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## **CIMIC CONSOLIDATED ANNUAL REPORT**

Please find attached a copy of a media release issued by CIMIC Group Limited, parent company of CIMIC Finance (USA) Pty Ltd.

Yours faithfully  
CIMIC GROUP LIMITED

Company Secretary

Corporate Governance  
Statement 2018





A family of industry leaders integrating a world of experience and expertise to drive insight, develop future-ready solutions and deliver enduring value across the lifecycle of assets, infrastructure and resources projects.



# Corporate Governance Statement

As required by the ASX Listing Rules, this Corporate Governance Statement (Statement) discloses the extent to which CIMIC has followed the ASX Principles and Recommendations. Except where otherwise explained, CIMIC followed the ASX Principles and Recommendations during the period. This Statement should be read in conjunction with the material on our website ([www.cimic.com.au](http://www.cimic.com.au)), including the 2018 Annual Report.

This Statement is current as at 5 February 2019 and has been approved by the CIMIC Board.

## BOARD AND MANAGEMENT

### ROLE AND RESPONSIBILITIES

The Board is responsible to shareholders for the long-term performance of the CIMIC Group and for overseeing the implementation of appropriate corporate governance with respect to the Group's affairs.

The Board has adopted a formal Board Charter that details the Board's role, authority, responsibilities, membership and operations, and is available on our website at: [www.cimic.com.au/en/our-group/governance/corporate-governance](http://www.cimic.com.au/en/our-group/governance/corporate-governance). The Charter sets out the matters specifically reserved for the Board and the powers delegated to its Committees and to the CEO.

The Board delegates responsibility for the day-to-day management of CIMIC to the CEO but retains responsibility for the overall strategy and direction and risk profile of the Group. The CEO then delegates authority to the appropriate Senior Executives for specific activities and transactions. This authority is governed by a formal 'delegations of authority'.

### APPOINTMENT, INDUCTION AND TRAINING

The Remuneration and Nomination Committee assists the Board with the selection and appointment of Directors. Before the Board appoints a new Director or puts forward a candidate for election, the Remuneration and Nomination Committee will ensure that appropriate background checks are undertaken. We provide our shareholders with all material information in our possession that is relevant to their decision on whether or not to elect or re-elect a Director through a number of channels, including via the Notice of Meeting, the Directors' Resumes and other information contained in the 2018 Annual Report.

Upon appointment, each Director (and Senior Executive) receives a letter of appointment which sets out the formal terms of their appointment. Directors also receive a deed of indemnity, insurance and access.

New Directors attend induction sessions where they are briefed on the Company's vision and principles, strategy, financials, and governance and the risk management framework. All Directors are provided with ongoing professional development and training opportunities to enable them to develop and maintain their skills and knowledge.

### BOARD SKILLS AND EXPERIENCE

Our objective is to have an appropriate mix of expertise and experience on our Board and its Committees so that the Board can effectively discharge its corporate governance and oversight responsibilities. This mix is described in the Board skills matrix below. The areas of experience relate directly to CIMIC's operations.

| Skills and experience                                                                                                                                                                                                                                                                                                                                                                                            | In industries and sectors including                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                           | In geographies including                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Workplace health and safety</li> <li>Sustainability</li> <li>Remuneration and nominations</li> <li>Government relations</li> <li>Executive leadership</li> <li>Tax governance</li> <li>Financial knowledge and experience</li> <li>Legal, governance and compliance</li> <li>Strategy</li> <li>Commercial acumen</li> <li>Risk management</li> <li>Engineering</li> </ul> | <b>Construction</b> <ul style="list-style-type: none"> <li>roads</li> <li>tunnelling</li> <li>rail</li> <li>building</li> <li>health</li> <li>defence</li> <li>oil and gas</li> <li>resources infrastructure</li> </ul> <b>Mining and mineral processing</b> <ul style="list-style-type: none"> <li>development, extraction, processing and remediation</li> <li>surface and underground mining</li> </ul> | <b>Services, operations and maintenance</b> <ul style="list-style-type: none"> <li>resources</li> <li>oil and gas</li> <li>power</li> <li>water</li> <li>transport</li> <li>defence</li> </ul> <b>Public Private Partnerships</b> <ul style="list-style-type: none"> <li>social and economic infrastructure</li> </ul> <b>Engineering</b> <ul style="list-style-type: none"> <li>transport</li> <li>industrial and resources</li> <li>building</li> </ul> | <ul style="list-style-type: none"> <li>Australia</li> <li>New Zealand</li> <li>South-East Asia</li> <li>East Asia</li> <li>India</li> <li>Middle East</li> <li>Africa</li> <li>North America</li> <li>Central and South America</li> </ul> |

## PERFORMANCE REVIEWS

The Board is committed to formally evaluating its performance, the performance of its Committees and individual Directors, as well as the governance processes supporting the Board. The Board does this through an annual assessment process.

An internal Board assessment took place in April 2018. Individual interviews between the Chairman and each Director were conducted to provide data concerning the effectiveness and performance of the Board and Board Committees as part of the Company's ongoing corporate governance practices. An analysis of the data indicated that the Board and its Committees are functioning effectively against the majority of the criteria. It was also noted that there were some opportunities identified to improve Board effectiveness.

## INDEPENDENCE OF THE BOARD

The Board assesses the independence of Non-executive Directors upon appointment and reviews the assessment annually. When appointing an independent director or reviewing the independence of its Directors, the Board will have regard to the definition of independent director and the factors set out in the ASX Principles and Recommendations. The Board's assessment of the independence of each current Director is set out below.

| Name                       | Status             | Appointment date  | Committee membership                                                                                                                                           |
|----------------------------|--------------------|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Russell Chenu              | Independent        | 11 June 2014      | <ul style="list-style-type: none"> <li>Audit &amp; Risk (C)</li> <li>Remuneration &amp; Nomination</li> <li>Ethics, Compliance &amp; Sustainability</li> </ul> |
| Marcelino Fernández Verdes | Executive Chairman | 13 March 2014     | -                                                                                                                                                              |
| Trevor Gerber              | Independent        | 11 June 2014      | <ul style="list-style-type: none"> <li>Remuneration &amp; Nomination (C)</li> <li>Audit &amp; Risk</li> <li>Ethics, Compliance &amp; Sustainability</li> </ul> |
| Pedro López Jiménez        | Non-independent    | 13 March 2014     | <ul style="list-style-type: none"> <li>Remuneration &amp; Nomination</li> <li>Ethics, Compliance &amp; Sustainability</li> </ul>                               |
| José-Luis del Valle Pérez  | Non-independent    | 13 March 2014     | <ul style="list-style-type: none"> <li>Remuneration &amp; Nomination</li> <li>Ethics, Compliance &amp; Sustainability</li> </ul>                               |
| David Robinson             | Non-independent    | 17 December 1990  | <ul style="list-style-type: none"> <li>Ethics, Compliance &amp; Sustainability</li> </ul>                                                                      |
| Peter-Wilhelm Sassenfeld   | Non-independent    | 29 November 2011  | <ul style="list-style-type: none"> <li>Audit &amp; Risk</li> </ul>                                                                                             |
| Kathryn Spargo             | Independent        | 20 September 2017 | <ul style="list-style-type: none"> <li>Ethics, Compliance &amp; Sustainability (C)</li> </ul>                                                                  |
| Michael Wright             | Executive          | 01 December 2017  | -                                                                                                                                                              |

(C) Chair of Committee

As at the date of this Statement, three of our nine Directors are independent. In addition to the Executive Chairman, four of our Directors are representatives of our majority shareholder, HOCHTIEF AG. Although the composition of our Board does not comply with Recommendation 2.4, we consider HOCHTIEF AG's representation on the Board to be fair and reasonable given its majority shareholding in the Company. We also consider that the current Board structure will allow it to act in the best interests of the Company and all shareholders.

Further information regarding our Directors, including their experience and qualifications, is set out in the Directors' Resumés section in our 2018 Annual Report.

## EXECUTIVE CHAIRMAN

The Executive Chairman was appointed to the position on 11 June 2014 having been a Non-executive Director from October 2012 until March 2014 and CEO and Managing Director from 13 March 2014 until 18 October 2016. The Executive Chairman provides leadership to the Board in relation to all Board matters and is responsible for ensuring that the Board meets its responsibilities under the Board Charter. His role is set out in more detail in the Board Charter.

Whilst we do not comply with Recommendation 2.5 by having an Executive Chairman who is not independent, the Board considers it appropriate given the significant majority shareholding by HOCHTIEF AG and that the Executive Chairman is also the Chairman of the Executive Board of HOCHTIEF AG.

Details regarding the Executive Chairman, including his experience and qualifications, are set out in the Directors' Report in our 2018 Annual Report.

## COMPANY SECRETARIES

The Company Secretaries support the Board and its Committees on governance matters, Board and Committee meetings, directors' duties, and acting as an interface between the Board and Senior Executives. The Board and individual Directors have direct access to the Company Secretaries.

Under CIMIC's governance framework, the Company Secretary is accountable to the Board, through the Executive Chairman, on all matters regarding the proper functioning of the Board. The Board is responsible for the appointment of the Company Secretary.

Details regarding CIMIC's Company Secretaries, including their experience and qualifications, is set out in the Directors' Report in our 2018 Annual Report.

## SENIOR EXECUTIVES

CIMIC's Senior Executives are appointed by the CEO and their Key Performance Indicators (KPI) contain specific financial and non-financial objectives. These KPIs are reviewed annually by the CEO, and in the case of Senior Executives who are also Key Management Personnel, are noted by the Remuneration and Nomination Committee. The performance of the CIMIC Senior Executives against these objectives is evaluated annually. This year's performance evaluations are described in more detail in the Remuneration Report in our 2018 Annual Report.

## REMUNERATION

Information regarding our remuneration framework for our Directors and Senior Executives is set out in the Remuneration Report in our 2018 Annual Report. The CIMIC Group's Securities Trading Policy prohibits Senior Executives from entering into hedging arrangements regarding their equity-based remuneration.

## BOARD COMMITTEES

At the date of this Statement, the Board has three Committees which are the:

- Audit and Risk Committee;
- Remuneration and Nomination Committee; and
- Ethics, Compliance and Sustainability Committee.

The membership of each Committee is provided on page two and on our website at: [www.cimic.com.au/en/our-group/our-leaders/board](http://www.cimic.com.au/en/our-group/our-leaders/board). Each Committee is chaired by an independent director.

As at the date of this Statement, two of the four members of our Remuneration and Nomination Committee are independent. Whilst we do not comply with Recommendations 2.1(a)(1) and 8.1(a)(1), the Company considers that the Remuneration and Nomination Committee functions effectively with its current composition and ensures independent decision-making through the exercise of a casting vote, in the event of a deadlock, by the independent Chairman.

Each Committee has adopted a formal, Board-approved Charter that details its role, authority, responsibilities, membership and operations. The Committee Charters are reviewed regularly and are available on our website at: [www.cimic.com.au/en/our-group/governance/corporate-governance](http://www.cimic.com.au/en/our-group/governance/corporate-governance).

A Director may attend any Committee meeting unless precluded due to a potential conflict of interest. Furthermore, each Committee regularly reports to the Board on matters relevant to the Committee's role and responsibilities, and the minutes of each Committee meeting are made available to each Director unless that Director is otherwise precluded due to a potential conflict of interest. Board Sub-Committees are formed as required to give guidance and provide oversight concerning specific matters to the Board.

Details of the number of Board and Committee meetings held during the 2018 Financial Year and the attendance by Directors are set out in the Directors' Report in our 2018 Annual Report.

## CORPORATE REPORTING AND RISK MANAGEMENT

### CEO AND CFO DECLARATION

The CEO and CFO provide an annual declaration to the Board prior to the Board's approval of the Company's 2018 Financial Year results. This process was followed for the 2018 Financial Year results, where the CEO and CFO provided a declaration to the Board that, in their opinion,

- the financial records have been properly maintained;
- the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group,

and their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

On this basis, the 2018 Financial Year results were approved by the Board. Although we do not comply with Recommendation 4.2 by receiving a formal declaration from the CEO and CFO for the half year or quarterly results, the Board is satisfied that appropriate processes are in place to provide assurance to the Board regarding the integrity of the financial statements it releases to the market and the effectiveness of the Group's risk management systems on an ongoing basis.

### EXTERNAL AUDITOR

Our external auditor, Deloitte, was appointed following our 2012 AGM. Deloitte is invited to all Audit and Risk Committee meetings and all Audit and Risk Committee papers are made available to Deloitte. Deloitte representatives are also available to all Audit and Risk Committee members.

Deloitte attends our AGM and a representative is available to answer questions from shareholders relevant to the audit at the AGM. Deloitte's independence declaration is contained in the Directors' Report in our 2018 Annual Report.

Deloitte is required to confirm its independence and compliance with specified independence standards to the satisfaction of the Board. The External Auditor Independence Charter sets out the criteria to assist the Audit and Risk Committee, the Board and our shareholders to be satisfied that Deloitte is independent at all times. The Charter also sets out the circumstances in which Deloitte can perform certain services and the procedures to be followed to obtain approval for those services where they are permitted.

The External Auditor Independence Charter is available on our website at: [www.cimic.com.au/en/our-group/governance/corporate-governance](http://www.cimic.com.au/en/our-group/governance/corporate-governance).

### INTERNAL AUDIT

The Internal Audit function provides independent and objective assurance on the adequacy and effectiveness of the Group's systems for risk management, internal control and governance, along with recommendations to improve the efficiency and effectiveness of these systems and processes.

The head of Internal Audit reports to the CEO under a mandate approved by the Audit and Risk Committee and has full access to all functions, records, property and personnel of the Group. The head of Internal Audit has direct access to the Chairman of the Audit and Risk Committee and Chair of the Board and provides the Committee with information relevant to assisting the Committee with discharging its roles and responsibilities.

### RISK MANAGEMENT

The CIMIC Group Risk Framework is based on International Standard ISO 31000:2009 Risk management – principles and guidelines, and forms the basis for CIMIC's risk management activities. Our approach to risk is governed by the CIMIC Group Risk Management Policy with which our Operating Companies are required to comply.

The Audit and Risk Committee assists the Board in fulfilling its governance and oversight responsibilities in relation to financial statements, financial controls and enterprise risk.

Under its Charter, the Audit and Risk Committee is required to review the Group Risk Framework at least annually. A formal review was completed in 2018 and considered by the Audit and Risk Committee in early 2019. In addition, throughout 2018, the Audit and Risk Committee regularly assessed risk management performance through the monitoring of key business risks and review of quarterly risk reports.

Our key economic, environmental and social sustainability risks, together with our approach to managing those risks, is outlined in both the Sustainability Report and the Operating and Financial Review sections of our 2018 Annual Report.

## RESPONSIBLE AND ETHICAL BEHAVIOUR

### CODE OF CONDUCT

The Code of Conduct (Code) outlines the standards of behaviour required from all Directors, Senior Executives and employees of CIMIC Group, regardless of role or location, and provides a framework to guide a person's decisions and actions. The Code promotes an organisational culture that enables our people to respond appropriately in a variety of situations and to be accountable for their decisions. The Code is supported by the Group Code of Conduct – Management, Monitoring and Reporting Procedure which outlines the process for reporting a concern about a possible breach of the Code and contains the Whistleblower Protection Procedure, confirming the protection of any employee who reports a genuinely held concern.

It is a requirement for all employees to receive regular training in respect of the Code. The Code is available on our website at: [www.cimic.com.au/en/our-group/governance/policies](http://www.cimic.com.au/en/our-group/governance/policies).

### CONTINUOUS DISCLOSURE

We are committed to providing information to shareholders and to the market in a manner that is consistent with the meaning and intention of the ASX Listing Rules.

In order to comply with these obligations, the Board has adopted a Market Disclosure and Communications Framework, which is available on our website at: [www.cimic.com.au/en/our-group/governance/policies](http://www.cimic.com.au/en/our-group/governance/policies).

We also have a Continuous Disclosure Committee which meets regularly and has specific responsibilities regarding the disclosure of information concerning CIMIC that a reasonable person would expect to have a material effect on the price or value of CIMIC's securities (unless the matter is reserved to the Board for its consideration).

### DIVERSITY & INCLUSION

The CIMIC Group is committed to cultivating an inclusive workplace of fairness and equity which fosters the unique skills and talent of our people. The Group strongly supports diversity in all forms and recognises that:

- diverse and inclusive teams promote innovation, performance and productivity;
- these advantages are strongest when our workforces reflect the diverse communities in which we work; and
- these diverse communities provide a valuable source of talent.

The CIMIC Group's commitment to Diversity and Inclusion (D&I) is set out in our policy and in our Code which can be viewed on our website at: [www.cimic.com.au/en/our-group/governance/policies](http://www.cimic.com.au/en/our-group/governance/policies).

We have prioritised four strategic objectives to ensure we leverage the diverse contributions of our people.

|                         |                                                                                                                   |
|-------------------------|-------------------------------------------------------------------------------------------------------------------|
| 1. Gender Equality      | Promote and improve female participation and achieve gender equality, including pay equity                        |
| 2. Indigenous Australia | Increase indigenous employment and the use of indigenous suppliers in our supply chain                            |
| 3. National Inclusion   | Invest in local employees to ensure the future workforce is reflective of the country in which we operate         |
| 4. Workplace Culture    | Cultivate an inclusive workplace of fairness and equity which fosters the unique skills and talents of our people |

These four strategic objectives form the basis of CIMIC's D&I strategy and progress against these objectives are reported to the CIMIC Board. CIMIC does not publish measurable objectives, and as such we do not comply with Recommendation 1.5 in its entirety. Our D&I initiatives and achievements are discussed in the Sustainability Report section of the 2018 Annual Report.

### RESPECTING THE RIGHTS OF SHAREHOLDERS

CIMIC endeavours to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions.

Through its shareholder communications, CIMIC aims to provide information that will allow existing shareholders, potential shareholders and financial analysts to make informed decisions about the Group's intrinsic value and meet its obligations under the ASX's continuous disclosure regime.

CIMIC has an investor relations program which includes:

- issuing regular written shareholder communications such as quarterly financial reporting and an Annual Report to address the Company's strategy and performance;
- webcasting or making available on CIMIC's website, audio recordings and/or transcripts of important shareholder events such as the AGM and CEO presentations;
- sending and receiving shareholder communications electronically, both from CIMIC and our share registry;

- maintaining the board, corporate governance, investors and news and media sections on the CIMIC website, including posting all announcements after they have been disclosed to the market;
- engaging in a program of scheduled interactions with institutional investors, sell-side and buy-side analysts, shareholder associations and proxy advisers;
- promoting two-way interaction with shareholders, by supporting shareholder participation in the AGM including encouraging shareholders to send their questions to the Company prior to the AGM and responding to their questions and feedback; and
- ensuring that continuous disclosure obligations are understood and complied with throughout the Group.

Our Group Policy for Shareholder Communications is available on our website at: [www.cimic.com.au/en/our-group/governance/policies](http://www.cimic.com.au/en/our-group/governance/policies).

