates before a new appointment is made by the Board.

When appointing a new Director, the Board seeks to achieve a mix of skills, knowledge, experience and diversity in the membership of the Board which is suitable to the nature of the Group's business and which complements the existing range of skills, experience and diversity on the Board at the relevant time.

### Recommendation 2.2 – Board Skills Matrix

The Company's Constitution provides that the minimum number of Directors is three and the maximum is 12.

As at 30 June 2017, the Board consisted of seven directors, comprising:

- six independent Non-Executive Directors, including the Chairman; and
- the Managing Director and Chief Executive Officer.

The Directors reside across the Australian jurisdictions in which the Group's properties are located. In respect of gender diversity, there are two female members on the Board, comprising 28.5% of all Directors (or 33% of Non-Executive Directors).

The names of the Directors, the period of office held by each Director, and details of their qualifications, skills, experience and expertise are set out in the Directors' Report and also on the Company's website at <https://www.starentertainmentgroup.com.au/boardofdirectors/>.

The Board considers it important to have and to maintain an appropriate mix of skills, knowledge, experience and diversity in the membership of the Board to enable it to discharge its responsibilities and add value to meet the current and future needs of the Group's businesses.

The matrix of skills and experience which the Board currently has and is looking to achieve in its membership is described below. Each current Director possesses an adequate level of financial and business acumen, and all Directors collectively provide the necessary skills and experience to govern an ASX listed company in the gaming and entertainment industry.

Collectively, the Directors contribute the following key skills and experience, with each of the individual skill and experience sets being held by at least a majority of the current Directors.

The skills and experience shown in the first five categories below are held by all Directors.

SKILLS / EXPERIENCE	DESCRIPTION
Strategy	Strategic planning and execution capabilities and commercial acumen, including in relation to capital projects
Financial Acumen	Financial management capability, including accounting or related financial management or tax experience and qualifications, and ability to analyse and assess financial performance and financial controls
Management	General management skills and exposure
Qualifications	Accounting/financial, legal, management/business qualifications
Governance	Knowledge of, and experience with, corporate governance and compliance in listed entities
Non-Executive Director Experience	Experience as a non-executive director, including of other listed entities
Risk Management	Risk management and compliance understanding and experience, including experience in highly regulated businesses



<b>SKILLS / EXPERIENCE</b>	<b>DESCRIPTION</b>
People and Culture	Experience in human resource management, including workplace culture, talent development and succession, health and safety, diversity, and remuneration
Industry experience	Relevant industry experience, including in gaming and entertainment businesses, tourism, hospitality, retail, marketing and property development
Sustainability / Corporate Social Responsibility	Experience related to environmental and social responsibility, community and public policy
Leadership	Experience as a former Chief Executive Officer, or in other executive or senior management leadership roles
Stakeholder Relations	Experience managing external and internal stakeholders (including interaction with government and regulators)

In addition to the skills and experience listed above, the Board considers that each Director has sufficient time available to undertake their responsibilities and that they each demonstrate the following personal attributes:

- honesty and integrity;
- an understanding of and willingness to the commit to the highest standards of governance; and
- ability and preparedness to constructively question and challenge, and deal with complex issues.

The Board will continue to assess whether its collective levels of skills and experience remain appropriate having regard to the Group's business and strategic plans.

The Board is seeking to appoint at least one additional new independent Non-Executive Director, following the resignation of Greg Hayes as a Director to be effective from the conclusion of the Company's Annual General Meeting on 26 October 2017. In view of the pending Board vacancy and the above board skills matrix, the Board has commenced a recruitment process to search for a suitable candidate. To the extent that any relevant skills are not directly represented on the Board, they are able to be augmented through management and external advisers.

### **Recommendations 2.3, 2.4, 2.5 – Director Independence**

All of the Non-Executive Directors (including the Chairman) have been determined to be independent.

The independent Directors and the year in which each Director was appointed to the Board are listed below.

<b>Independent Director</b>	<b>Date Appointed</b>
John O'Neill AO (Chairman)	28 March 2011
Katie Lahey AM	1 March 2013
Richard Sheppard	1 March 2013
Gerard Bradley	30 May 2013
Dr Sally Pitkin	19 December 2014
Greg Hayes	24 April 2015

The Board periodically assesses the independence of each Director. For this purpose, an independent Director is a Non-Executive Director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgment. This determination is made through both a quantitative and qualitative assessment of independence.

In assessing the independence of the Directors, the Board has taken into account the specific disclosures made by each Director, and whether the Director:

- is a substantial shareholder of the Company, or an officer of, or otherwise associated directly or indirectly with, a substantial shareholder of the Company;
- is, or has been employed in an executive capacity by the Group and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- is, or has within the last three years been, a partner, director or senior employee of a provider of material professional services to the Group;



- is, or has been within the last three years, in a material business relationship (for example, as a supplier or customer) with the Group, or an officer of, or otherwise associated with, someone with such a relationship;
- has a material contractual relationship with the Group other than as a Director;
- has close family ties with any person who falls within any of the categories described above; or
- has been a Director for such a period that his or her independence may have been compromised.

Directors are required to be meticulous in their disclosure of any material contract or relationship, including relevant interests of family companies and spouses, and involvement with other companies or professional firms. Directors are required to adhere strictly to the constraints on their participation and voting in relation to matters in which they may have an interest, in accordance with the Corporations Act and the Company's policies. All independent Directors bring an independent judgment to bear on Board deliberations.

A register of Directors' material interests is maintained and is regularly sent to every Director for acknowledgement. Directors are required to advise the Board if they have any interest in a matter that could potentially conflict with the interests of the Group as a whole. If there is a change in a Non-Executive Director's interests, positions, associations or relationships that could bear upon his or her independence, the Director is expected to inform the Board at the earliest opportunity. The Board will then re-assess his or her independence as soon as practicable and if it is determined that his or her status as an independent Director has changed, that determination will be disclosed and explained to the market.

Where Directors are involved with other companies or professional firms, which from time to time have dealings with the Group, all such dealings are at arms' length and on normal commercial terms.

To assist in determining levels of materiality for assessing whether supplier, professional adviser, consultant or customer relationships affect the independence of Directors, a relationship is presumed immaterial when it generates or equates to less than 5% of the Company's revenue, expense or equity base as relevant during a 12 month period, in the absence of evidence to the contrary. In making this determination, the Board will also undertake a qualitative assessment. Specifically, the Board will consider whether there are any factors or considerations which may mean that a Director's interests, business or relationship (even if it does not trigger the quantitative requirements described here) could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Board also has procedures in place to ensure it operates independently of management, which includes the Non-Executive Directors meeting together regularly in the absence of the Managing Director and Chief Executive Officer and other executives of the Company. Where appropriate, executives are also excluded from Board discussions that relate to specific management issues, such as executive remuneration.

### **Recommendation 2.6 – Induction program and professional development opportunities for Directors**

The appointment of any new Director is subject to regulatory approvals. While these approvals are being sought, the person, with the approval of the regulators, may attend Board and Committee meetings as an observer. This assists their transition into their role, but they may not vote on any matter considered at those meetings.

Each observer undertakes an induction program and is provided with access to Board reference documents, the Company's policies, strategic plan and other materials to assist them to participate fully and actively in all Board decision-making at the earliest opportunity. In addition, upon being invited to join the Board, every observer receives a letter of appointment setting out the key information and terms and conditions applicable to their appointment as a Director.

The Board is responsible for determining the process for the induction of new Directors and for identifying professional development and educational opportunities for Directors. The induction program aims to provide the observer with the relevant knowledge regarding Board processes, Board culture, the role and responsibilities of a Director, the Group's strategic direction, the nature of the Group's businesses, industry matters, the Group's financial position, key senior management, operational and risk management practices and the major issues facing the Group. The induction program includes meetings with each Executive Committee member and their leadership team, site tours, and specific matters of interest to each new Director. The induction process is reviewed and revised as necessary after incorporating feedback from newly appointed Directors.

The Group has a formal induction program for all employees, including executives. This program is conducted by skilled trainers and provides information about the structure and operations of the Group, the Code of Conduct, key employee policies (such as those relating to the use of the Group's gambling products, harassment and bullying, occupational health and safety, and equal opportunity). In addition, employees receive orientation regarding their specific responsibilities, duties and rights, and meet with executives and team members to help them become familiar with their workplace.

### **Directors' continuing education**

All Directors have access to continuing education to update and enhance their skills and knowledge to enable them to continue to carry out their duties as Directors in an efficient and knowledgeable manner.

The continuing education program includes information concerning key developments in the Group and the industry and environments within which it operates, including site visits to the Group's properties, updates to relevant policies, discussion of relevant legal developments, briefings on developments in accounting standards, corporate governance updates and other matters of interest for Directors.

## **PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY**

### **Recommendation 3.1 – Code of Conduct**

The Company has a group-wide Code of Conduct. Compliance with the Code of Conduct and associated policies, guidelines and procedures is a requirement for all employees, Directors and contractors of the Group. The Code of Conduct is founded on the Company's values, and describes the behaviours expected from all employees, Directors and contractors, including the maintenance of ethical standards, honesty, teamwork, fairness, courtesy and integrity.

The Code of Conduct includes, among other things, references to specific policies regarding money laundering, corruption, bribery, bullying and harassment, equal opportunity in the workplace, insider trading, whistleblowing, conflicts of interest and restrictions on the use of the Group's gambling products.

The Code of Conduct and relevant policies are included in the Group's induction program, with annual refresher training and compliance awareness conducted across the Group.

In addition to adhering to the high ethical standards set by the Code of Conduct, Directors and key personnel are also required to undergo extensive probity investigation and clearance by Liquor and Gaming New South Wales and the Queensland Office of Liquor and Gaming Regulation.

🔗 The Code of Conduct is available from the Corporate Governance section of the Company's website at <https://www.starentertainmentgroup.com.au/corporate-governance/>.

### **Whistleblower system**

The Group has an independent, anonymous crime and misconduct reporting service as one of its processes to prevent, detect, and respond to crime and misconduct.

The service was introduced to achieve Australian and international best practice, reflecting the Group's commitment to integrity, befitting the responsibilities of a publicly listed company. It is available 24 hours a day, 7 days a week.

The service is managed by the Company's Governance, Risk and Compliance team and has accountability at the highest levels, with the Chair of the Risk and Compliance Committee able to access reports relating to all employees and review the action taken.

🔗 The Company's Whistleblower Policy is available from the Company's website at <https://www.starentertainmentgroup.com.au/corporate-governance/>.

### **Securities Trading Policy**

The Company has a policy regarding trading in its securities which applies to all Directors, employees and contractors. This policy also extends to any person or entity, which may in the circumstances be reasonably associated with the Group or any Director, employee or contractor (for example, a spouse, dependent children, family trust, family company or joint venture partner). The Securities Trading Policy was reviewed and updated effective from 1 August 2017.

Directors, executives reporting directly to the Managing Director and Chief Executive Officer (**Executives**), all direct reports to those Executives (**Executive Direct Reports**), executive assistants of Directors and Executives, members of the financial reporting team, other employees of the Group, and associates of any of the preceding must not trade, arrange for someone else to trade, or pass on information to someone they know, or ought reasonably to know, may use the information to trade (or procure another person to trade) in the Company's securities when they are in possession of price sensitive information relating to the Group which is not generally available to the market.

To avoid any adverse inference being drawn of unfair dealing, Directors, Executives, Executive Direct Reports, executive assistants of Directors and Executives, members of the financial reporting team, and any associates of the preceding also may not deal in the Company's securities during the applicable Blackout Periods set out in the policy or within 12 months of the acquisition of the relevant securities. Blackout Periods are the periods between 1 January and the release of the Company's half year results, and 1 July and the release of the Company's full year results, and any other periods determined from time to time by the Board, the Chairman, the Managing Director and Chief Executive Officer, or the Company Secretary.

If a Director or an associate of a Director wishes to trade in the Company's securities at any time, the Director must obtain prior written clearance from the Chairman (in the case of Directors other than the Chairman) and in the case of the Chairman, from the Chair of the Audit Committee. Directors are also required to notify the Company Secretary of any changes to their relevant notifiable interests in the Company's securities within 5 business days of the change occurring.

If an Executive, an Executive Direct Report, an executive assistant of an Executive, a member of the financial reporting team, or any of their associates wishes to trade in the Company's securities at any time, the relevant Executive, Executive Direct Report, executive assistant or financial reporting team member must obtain prior written clearance from the Company Secretary, the Chief Financial Officer, or the Managing Director and Chief Executive Officer.

The policy also contains restrictions on margin lending. Directors, Executives and Executive Direct Reports must receive prior written clearance from the Chairman (and in the case of the Chairman, from the Chair of the Audit Committee) before entering into margin loans or similar financing arrangements.

☞ The Company's Securities Trading Policy is available from the Corporate Governance section of the Company's website at <https://www.starentertainmentgroup.com.au/corporate-governance/>.

#### **PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

##### **Recommendation 4.1 – Audit Committee**

Details regarding the membership and composition of the Audit Committee are included in the table on page 2 of this Corporate Governance Statement (under the Board Committees and Membership heading).

The Audit Committee provides the Board with additional assurance regarding the quality and reliability of financial statements issued by the Company and of other related reporting including the Directors' Report. The Audit Committee also reviews the quality and reliability of ASX Announcements and investor presentations relating to the half year and the full year financial results.

The key responsibilities of the Audit Committee are:

- Oversee compliance with statutory responsibilities relating to financial, accounting practices, financial risk management, internal control systems, external reporting, and the internal and external audit functions;
- Review the activities and performance of the internal audit function and the external auditors;
- Review the adequacy of the Group's systems of internal and financial controls;
- Monitor related party transactions and potential conflicts of interest; and
- Review the process for management assurance to the Board.

The Audit Committee or the Chair of the Audit Committee is required to meet at least once annually with the external auditor, in the absence of management, and on any occasion during the year as requested by either the Chair of the Audit Committee or the external auditors.

The annual internal audit plan and the scope of work to be performed is set in consultation with the Audit Committee. The Audit Committee approves the annual internal audit plan and reviews progress and reports made pursuant to that plan.

The Audit Committee is committed to maintaining auditor independence and limiting the engagement of the external auditor for only audit related services, unless exceptional circumstances necessitate the involvement of the external auditor.

Limited authority is delegated to the Company's Chief Financial Officer for the pre-approval of audit and non-audit services proposed by the external auditor, limited to \$50,000 per engagement and capped at 40% of the relevant year's audit fee. Delegated authority is only exercised in relation to services that are not in conflict with the role of statutory auditors, where management does not consider the services to impair the independence of the external auditor and the external auditor has confirmed that the services would not impair their independence. Any other non-audit related work to be undertaken by the external auditor must be approved by the Chair of the Audit Committee.

The Company will maintain the rotation of the lead external audit partner every five successive years or less, as required by the Corporations Act.

☞ The terms of reference for the Audit Committee are available from the Corporate Governance section of the Company's website at <https://www.starentertainmentgroup.com.au/corporate-governance/>.

## **Recommendation 4.2 – CEO and CFO Declarations**

At the meetings to approve the Group's annual and half yearly results, the Board receives and considers written declarations from the Managing Director and Chief Executive Officer and the Chief Financial Officer in accordance with section 295A of the Corporations Act (**CEO and CFO Declarations**), in relation to the Group's system of risk oversight and management and internal control. The CEO and CFO Declarations are supported by written attestations provided by relevant senior executives in relation to their area of management.

The CEO and CFO Declarations state that the financial statements have been prepared in conformity with generally accepted accounting principles and that they give a true and fair view of the state of affairs of the Group.

The CEO and CFO Declarations also state that the risk management and internal compliance and control systems operated effectively, in all material respects, based on the AS/NZS ISO 31000:2009 – Risk Management standard adopted by the Group. The CEO and CFO Declarations also include statements that all information had been made available to the external auditor, and that there were not any irregularities or significant issues identified that would have a material effect on the Group.

The Board also receives a statement in writing from the Managing Director and Chief Executive Officer and from the Chief Financial Officer that the CEO and CFO Declarations are 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.

🔗 The standard AS/NZS ISO 31000:2009 – Risk Management is available from SAI Global's website at [www.saiglobal.com](http://www.saiglobal.com).

## **Recommendation 4.3 – External auditor available at AGM**

The external auditor attends the annual general meeting and is available to answer questions from shareholders about:

- the conduct of the audit;
- the preparation and content of the Auditor's Report;
- the accounting policies adopted by the Company in its preparation of the financial statements; and
- the independence of the Auditor in relation to the conduct of the audit.

## **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

### **Recommendation 5.1 – Disclosure Policy**

The Company has a Disclosure and Investor Communications Policy and procedures are in place so that information is reported to the ASX in accordance with the continuous disclosure requirements under the ASX Listing Rules and the Corporations Act. The Board reviews the Company's compliance with its continuous disclosure obligations at each of its meetings.

The Company Secretary is responsible for coordinating disclosure of information to the ASX, the Australian Securities and Investments Commission and shareholders. The Company Secretary is referred to as the Disclosure Officer in the Disclosure and Investor Communications Policy.

The Disclosure Officer must be kept informed by management of disclosure related issues, and each Executive Committee member must notify the Disclosure Officer immediately of any information that may require disclosure.

In addition to the Disclosure Officer, there are a limited number of authorised spokespersons for the Group. Only authorised spokespersons may speak on behalf of the Group to people such as investment analysts, securities brokers, journalists and shareholders, and comments must be limited to their own area of responsibility. An employee of the Group who is not an authorised spokesperson must refer any enquiry about the Group from a journalist, investment analyst or other external party to an authorised spokesperson.

Authorised spokespersons of the Group liaise closely with the Disclosure Officer to keep all proposed public comments within the bounds of information that is already in the public domain. All company announcements are made available on the Company's website following release to the ASX.

🔗 The Company's Disclosure and Investor Communications Policy is available from the Corporate Governance section of Company's website at <https://www.starentertainmentgroup.com.au/corporate-governance/>.

## **PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS**

### **Recommendation 6.1 – Information on website**

The Company's website provides stakeholders with a range of information about the Group, including its operations, values, brands, community involvement, announcements to ASX, share price performance, annual reports to shareholders, and upcoming key events.

Major announcements, such as the half year and full year financial results and the annual general meeting, are webcast live on the Company's website. Webcasts are archived and accessible on the website for a period after the webcast.

🔗 The Company's website is available at <https://www.starentertainmentgroup.com.au/>.

### **Recommendation 6.2 – Investor relations program**

Following the release of its half year and full year financial results announcements, the Company conducts investor briefings (via an audio webcast and teleconference calls) and investor roadshows with institutional investor groups and investment analysts. These events provide an opportunity for investors and other financial market participants to gain a greater understanding of the Group's business, governance, financial performance and prospects, and to express their views on any matters of concern or interest to them.

The Company's Disclosure and Investor Communications Policy sets out the procedures and guidelines relating to continuous disclosure and the communication of information to investors. This information is communicated to shareholders through ASX announcements, the Company's website, annual report, dividend mail-outs, emails and other means where appropriate.

### **Recommendation 6.3 – Facilitating and encouraging participation at shareholder meetings**

The Company encourages its shareholders to attend its annual general meetings. Each annual general meeting is webcast live so that shareholders can hear proceedings online.

Important issues are presented to shareholders as single resolutions and full discussion of each item is encouraged. Explanatory memoranda, where considered appropriate, will be included with the Notice of Annual General Meeting in respect of items to be voted on at the meeting.

The Company also provides a direct voting facility to allow shareholders to vote ahead of the meeting without having to attend or appoint a proxy. Shareholders who are not able to attend the meeting can provide questions about, or make comments on the management of the company, to the Company Secretary ahead of the meeting. Where appropriate, shareholder questions are read out and answered at the meeting, or the shareholder question and answer is posted on the Company's website, or a written answer may be sent directly to the shareholder.

Dedicated shareholder relations personnel are available to assist in responding promptly to all shareholder enquiries. The Company has a Shareholder Enquiries and Complaints Policy that sets out the processes and procedures for responding to enquiries, complaints, concerns and feedback from shareholders.

🔗 The Shareholder Enquiries and Complaints Policy is available from the Corporate Governance section of the Company's website at <https://www.starentertainmentgroup.com.au/corporate-governance/>.

### **Recommendation 6.4 – Facilitating electronic communications**

The Company (via its share registry) provides an email service for its shareholders to receive all shareholder related communications electronically, including dividend statements, notices of meeting, and the annual report. This email service provides a quick and convenient means for receiving this information while reducing costs and being environmentally friendly. Shareholders can also use the share registry's website to lodge their proxy appointments and proxy votes prior to the annual general meeting.

🔗 Shareholders can elect to receive all communications electronically by following the instructions in the 'Become an eShareholder' section of the Investor Centre under the 'Investors' tab on the Company's website at <https://www.starentertainmentgroup.com.au/investorcentre/>.

## **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

### **Recommendation 7.1 – Risk and Compliance Committee**

Details regarding the membership and composition of the Risk and Compliance Committee are included in the table on page 2 of this Corporate Governance Statement (under the Board Committees and Membership heading).

The main responsibilities of the Risk and Compliance Committee include:

- Reviewing and recommending to the Board for approval, the Group's risk and compliance management policies and frameworks;



- Evaluating the effectiveness of the Group's risk and compliance management systems, control processes and reporting system in place to confirm that they are performing adequately and that compliance requirements are being satisfied (other than the financial reporting obligations for which the Audit Committee is responsible);
  - Monitoring the Group's operations in light of the risk profile and risk appetite approved by the Board;
  - Reviewing and monitoring the adequacy of the Group's processes and systems to identify, monitor and report material risks and material incidents which have the potential to compromise the Group's ability to achieve its strategic objectives; and
  - Monitoring that sufficient resources are dedicated to managing risk and compliance.
- 📄 The terms of reference for the Risk and Compliance Committee are available from the Corporate Governance section of the Company's website at <https://www.starentertainmentgroup.com.au/corporate-governance/>.

### **Recommendation 7.2 – Risk management framework and annual risk review**

The Board requires management to design, implement and review the risk management and internal control system to manage the Group's material business risks and report to it on whether those risks are being managed effectively.

The Group has in place a Risk Management Framework, policies and procedures, which set out the roles, responsibilities and guidelines for managing financial, legal, strategic and operational risks associated with the Group's businesses. The Risk Management Framework is based on concepts and principles identified in the Risk Management Standard AS/NZS ISO 31000:2009 and its implementation and ongoing development is periodically reviewed by the Risk and Compliance Committee.

Processes have been established to annually review the Group's risks and provide assurance that appropriate controls are in place so that potential occurrence and consequences of material business risks are effectively mitigated.

The Risk and Compliance Committee provides oversight of the risk management process and monitors the ongoing effectiveness of the relevant internal controls considered in the annual internal audit planning process.

During the financial year, the Board (with the recommendation of the Risk and Compliance Committee) approved revisions to the Company's Risk Appetite Statement.

📄 The terms of reference for the Risk and Compliance Committee are available from the Corporate Governance section of the Company's website at <https://www.starentertainmentgroup.com.au/corporate-governance/>.

📄 The standard AS/NZS ISO 31000:2009 – Risk Management is available from SAI Global's website at [www.saiglobal.com](http://www.saiglobal.com).

### **Recommendation 7.3 – Internal audit function**

The Board reviews and approves the internal control structure of the Group, including the role performed by internal audit, risk management and compliance functions.

The Group's internal audit function is resourced by employees and supplemented by relevant third party experts, and is independent of the external auditor. Internal audit reports are regularly submitted to the Audit Committee and, where appropriate, to the Board. The Audit Committee approves the annual internal audit plan.

During the financial year, the Board approved the adoption of a new Compliance Policy. The new Compliance Policy was developed to align with:

- Compliance Management Standard AS/NZS ISO 19600:2015 – Compliance Programs;
- Australian Standard AS 8000 - 2003 – Good Governance Principles;
- applicable legislation; and
- the Group's organisational structure and strategy.

The Group monitors whether practices and processes designed to achieve compliance have been operating effectively throughout the year.

📄 The standards AS/NZS ISO19600:2015 – Compliance Programs and AS 8000 - 2003 – Good Governance Principles are available from SAI Global's website at [www.saiglobal.com](http://www.saiglobal.com).

📄 The Compliance Policy is available from the Corporate Governance section of the Company's website at <https://www.starentertainmentgroup.com.au/corporate-governance/>.

## **Recommendation 7.4 – Economic, environmental and social sustainability risks**

The Company monitors its exposure to all risks including economic, environmental and social sustainability risks.

### ***Economic Risks***

Material business and economic risks, which incorporate financial or other consequences, are described in the Operating and Financial Review section of the Directors' Report.

### ***Environmental and Social Sustainability Risks***

The Company aims to minimise the social, environmental and economic effects of its operations for the benefit of all stakeholders. The Company's 2017 Annual Report includes, at pages 24 to 30, details of the efforts made to reduce energy consumption, carbon dioxide emissions, and water consumption.

The 2017 Annual Report also includes details of the Group's key sustainability objectives and actions to manage sustainability risks. The most material social sustainability risk relates to problem gambling. Details of the Group's approach to responsible gambling practices are set out on pages 36 to 37 of the 2017 Annual Report.

 The Company's Responsible Gambling Codes of Practice are available from the Responsible Gambling section of the Company's website at <https://www.starentertainmentgroup.com.au/responsible-gambling/>.

## **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

### **Recommendation 8.1 – Remuneration Committee**

Details regarding the membership and composition of the Remuneration Committee are included in the table on page 2 of this Corporate Governance Statement (under the Board Committees and Membership heading).

The Remuneration Committee has responsibility for, among other things, reviewing and making recommendations to the Board regarding:

- remuneration packages and policies applicable to the Chairman, Directors, the Managing Director and Chief Executive Officer, and other key management personnel;
- the Company's general remuneration practices and policies, including terms and conditions of any employee share ownership and option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements;
- the participation of eligible employees in incentive plans, including option and share plans;
- the Company's remuneration arrangements with respect to gender; and
- minimum shareholding requirements for the Non-Executive Directors, key management personnel and other executives (including monitoring changes to their shareholdings) and any required changes to the relevant Minimum Shareholding Policy.

The Remuneration Committee also oversees the preparation, and reviews the content of the Remuneration Report for inclusion in the Company's Annual Report.

 The Terms of Reference for the Remuneration Committee are available from the Corporate Governance section of the Company's website at <https://www.starentertainmentgroup.com.au/corporate-governance/>.

### **Recommendation 8.2 – Remuneration policies and practices**

Details about the Company's remuneration strategy, framework, policies and practices are set out in the Remuneration Report which clearly distinguishes the structure of Non-Executive Directors' remuneration from that of the Managing Director and Chief Executive Officer and other senior executives.

### **Recommendation 8.3 – Policy on hedging equity-based incentive schemes**

The Company's Securities Trading Policy prohibits those employees who participate in any employee or executive incentive plans from hedging the value of restricted shares and unvested performance options or rights granted under such plans. Breaches of this prohibition will result in awards being forfeited by the relevant employee.

 The Securities Trading Policy is available from the Corporate Governance section of the Company's website at <https://www.starentertainmentgroup.com.au/corporate-governance/>.