

Department 13 International Limited - Corporate Governance Statement

ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* – 3rd edition

For the year ended 30 June 2016 and approved by the Board

Department 13 International Limited is committed to best practice corporate governance and has reviewed all practices in line with ASX Corporate Governance Council's principles of good corporate governance and best practice recommendations.

Throughout the financial year ended 30 June 2016, and as at the date of this statement, the Board has considered the recommendations contained in the ASX corporate governance council's *Corporate Governance Principles and Recommendations* (3rd edition) (ASX 3rd edition recommendations).

The Company has adopted a comprehensive governance framework in the form of a formal corporate governance charter together with associated policies, protocols and related instruments. The Company intends to follow ASX 3rd edition recommendation in all respects other than as specifically provided below and the reasons why they respectively will not be followed.

A full copy of the Company's corporate governance charter and associated policies, protocols and related instruments is available on the Company's website – <http://www.department13.com>.

Recommendation	Current Practice
<p>1.1 A listed entity should disclose:</p> <ul style="list-style-type: none">a. The respective roles and responsibilities of its board and management; andb. Those matters expressly reserved to the board and those delegated to management.	<p>Satisfied. The Company supports a clear segregation of duties between management and the board of directors. The board has a formal charter detailing its functions, structure and responsibilities, which is available on the Company's website. The board delegates responsibility for the day-to-day operations and administration of the Company to the Chief Executive Officer. The board monitors the performance of senior management, including measuring actual performance against planned performance.</p>
<p>1.2 A listed entity should:</p> <ul style="list-style-type: none">a. Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; andb. Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director	<p>Satisfied. The board has adopted selection and appointment policy, which is available on the Company's website. The board regularly reviews the composition of the board to ensure that the board continues to have the mix of skills and experience necessary for the conduct of company's activities. In the circumstances where the board believes there is a need to appoint another director certain procedures will be followed. Shareholders are provided with relevant information on the candidates for re-election.</p>
<p>1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>Satisfied. The written agreement setting out the terms of appointment are in place, in accordance with Selection and Appointment policy, which is available on company's website.</p>

<p>1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with proper functioning of the board.</p>	<p>Satisfied. In accordance with the Board Charter which is available on the company's website, the company secretary is directly accountable to the board, through the chair on all matters to do with proper functioning of the board.</p>
<p>1.5 A listed entity should:</p> <ul style="list-style-type: none"> a. Have a diversity policy; b. Disclose that policy or a summary of it; c. Disclose the measurable objectives for achieving gender diversity and the its progress towards achieving them; and d. The respective proportions of men and women. 	<p>Not satisfied. The Company does not consider it appropriate to have such a policy at this stage of the Company's development.</p>
<p>1.6 A listed entity should:</p> <ul style="list-style-type: none"> a. Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and b. Disclose whether performance evaluations were undertaken. 	<p>Satisfied, the Company has adopted the Performance Evaluation policy, which is available on the company's website. No evaluations have been undertaken in the 2016 Financial Year. The next evaluation is scheduled during FY2017.</p>
<p>1.7 A listed entity should:</p> <ul style="list-style-type: none"> a. Have and disclose a process for periodically evaluating the performance of senior management; and b. Disclose whether performance evaluations were undertaken. 	<p>Satisfied, the Company has adopted the Performance Evaluation policy, which is available on the company's website. No evaluations have been undertaken in the 2016 Financial Year. The next evaluation is scheduled during FY2017.</p>
<p>2.1 A listed entity should have a nomination committee which:</p> <ul style="list-style-type: none"> - Consists of at least 3 members, a majority of whom are independent directors; - Is chaired by an independent director; <p>And disclose:</p> <ul style="list-style-type: none"> - The charter of the committee; - The members of the committee - The number of times the committee met and individual attendance at those meetings 	<p>Not Satisfied.</p> <p>The board has not established a nomination committee as the role of the committee is undertaken by the full board.</p>
<p>If it does not have a nomination committee disclose that fact and the process it follows to address that role.</p>	

2.2	A listed entity should have and disclose a board skills matrix.	Satisfied. The board skills matrix has been disclosed in Selection and Appointment policy, which is available on the Company's website.
2.3	<p>A listed entity should disclose:</p> <ul style="list-style-type: none"> - The names of the directors considered by the board to be independent directors and length of service. - If a director has an interest / association / relationship that meets the factors of assessing independence. 	<p>Satisfied. Mr Philp George is considered to be independent directors as defined in ASX guidelines. The length of service is disclosed on the Company's annual report website.</p> <p>Mr Philip George hold shares in the Company but the Board is of the opinion that the size of their interest do not compromise their independence.</p>
2.4	A majority of the board should be independent directors.	Not satisfied. The board does not believe that restructuring the board to achieve majority of independent directors would be in the best interest of shareholders, given the size and resources of the Company at this time.
2.5	<p>The chair should be an independent director.</p> <p>The roles of Chair and Chief Executive Officer should not be exercised by the same individual.</p>	<p>Not satisfied. The board does not believe that restructuring the board to achieve chair to be independent would be in the best interest of shareholders, given the size and resources of the Company at this time.</p> <p>Not Satisfied.</p>
2.6	A listed entity should have a program for inducting new directors.	Satisfied. In accordance with Selection and Appointment policy, which is available on the company's website, a new director will receive an induction appropriate to their experience.
3.1	<p>A listed entity should:</p> <ul style="list-style-type: none"> - have a code of conduct; and - disclose the code or a summary of it. 	<p>Satisfied.</p> <p>The Code of Conduct is available on the Company's website.</p>
4.1	<p>The board of a listed entity should have an audit committee which:</p> <ul style="list-style-type: none"> - Has at least three members all of whom are non-executive directors and a majority of independent directors; and - Is chaired by an independent chair, who is not chair of the board. <p>Disclose:</p> <ul style="list-style-type: none"> - The charter of the committee; - The relevant member qualifications; 	<p>Not Satisfied.</p> <p>The board has not established an audit committee as the role of the committee is undertaken by the full board.</p>

	- The number of times the committee met and individual attendance at those meetings	
4.2	The board should receive declarations for CEO & CFO in accordance with S.295A of Corporations Act before approving financial statements.	Satisfied.
4.3	A listed entity should ensure its external auditor attends its AGM.	Satisfied.
5.1	A listed entity should: <ul style="list-style-type: none"> - Have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and - disclosure that policy or a summary of it. 	Satisfied. Continuous disclosure policy is available on the Company's website.
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Satisfied. The Company has provided information about itself and its governance to investors on the Company's website.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Satisfied. The Company has adopted shareholder communication strategy which is available on the Company's website.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Satisfied. The Company has adopted shareholder communication strategy which is available on the Company's website.
6.4	A listed entity should give security holders the option to receive communications from, and send communication to, the entity and its security registry electronically.	Satisfied. The Company has adopted shareholder communication strategy which is available on the Company's website.
7.1	The board of a listed entity should have a committee to oversee risk, which: <ul style="list-style-type: none"> - Has at least three members all of whom are non-executive directors and a majority of independent directors; and - Is chaired by an independent chair, who is not chair of the board. Disclose: <ul style="list-style-type: none"> - The charter of the committee; - The members of the committee; and 	The board has not established a risk committee as the role of the committee is undertaken by the full board.

<ul style="list-style-type: none"> - The number of times the committee met and individual attendance at those meetings <p>If it does not have a risk committee disclose that fact and the process it follows to address that role.</p>	<p>The Company has adopted Risk Management Policy which is available on the Company's website.</p>
<p>7.2 The board or a committee of the board should:</p> <ul style="list-style-type: none"> - Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and - Disclose whether such a review has taken place. 	<p>Not satisfied. No formal risk review in the 2016 Financial Year although risk review is undertaken as part of board meetings. The next formal risk review is scheduled during FY2017.</p>
<p>7.3 A listed entity should disclose:</p> <ul style="list-style-type: none"> - If has an internal audit function, how the function is structured and what role it performs; - If it does not have an internal audit function, disclose that fact and the process it follows to address that function. 	<p>The entity does not have an internal audit function. The function is undertaken by the Board.</p>
<p>7.4 The entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks, and if it does, how it manages those risks.</p>	<p>The entity does not have material exposure in these areas. The risks relevant to the entity are disclosed on the Company's website.</p>
<p>8.1 The board of a listed entity should:</p> <ul style="list-style-type: none"> - have a remuneration committee which has at least three members all of whom are non-executive directors and a majority of independent directors; and - Is chaired by an independent director; and <p>Disclose:</p> <ul style="list-style-type: none"> - The charter of the committee; - The members of the committee; and - The number of times the committee met and individual attendance at those meetings <p>If it does not have a remuneration committee disclose that fact and the process it follows to address that role.</p>	<p>Not Satisfied.</p> <p>The board has not established a remuneration committee as the role of the committee is undertaken by the full board.</p>
<p>8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.</p>	<p>Satisfied. The structure of Directors' remuneration is disclosed in the remuneration report section of the annual report.</p>
<p>8.3 A listed entity which has an equity-based remuneration scheme should:</p> <ul style="list-style-type: none"> - Have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme; - Disclose that policy or a summary of it. 	<p>No such scheme that would not limit the economic risk of participating in the scheme.</p>

Further information about the Company's corporate governance practices is set out on the Company's website at <http://www.department13.com>