

## THE STAR ENTERTAINMENT GROUP LIMITED 2016 CORPORATE GOVERNANCE STATEMENT

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

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

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

In developing the appropriate corporate governance practices, the Star Group 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 Star Group to conduct its casino operations and related activities; and
- Australian Standard AS 8000 - 2003 – Good Governance Principles.

This corporate governance statement outlines the Star Group's main corporate governance practices and policies in place during the twelve month period ended 30 June 2016, except where indicated otherwise.

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

The Star Group 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 Star Group 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 28 July 2016.

### 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 reserved to the Board as a whole, and those delegated to management.

 A copy of the Board Terms of Reference is available from the Corporate Governance section of The Star Entertainment Group's website at <http://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 Star 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 Star Group.

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

##### **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 have been established to operate under their respective terms of reference 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 FY2016</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 the accounting and financial expertise and a sufficient understanding of the industry in which The Star Entertainment 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 Star Entertainment 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>	4

The qualifications and experience of the members of each Board Committee and their attendance at Board Committee meetings during the financial year are set out in the Directors' Report section of the 2016 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 during the financial year, with final changes 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 Star Entertainment Group's website at <http://www.starentertainmentgroup.com.au/corporate-governance/>.

### **Board and Committee Meetings**

The Board and its Committees meet regularly to discuss matters relevant to the Star 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 2016 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 Star Entertainment Group. 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 Star Entertainment Group's website at <http://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 Star Group, up to specified thresholds. These are referred to in The Star Entertainment Group's Delegated Authorities Policy, which has been agreed by the Board and management. 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 Star 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 Star Entertainment Group'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 submitting for re-election.

 The Star Entertainment Group's Constitution is available from the Corporate Governance section of The Star Entertainment Group's website at <http://www.starentertainmentgroup.com.au/corporate-governance/>.

Sufficient information to enable shareholders to make an informed decision on whether or not to elect 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 or re-election of that candidate.

 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 and also on The Star Entertainment Group's website at <http://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 and services.

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

The Company Secretary also assists with organizing 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 as a whole.

### **Recommendation 1.5 – Diversity**

The Star Group continues its focus on ensuring talented teams 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 Star Entertainment Group's diversity objectives, including monitoring and assessing the 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 Star 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 Star 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.


<b>Measurable Objectives</b> (established in FY15)		<b>Details</b>	<b>Commentary</b>
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 the Star Group leadership by 2020.	The Star Group has 34% female representation in its top four levels of leadership, up from 32% in 2015. The Star Group continues to focus on developing careers for female leaders through education, targeted recruitment practices, flexible working conditions and networking opportunities.
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 the Star Group leadership by 2020.	The Star Group has 13% Asian representation in its top three levels of leadership, up from 10% in late 2015. Additionally, the Star Group contributed to the Diversity Council Australia's research regarding Asian leadership in Australia.

Measurable Objectives (established in FY15)	Details	Commentary
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. The Star Group is proud to have achieved a 2016 AWEI score of 87 (against a 2016 target of 81 and up from 54 in 2015).
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 Star Group provided a variety of opportunities to mature-aged employees. The resulting increase in engagement scores (from 67% in 2015 to 71% in 2016 for employees aged over 45 years) demonstrates a positive response by the target employees.

The Star Entertainment Group 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 Star Entertainment Group in June 2016 stating that The Star Entertainment Group is compliant with the Act. A copy of the report is available from the Corporate Governance section of The Star Entertainment Group's website at <http://www.starentertainmentgroup.com.au/corporate-governance/>.

As at 30 June 2016, The Star Entertainment Group has two female Directors on the Board (representing 28.5% of all Directors or 33% of Non-Executive Directors), 18 female senior executives (representing 25% of all senior executives, defined as Executives and General Managers) and 3,614 female employees across the whole of the Star Group (representing 42.7% of all employees).

The Star 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 Star 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 Star Group has also participated in initiatives such as Harmony Day and International Women's Day.

 The Star Group's Diversity Policy is available from the Corporate Governance section of The Star Entertainment Group's website at <http://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 this review, the Board has 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 each of the Board Committees 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 conduct formal performance and development evaluations every six months 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 Star Group's annual objectives. Individuals are also assessed on whether they have exhibited the Star Group's behavioural attributes.

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.

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

Directors are required to regularly review the number of Boards on which they serve to ensure that they can give the time and attention required to fulfill their duties and responsibilities. Directors are required to seek approval from the Chairman prior to accepting an invitation to become a Director of any 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 Star 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 Star Entertainment Group's Constitution provides that the minimum number of Directors is three and the maximum is 12.

As at 30 June 2016, 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 Star Entertainment Group properties are located. In respect of gender diversity, there are two female members on the Board, comprising 28.5% of 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 Star Entertainment Group website at <http://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 Star 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 literacy 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 three categories below are held by all Directors.

<b>SKILLS / EXPERIENCE</b>	<b>DESCRIPTION</b>
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 experience and qualifications, and ability to analyse and assess financial performance and financial controls
Management	General management skills and exposure
Non-Executive Director Experience	Experience as a non-executive director, including of other listed entities
Qualifications	Accounting/financial, legal, management/business qualifications
Risk Management	Risk management and compliance understanding and experience, including experience in highly regulated businesses
Governance	Knowledge of, and experience with, corporate governance and compliance in listed entities
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 and marketing
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 the collective levels of skills and experience appropriate for The Star Entertainment Group Board having regard to the company's business and strategic plans. To the extent that any relevant skills are not directly represented on the Board, they are augmented through management and external advisers.

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

All of the Non-Executive Directors (including the Chairman) of The Star Entertainment Group during the financial year have been determined to be independent Directors.

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 Star Entertainment Group, or an officer of, or otherwise associated directly or indirectly with, a substantial shareholder of The Star Entertainment Group;
- is, or has been employed in an executive capacity by The Star Entertainment Group or any of its child entities 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, shareholder, director or senior employee of a provider of material professional services to The Star Entertainment Group or any of its child entities;
- is, or has been within the last three years, in a material business relationship (for example, as a supplier or customer) with The Star Entertainment Group or any of its child entities, or an officer of, or otherwise associated with, someone with such a relationship;
- has a material contractual relationship with The Star Entertainment Group or its child entities 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.

Each Non-Executive Director is required to seek approval from the Chairman prior to accepting an invitation to become a director of any external corporation.

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 Star Group's company 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 Star 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 Star 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 Star Group's revenue, expense or equity base as relevant during a twelve 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 Star Group.

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 Star Entertainment Group. 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 Star Group's company policies, the Star Group's 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 of The Star Entertainment Group.



The Board is responsible for determining the process for the induction of new Directors and 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 Star Group's strategic direction, the nature of the Star Group's businesses, industry matters, the Star Group's financial position, key senior management, operational and risk management practices and the major issues facing the Star Group. The induction program includes meetings with each Executive Committee member and their leadership team, site tours, and specific matters of interest to each observer. The induction process is reviewed and revised as necessary after incorporating feedback from newly appointed Directors.

The Star 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 Star Group, the Code of Conduct, key employee policies (such as the use of the Star 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, meet with executives and team members and undergo familiarisation in 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 Star Group and the industry and environments within which it operates, including site visits to the Star 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 Star Entertainment Group 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 Star Group. The Code is founded on the Star Group'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 includes, among other things, references to specific Star Group 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 Star Group's gambling products.

The Code of Conduct and relevant policies are included in the Star Group's induction program, with annual refresher training and compliance awareness conducted across the Star 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 Star Entertainment Group's Code of Conduct is available from the Corporate Governance section of The Star Entertainment Group's website at <http://www.starentertainmentgroup.com.au/corporate-governance/>.

#### ***Whistleblower system***

The Star 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 Star 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 Star Group'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.

🔗 Further information on the crime and misconduct reporting service is available from The Star Entertainment Group's website at <http://www.starentertainmentgroup.com.au>.

#### ***Securities trading policy***

The Star Entertainment Group 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 Star Group or any Director, employee or contractor (for example, a spouse, dependent children, family trust, family company or joint venture partner).

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 Star 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) The Star Entertainment Group securities when they are in possession of price sensitive information relating to the Star 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 Star Entertainment Group 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 Star Entertainment Group's half year results, and 1 July and the release of The Star Entertainment Group'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 Star Entertainment Group securities at any time, the Director must obtain prior written approval 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 Star Entertainment Group securities within 5 business days of the change occurring.

If an Executive, an Executive Direct Report or an associate of an Executive or Executive Direct Report wishes to trade in The Star Entertainment Group securities at any time, the Executive or Executive Direct Report must obtain the prior written approval of any of 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 consent from the Chairman (and in the case of the Chairman, prior written consent from the Chair of the Audit Committee) before entering into margin loans or similar financing arrangements.

 The Star Entertainment Group's Securities Trading Policy is available from the Corporate Governance section of The Star Entertainment Group's website at <http://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 Star Entertainment Group 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 Star 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. The Chair of the Audit Committee must approve all non-audit related work (if any) to be undertaken by the external auditor.

The Star Entertainment Group 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 Star Entertainment Group's website at <http://www.starentertainmentgroup.com.au/corporate-governance/>.


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

Processes have been established to ensure that, at the Board meetings to approve The Star Entertainment 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**), comprised of statements in writing in relation to the Star 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 Star 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 Star 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 impact on the Star Group.

Before approving the half year and full year financial reports, the Board received 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 Star Group 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 Star Entertainment Group 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. The Board reviews The Star Entertainment Group's compliance with its continuous disclosure obligations at each of its meetings.

The Star Entertainment Group's 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 Star Group. Only authorised spokespersons may speak on behalf of the Star Group to people such as analysts, brokers, journalists and shareholders, and comments must be limited to their own area of responsibility. If an employee of the Star Group is not an authorised spokesperson, and receives an enquiry about the Star Group from a journalist, analyst or other external party, they must refer the enquiry to an authorised spokesperson.

Authorised spokespersons of the Star 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, and/or is not material. All company announcements are made available on The Star Entertainment Group's website following release to the ASX.

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

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

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

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

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

 The Star Entertainment Group's website is available at <http://www.starentertainmentgroup.com.au>.

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

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

The Star Entertainment Group'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 Star Entertainment Group's website, annual report, dividend mail-outs, emails and other means where appropriate.


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

The Star Entertainment Group encourages its shareholders to attend its annual general meeting. 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 Star Entertainment Group 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 Star Entertainment Group'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 Star Entertainment Group 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 Star Entertainment Group's Shareholder Enquiries and Complaints Policy is available from the Corporate Governance section of The Star Entertainment Group's website at <http://www.starentertainmentgroup.com.au/corporate-governance/>.

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

The Star Entertainment Group (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 Star Entertainment Group's website at <http://www.starentertainmentgroup.com.au/investor-centre/>.

## **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 Star Group's risk and compliance management policies and frameworks;
- Evaluating the effectiveness of the Star 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); and
- Monitoring the Star Group's operations in light of the risk profile and risk appetite approved by the Board;

- Reviewing and monitoring the adequacy of the Star Group's processes and systems to identify, monitor and report material risks and material incidents which have the potential to compromise the Star 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 Star Entertainment Group's website at <http://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 Star Group's material business risks and report to it on whether those risks are being managed effectively.

The Star 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 Star Group's businesses. The Risk Management Framework is based on concepts and principles identified in the Risk Management Standard AS/NZS ISO 31000:2009. Its implementation and ongoing development is periodically reviewed by the Risk and Compliance Committee.

Processes have been established to annually review the Star 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 Risk and Compliance Committee approved revisions to the Star Group's Risk Management Policy and Risk Management Framework to reflect the risk appetite set by the Board.

☞ The terms of reference for the Risk and Compliance Committee are available from the Corporate Governance section of The Star Entertainment Group's website at <http://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 Star Group, including the role performed by internal audit, risk management and compliance functions.

The Star 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.

The Star Group's Compliance Policy and Framework was developed to align with:

- Australian Standard AS 3806 – Compliance Programs;
- Australian Standard AS 8000 - 2003 – Good Governance Principles;
- applicable legislation; and
- the Star Group's organisational structure and strategy.

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

☞ The Australian Standards AS 3806 – Compliance Programs and AS 8000 - 2003 – Good Governance Principles are available from SAI Global's website at [www.saiglobal.com](http://www.saiglobal.com).

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

The Star Group monitors its exposure to all risks including economic, environmental and social sustainability 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 Star Group aims to minimise the social, environmental, workplace and economic effects of its operations for the benefit of all stakeholders. The Star Entertainment Group's 2016 Annual Report includes, at pages 24 to 29, details of the efforts made to reduce energy consumption, carbon dioxide emissions, and water consumption.

The 2016 Annual Report also includes details of the Star Group's key sustainability objectives and actions to manage sustainability risks. The most material social sustainability risk relates to problem gambling. Details of the Star Group's approach to adoption of responsible gambling practices are set out on pages 32 to 33 of the 2016 Annual Report.

☞ The Star Group's Codes of Practice are available from the Responsible Gambling section of The Star Entertainment Group's website at <http://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 Star Group'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 Star Group's remuneration arrangements with respect to gender; and
- minimum shareholding requirements for the Non-Executive Directors and key management personnel (including monitory 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 Star Entertainment Group's Annual Report.

☞ The terms of reference for the Remuneration Committee are available from the Corporate Governance section of The Star Entertainment Group's website at <http://www.starentertainmentgroup.com.au/corporate-governance/>.

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

Details about the Star Group'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 Star Entertainment Group'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 Star Entertainment Group's Securities Trading Policy is available from the Corporate Governance section of The Star Entertainment Group's website at <http://www.starentertainmentgroup.com.au/corporate-governance/>.