

Macmahon Holdings Limited

2019 Corporate Governance Statement

Macmahon Holdings Limited (the Company) is committed to ensuring that its obligations and responsibilities to its various stakeholders are fulfilled through appropriate corporate governance practices. These practices are designed to enhance the Company's sustainable long-term performance and value creation for all stakeholders.

This Statement reports on Macmahon's key governance principles and practices which are reviewed regularly and revised as appropriate to reflect changes in law and developments in corporate governance.

Throughout the reporting period ended 30 June 2019, the Directors believe that the Company's governance arrangements have been consistent with the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. In May 2019, the Company updated its charters, policies and practices to reflect updates in the fourth edition of the ASX Corporate Governance Council's Principles and Recommendations. This statement reflects changes made following that review. This Statement reports against the requirements of the fourth edition, following the changes made by the Company in May 2019 and has been approved by the Board of Directors of the Company (the Board).

Copies of the Company's corporate governance charters and policies are available on its website www.macmahon.com.au.

Principle 1: Lay solid foundations for management and oversight

A listed entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.

Recommendation 1.1: *A listed entity should have and disclose a board charter setting out:*

- (a) the respective roles and responsibilities of its board and management; and*
- (b) those matters expressly reserved to the board and those delegated to management.*

The Board has adopted a Board Charter which details the Board's role, powers, duties and functions. Other than as specifically reserved to the Board in the Board Charter, responsibility for the management of Macmahon's business activities is delegated to the Chief Executive Officer ("CEO") who is accountable to the Board. The Board Charter and the delegation of Board authority to the CEO are reviewed regularly.

The responsibilities of the Board as a whole, the CEO and the Chair are set out in more detail in the Company's Board Charter.

Recommendation 1.2: *A listed entity should:*

- (a) *undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and*
- (b) *provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

The Board manages its succession planning with the assistance of the Remuneration & Nomination Committee ("Committee"), reviewing its size, composition, diversity and effectiveness as a whole and the mix of existing and desired competencies across members. In conducting the review, the Board Skills Matrix referred to in section 2.2 is used to enable the Committee to assess the skills and experience of each Director and the combined capabilities of the Board. This Committee operates under the Remuneration & Nomination Committee Charter.

In considering overall Board balance, the Committee will give due consideration to the value of a diversity of backgrounds and experiences among the members. With the exception of any Managing Director, Directors appointed by the Board are subject to Shareholder election at the next AGM.

Macmahon undertakes appropriate background and screening checks prior to nominating a Director for election by shareholders, and provides to shareholders all material information in its possession concerning the Director standing for election or re-election in the explanatory notes accompanying the notice of meeting. This information includes:

- biographical details of the candidate, including the candidates relevant qualifications, experience, directorships and the skills he or she brings to the Board;
- in the case of a candidate standing for election as a director for the first time:
 - o any material adverse information revealed by the checks the Company has conducted in respect of the candidate;
 - o details of any interest, position association or relationship that might influence, or reasonably be perceived to influence, in a material respect the candidates capacity to bring an independent judgement on issues before the Board and to act in the best interests of the Company and its shareholders generally; and
 - o if the Board considers that the candidate will, if elected, qualify as an independent director, a statement to that effect; and
- in the case of a candidate standing for re-election as a director:
 - o the terms of office currently served by the director;
 - o if the Board considers the director to be an independent director, a statement to that effect; and
 - o a statement by the Board as to whether it supports the election or re-election of the candidate.

Recommendation 1.3: *A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*

All new Non- executive Directors have signed a formal letter of appointment setting out the key terms and conditions of their appointment, including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work.

All senior executives have signed an employment contract setting out the terms of their appointment.

Recommendation 1.4: *The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.*

Details of the company secretaries of Macmahon are set out in the Directors' Report. The company secretaries are accountable to the Board through the Chair, and are responsible for coordination of all Board business, including agendas, board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings. All Directors have access to advice from the company secretaries on all matters to do with the proper functioning of the Board.

Recommendation 1.5: *A listed entity should:*

- (a) *have and disclose a diversity policy;*
- (b) *through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and*
- (c) *disclose in relation to each reporting period:*
 - (1) *the measurable objectives set for that period to achieve gender diversity;*
 - (2) *the entity's progress toward achieving those objectives; and*
 - (3) *either:*
 - (A) *the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or*
 - (B) *if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.*

If the entity was in the S&P/ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.

Macmahon recognises the benefits of having a diverse workforce, and seeks to create an inclusive workplace environment where the diverse experiences, perspectives and backgrounds of people are valued and utilised. The Company's Diversity Policy is available on the Macmahon website, and requires the Board to set and report against measurable diversity targets, including targets in relation to gender diversity.

The following table outlines the Company's measurable objectives in relation to diversity and the progress made towards achieving those objectives at 30 June:

Group	Target for 2019	Actual 2019	Target for 2020
Indigenous Australians	5	5.4%	5.5%
Female Directors	30%	25%	30%
Percentage of females in senior Management positions*	20%	15%	20%
Percentage of female employees across the whole organisation	14%	13.8%	15%

* For the purpose of this target, senior executive positions are defined as those with senior managerial responsibilities in either corporate or operational areas, and includes project managers.

In addition to reporting against its measurable objectives, the Company also produced a separate report on its "Gender Equality Indicators" in accordance with the Workplace Gender Equality Act 2012 (Cth). A copy of this report is available on the Macmahon website (www.macmahon.com.au).

Recommendation 1.6: *A listed entity should:*

- (a) *have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and*
- (b) *disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.*

Under the Remuneration & Nomination Committee Charter, the Remuneration & Nomination Committee is responsible for the development and implementation of processes for evaluating the performance of the Board, its Committees and individual Directors.

The Board at least annually undertakes an internal evaluation of its effectiveness as a whole, and the effectiveness of its committees, against a broad range of good practice criteria. The review of the Board's committees includes an assessment of the performance of each Board Committee against the relevant Board Committee Charter in order to identify areas where improvements can be made. The internal review process involves each Director completing a performance evaluation questionnaire, the results of which are reviewed by the Committees and the Board. The performance of individual Directors, including the Chair is evaluated as part of this internal review.

The Board believes that an the internal review process is an efficient and effective way of reviewing the performance of the Board and its committees, and for this reason an internal review was conducted during the reporting period, and in the previous year. During the reporting period, evaluations of the performance of individual Directors were also carried out in accordance with this process.

Recommendation 1.7: *A listed entity should:*

- (a) *have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and*
- (b) *disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.*

Under the Remuneration & Nomination Committee Charter, the Board undertakes a review of the Chief Executive Officer's performance on at least an annual basis.

The performance of other senior executives is evaluated by the Chief Executive Officer through performance reviews undertaken on an annual basis.

During the reporting period, performance evaluations for senior executives took place in accordance with the process agreed by the Board and disclosed above.

Principle 2: Structure the Board to be effective add value

The board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.

Recommendation 2.1: *The board of a listed entity should:*

- (a) *have a nomination committee which:*
 - (1) *has at least three members, a majority of whom are independent directors; and*

(2) *is chaired by an independent director,*

and disclose:

(3) *the charter of the committee;*

(4) *the members of the committee; and*

(5) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*

(b) *if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

The Board established a Remuneration & Nomination Committee. The Remuneration & Nomination Committee operates under Remuneration & Nomination Committee Charter, which is disclosed on the Company's website.

During the reporting period, the Remuneration & Nomination Committee consisted of:

Name	Role	Independent	Status
Eva Skira (Chair of the Remuneration & Nomination Committee)	Non-executive Chair	Yes	Member for the whole period, appointed Chair of the Committee on 29 June 2019
Vyiril Vella	Non-executive Director	Yes	Chairman of the Committee to 23 August 2018 and then reappointed a member on 29 June 2019
Alexander Ramlie	Non-executive Director	No	Member since 29 June 2019
Kim Horne	Non-executive Director	Yes	Member to 23 August 2019 and then appointed Chairman of the Committee from 23 August 2019 to 26 June 2019
Jim Walker	Non-executive Director	Yes	Member to 27 June 2019

The Company complied with this recommendation during FY19, except for a brief period following the resignation of Mr Kim Horne on 26 June 2019.

Ms Eva Skira is the current Chair of the Committee and is an independent, Non-executive Director.

Details of the number of meetings of the Remuneration & Nomination Committee held during the reporting period and members' attendance at those meetings is set out in the 2019 Annual Report (as part of the Directors' Report).

Recommendation 2.2: *A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.*

The relevant skills, experience and expertise held by each director in office at the date of the annual report is included in the Directors' Report in the 2019 Annual Report.

The skills and experience required of the Board and its Committees is detailed in the Macmahon Board Skills Matrix which is summarised below. The objective of the matrix is to align the skills and experience on the Board with the Group's strategic objectives. The Remuneration & Nomination Committee assists the Board with the regular review of the qualifications, skills, competencies, experience, independence

and diversity represented on the Board and its Committees. Where gaps are identified, the Committee is responsible for identifying whether training or development is required or recommending changes to the Board in relation to its structure, size and operation.

The Board of Macmahon has determined that all directors should be sufficiently familiar with the Macmahon's core business that they can contribute to the development of strategy and assess the performance of management. In addition, as a group, the Board must have skills and experience in the following areas, or satisfy the criteria below. The composition of the Board will seek to promote a diverse group of directors (so as to discourage "group think" and other cognitive biases, and promote innovative behaviours), with overlap in the skills that they bring to the role and a united focus on pursuing the best interests of Macmahon and its stakeholders.

Corporate governance expertise

Knowledge, experience and commitment to the highest standards of governance and an ability to assess the effectiveness of senior management.

Strategy skills

Skills in developing and implementing successful business strategy, including appropriately overseeing management on the delivery of agreed strategic planning objectives.

Executive leadership experience

Successful career with experience at a very senior executive level.

Financial acumen

Senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls, including an ability to probe the adequacies of financial and risk controls.

Relevant industry experience

Senior executive experience in the mining or mining services sector, including in-depth knowledge of the Group's strategy, markets, competitors, operational issues and technology.

Health, safety and environmental management skills

Experience related to workplace health and safety, environmental and social responsibility, and community.

Remuneration management skills

Relevant experience in relation to remuneration setting including incentive programs and pensions/superannuation and the legislation and contractual framework governing remuneration.

The Board considers that the Non-executive Directors collectively bring an appropriate range of skills, knowledge and experience to direct the Company.

Recommendation 2.3: *A listed entity should disclose:*

- (a) *the names of the directors considered by the board to be independent directors;*
- (b) *if a director has an interest, position, association or relationship of the type described in Box 2.3 (Factors relevant to assessing the independence of a director) but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and*
- (c) *the length of service of each director.*

At the commencement of the 2019 financial year, the Board comprised three independent Non-executive Directors; Mr Jim Walker (Chairman, resigned 27 June 2019), Ms Eva Skira (appointed Chair, 27 June 2019) and Mr Kim Horne (Non-executive Director, resigned 26 June 2019).

The following changes to the composition of the Board occurred during the year:

- On 31 October 2018 Mr Vyril Vella resigned as a Non-executive Director of the Company, he was then reappointed as a Non-executive Director of the Company on 29 June 2019;
- On 26 June 2019 Mr Kim Horne resigned as a Non-executive Director of the Company;
- On 27 June 2019 Mr Jim Walker resigned as the Chairman and a Non-executive Director of the Company, and
- On 29 June 2019 Ms Eva Skira was appointed the Chair of the Company.

As at 30 June 2019, the Board consisted of:

Name	Role	Independent	Length of Service
Eva Skira	Non-executive Chair	Yes	26 September 2011- present
Vyril Vella	Non-executive Director	Yes	Appointed November 2007; retired 31 October 2018; reappointed 29 June 2019 - present
Alexander Ramlie	Non-executive Director	No	8 August 2017- present
Arief Sidarto	Non-executive Director	No	8 August 2017- present

As a result of these changes, the Board now comprises two independent Non-executive Directors and two non-independent, Non-executive Directors.

The Board assesses the independence of the directors in accordance with the definition of independence set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition).

In addition, the Board keeps a record of any Director's other directorships or offices currently held on another Company's Board.

Recommendation 2.4: *A majority of the board of a listed entity should be independent directors.*

The Company complied with this recommendation during FY19, except for a brief period following the resignation of Mr Kim Horne on 26 June 2019.

As set out in the table above, at 30 June 2019 there was equal number of independent and non-independent Directors.

This situation arose due to the unexpected resignations of both Mr Jim Walker and Mr Kim Horne on 26 June 2019 and 27 June 2019 respectively as outlined above. The Board intends to return to a situation where there is a majority of independent directors as soon as possible.

The Board has a process underway to appoint additional independent directors and will provide an update when additional directors are appointed.

Recommendation 2.5: *The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.*

Mr Jim Walker was the Company Chairman from the beginning of the financial year until his resignation on 27 June 2019. During this time the Board determined that he was an independent director.

Ms Eva Skira was appointed the Company Chair on 27 June 2019 following Mr Jim Walker's resignation. The Board has determined that she is an independent director.

The role of Chair of the Board and Chief Executive Officer are held by different individuals. Ms Eva Skira does not perform the role of Chief Executive Officer of the Company – the role is performed by Mr Mick Finnegan.

Recommendation 2.6: *A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.*

Induction training is provided to all new Directors. It includes among other things, comprehensive meetings with the Chief Executive Officer, key executives and management, information on Macmahon policies and strategic plans, and the opportunity to visit the Company's primary operations. The induction program is designed to equip new Directors with information so that they can quickly participate actively and fully in the Company's decision making processes.

All Directors are expected to maintain the skills required to discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education and where this involves industry seminars and approved education courses, this is paid for by the Company where appropriate.

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

A listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.

Recommendation 3.1: *A listed entity should articulate and disclose its values.*

The Company has established and disclosed on its website a Statement of Values in accordance with this recommendation. The Statement of Values applies to all Directors, managers and employees of the Company.

The Board approves the Company's Statement of Values and charges the senior executive team with the responsibility of inculcating those values across the organisation.

Recommendation 3.2: *A listed entity should:*

- (a) Have and disclose a code of conduct for its directors, senior executives and employees; and*
- (b) Ensure that the board or a committee of the board is informed of any material breaches of that code.*

Macmahon has established and disclosed on its website a Code of Conduct which outlines its commitment to appropriate and ethical corporate practices and reflects the high ethical standards of conduct necessary to maintain confidence in the Company's integrity. The Code of Conduct is reviewed as necessary to ensure it reflects the high ethical standards of conduct necessary to maintain confidence in the Company's integrity.

If there are any material breaches of the Code of Conduct the Board is informed.

Recommendation 3.3: *A listed entity should:*

- (a) Have and disclose a whistleblower policy; and*
- (b) Ensure that the board or a committee of the board is informed of any material incidents reported under that policy.*

The Company has established and disclosed on its website its Whistle-blower Policy in accordance with this recommendation. The Whistle-blower Policy applies to all Directors, managers and employees of the Company.

Callers to the Whistle-blower Hotline will be able to leave a message and, once a message is left, an automated email will be sent to the Chair of the Board. Aside from providing a safe forum for employees

to raise concerns, the Whistle-blower Hotline also ensures that the Chair of the Board is informed of any material incidents reported to the Hotline. If there are any material breaches of the Whistle-blower Policy the Audit & Risk Committee is informed.

Recommendation 3.4: *A listed entity should:*

(a) Have and disclose an anti-bribery and corruption policy; and

(b) Ensure that the board or a committee of the board is informed of any material breaches of that policy

The Company has established and disclosed an anti-bribery and corruption policy in its Code of Conduct referred to in recommendation 3.2 above. This policy applies to all Directors, managers and employees of the Company.

If there are any material breaches of the anti- bribery and corruption policy the Board is informed.

Principle 4: Safeguard the integrity of corporate reports

A listed entity should have appropriate processes to verify the integrity of its corporate reports.

Recommendation 4.1: *The board of a listed entity should:*

(a) have an audit committee which:

(1) has a least three members, all of whom are Non-Executive directors and a majority of whom are independent directors; and

(2) is chaired by an independent director, who is not the chair of the board,

and disclose:

(3) the charter of the committee;

(4) the relevant qualifications and experience of the members of committee; and

(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have an audit committee disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment, and removal of the external auditor and the rotation of the audit engagement partner.

The Board has established an Audit & Risk Committee. The Audit & Risk Committee operates under the Audit & Risk Committee Charter which is available on the Company's website.

The role of the Audit & Risk Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, the risk management framework and procedures, compliance with related legal and regulatory requirements, and the internal and external audit functions. In doing so, it is the Committee's responsibility to maintain free and open communication between the Committee and the external auditors and the management of Macmahon.

During the reporting period, the Audit & Risk Committee consisted of the following Directors:

Name	Role	Independent	Status
Eva Skira	Non-executive Chair	Yes	Chair of the Audit & Risk Committee to 27 June 2019 and then member only (member for the whole period)
Vyiril Vella (Chairman of the Audit & Risk Committee)	Non-executive Director	Yes	Member to 31 October 2018 and then appointed the Chairman of the Audit & Risk Committee on 29 June 2019
Alexander Ramlie	Non-executive Director	No	Member since 29 June 2019
Kim Horne	Non-executive Director	Yes	Member from 5 December 2018 to 26 June 2019
Jim Walker	Non-executive Director	Yes	Member to 27 June 2019

The Audit & Risk Committee was chaired by Ms Eva Skira, an independent Non-executive Director since the beginning of the reporting period to 27 June 2019 at which time she was not the Chair of the Board. Following her appointment as Chair on 27 June 2019, Mr Vyiril Vella, an independent Non-executive Director, was appointed the Chairman of the Audit & Risk Committee on 29 June 2019, he is not the chairman of the Board.

As outlined above, all Directors who were member of the Audit & Risk Committee were independent Non-executive Directors until Mr Jim Walker and Mr Kim Horne resigned on 26 June 2019 and 27 June 2019 respectively. Currently there is one Non-executive Director who is not independent and a member of the Audit & Risk Committee, this is Mr Alexander Ramlie. The Board has a process underway for future director appointments and will provide an update when additional directors are appointed. It is then intended that a new Independent, Non-executive Director will replace Mr Alexander Ramlie as a member of the Audit & Risk Committee.

As a result of these changes, the Company complied with recommendation 4.1 during FY19, except for a brief period following the resignation of Mr Kim Horne on 26 June 2019.

The Board considers that each of the members of the Audit & Risk Committee is suitably qualified to be a member of the Audit & Risk Committee based on their financial experience and industry experience. Details of the relevant skills and qualifications of each member is set out in the 2019 Annual Report (as part of the Directors Report).

Details of the numbers of meetings of the Audit & Risk Committee held during the reporting period and members' attendance at those meetings is set out in the 2019 Annual Report as part of the Directors' Report). The external auditor, the Directors who are not members of the Audit & Risk Committee, the Chief Executive Officer, the Chief Financial Officer, the Group Financial Controller and the Chief Development Officer are all invited to attend the Audit & Risk Committee meetings at the discretion of the Audit & Risk Committee.

Recommendation 4.2: *The board of a listed entity should, before it approves the entity's financial statements for a financial period, received from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operation effectively.*

The Board receives monthly reports about the financial condition and operational results of the Company and its controlled entities.

At the end of each six monthly period, the Chief Executive Officer and Chief Financial Officer provide a formal declaration to the Board confirming that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and the operational results have been prepared in accordance with the relevant accounting standards. The statement also confirms that the integrity of the Company's financial statements and notes to the financial statements, are founded on a sound system of risk management and controls.

In addition, all Executives and key Business Managers complete a questionnaire from the Directors on a half-yearly basis. The questions relate to the financial position of the Company, market disclosure, the application of Company policies and procedures (including the Risk Management Policy), compliance with external obligations and other governance matters. This process assists the Chief Executive Officer and the Chief Financial Officer in making the declarations to the Board referred to above.

Recommendation 4.3: *A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.*

The Company undertakes a verification process prior to the release of any periodic corporate report to the market. All information is reviewed and checked with each relevant department that the information relates, including a review by the Chief Executive Officer, Chief Financial Officer, Corporate Development Officer and Investor Relations Manager. Source documents and work papers are vetted to ensure they are accurate. The Board approves all releases to the market.

Principle 5: Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1: *A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1*

Macmahon is committed to maintaining a level of disclosure that meets the highest standards and provides all investors with timely and equal access to information.

Macmahon's Continuous Disclosure Policy reinforces the Company's commitment to ASX continuous disclosure requirements and outlines management's accountabilities and the processes to be followed for ensuring compliance. The policy also describes Macmahon's guiding principles for market communications.

The Continuous Disclosure Policy is available on the Company's website.

Recommendation 5.2: *A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.*

The Company Secretary circulates to the Board copies of all material market announcements promptly after they have been made.

Recommendation 5.3: *A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.*

The Company ensures that if it gives a new and substantive investor or analyst presentation then a copy of the presentation materials is released on the ASX Market Announcements Platform ahead of the presentation.

Principle 6: Respect the rights of security holders

A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

Recommendation 6.1: *A listed entity should provide information about itself and its governance to investors via its website.*

All Information disclosed to ASX and other information about the Company (including corporate directory, corporate governance information, corporate calendar and shareholder services) is made available in the Investors section of the Company's website (www.macmahon.com.au).

Recommendation 6.2: *A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

Macmahon has an Investor Relations Manager, who is responsible for the effective communication with investors. The Investor Relations Manager's contact details are publicly disclosed on ASX announcements and presentations.

Macmahon aims to produce positive outcomes for all stakeholders in managing its business and to maximise financial, social and environmental value from its activities. In practice, this means having a commitment to transparency, fair dealing, responsible treatment of employees and customers and positive links into the community.

Sustainable and responsible business practices within Macmahon are viewed as an important long-term driver of performance and Shareholder value. Through such practices Macmahon seeks to reduce operational and reputation risk and enhance operational efficiency while contributing to a more sustainable society. Macmahon accepts that the responsibilities of the Board and management, which flow from this approach, go beyond strict legal and financial obligations. In particular, the Board seeks to take a practical and broad view of Directors' fiduciary duties, in line with stakeholders' expectations.

Directors recognise that Shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of shares.

The Company's Continuous Disclosure Policy (which is available on the Company's website) encourages effective communication with its Shareholders by requiring:

- the disclosure of full and timely information about Macmahon's activities in accordance with the disclosure requirements contained in the ASX Listing Rules and the Corporations Act;
- all information released to the market to be placed on Macmahon's website promptly following release;
- the Company's market announcements to be maintained on Macmahon's website for at least three years; and
- all disclosures, including notices of meetings and other Shareholder communications, are drafted clearly and concisely using plain English.

Macmahon endeavours to communicate all major activities affecting operations to investors through the Annual Report, half year and full year results announcements, formal disclosures to the ASX (i.e. company announcements), letters to Shareholders when appropriate, the Company website and at the AGM. The AGM also provides an important opportunity for investors to ask questions, express views and respond to Board proposals.

Periodic reviews of communication systems to take advantage of new technologies may further enhance the Company's ability to communicate effectively with its investors. Macmahon endeavours to provide advance notification of public briefings and make them widely accessible, including through the use of webcasting or conference calls where possible. The Company also keeps a summary record for

internal use of the issues discussed at briefings as well as a record of those present, and the time and place of the briefing.

Macmahon encourages direct electronic contact from shareholders. The Company's website has a Contacts page within its Investors and Media section which allows shareholders to email the Company directly with queries or to provide feedback, as well as a direct link into the Company's share registry, Computershare, so that Computershare can be contacted directly.

The Company recognises the importance of shareholder participation in general meetings and supports and encourages that participation. The Company provides facilities for online voting through Computershare, allowing shareholders unable to attend the AGM to direct voting on resolutions through the appointment of a proxy. Shareholders are also able to register their voting instructions electronically. The results of voting on the items of business are disclosed to the market and posted to the Company's website after the AGM or any other Shareholder meeting.

The Company also arranges for the Company's external auditor to attend the Company's AGM and be available to answer shareholder questions about the conduct of the audit, the preparation and content of the Auditor's report, accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor.

Recommendation 6.3: *A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.*

Shareholders are encouraged to attend and participate at all general meetings of the Company. The Company allows reasonable opportunity for communication of the Company's annual general meetings each year and other general meetings and encourages shareholder participation in these meetings through questions and comments. The Company's external auditor attends the Company's annual general meeting and is available to answer shareholders' questions (as described above under Recommendation 6.2).

Copies of notices of annual general meetings and general meetings (including any explanatory information) are made available under the Investors section of the Company's website.

Recommendation 6.4: *A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.*

Macmahon ensures that all substantive resolutions at a meeting of its Shareholders are decided by a poll rather than by a show of hands.

Recommendation 6.5: *A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.*

Shareholders may elect to receive information from, and make contact with, the Company and its share registry by email. Contact email addresses for the Company and the share registry are set out on the Company's website.

Principle 7: Recognise and Manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1: *The board of a listed entity should:*

- (a) *have a committee or committees to oversee risk, each of which:*
 - (1) *has at least three members, a majority of whom are independent directors; and*
 - (2) *is chaired by an independent director,*

and disclose:

- (3) *the charter of the committee;*
 - (4) *the members of the committee; and*
 - (5) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

As discussed above (see the comments under Recommendation 4.1), the Audit & Risk Committee operates under the Audit & Risk Committee Charter, which is available on the Company's website. The composition of the Audit & Risk Committee and qualifications, experience and attendance of its members is also addressed above.

Recommendation 7.2: *The board or a committee of the board should:*

- (a) *review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and*
- (b) *disclose, in relation to each reporting period, whether such a review has taken place.*

Macmahon recognises that risk is inherent to its business and effective management of risk is vital to delivering on its objectives, success and continued growth. Macmahon's approach to risk enhances opportunities, reduces threats and sustains Macmahon's competitive advantage. Macmahon is committed to managing all risk in a proactive and effective manner.

The Company's aim is to ensure that risk management is embedded in all aspects of the Company's operations, by aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing uncertainties. Particular focus is given to activities in key stages of the project life cycle including project selection, tendering, project start-up and project execution. The Company's Risk Management Policy can be viewed on the Company's website.

The Board is responsible for reviewing and approving the Company's risk management strategy, policy and key risk parameters, including determining the appetite for country risk and major investment decisions. The Board is also responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control. The Board has delegated oversight of the Risk Management Policy, including oversight of the risk management framework and procedures to the Audit & Risk Committee.

Management is responsible for designing, implementing, reviewing and providing assurance as to the effectiveness of the Risk Management Policy. This responsibility includes developing business risk identification processes, implementing appropriate risk treatment, strategies and controls, monitoring effectiveness of controls and reporting on risk management capability and performance.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

- regular updates to the Board at monthly meetings on key risks associated with the business' operations;
- Board approved annual operating budgets and plans, with ongoing monitoring of progress against budget;
- internal audit reports to the Audit & Risk Committee on areas of material business risk; and
- ensuring that Executives are responsible for developing policies, processes and procedures to identify risks in the Company's activities and to implement mitigation strategies.

More information on the Company's risks is set out in the Company's Annual Report. In 2019, the Audit & Risk Committee reviewed the Company's risk management framework and confirmed that the framework was sound.

Recommendation 7.3: *A listed entity should disclose:*

- (a) *if it has an internal audit function, how the function is structured and what role it performs; or*
- (b) *if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.*

The Audit & Risk Committee oversees the Company's internal audit function.

Internal audits provide 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 systems and processes. Internal audits are performed by a variety of external and internal service providers as appropriate.

Recommendation 7.4: *A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.*

As outlined in the 2019 Annual Report Macmahon is exposed to a number of economic, environmental and social sustainability risks. These risks include:

- Performance of the Batu Hijau project
- Performance of the Telfer project
- Guidance
- Contingent Liabilities
- Reliance on key customers
- Industry and commodity cycles
- Failure to win new contracts
- Early contract termination and contract variations
- Project delivery risk
- Margins, operations, safety and environment
- Contract pricing risk
- Commodity price exposure
- Equipment and consumable availability
- Reliance on key personnel
- Currency fluctuation
- Partner and control risk
- Country risk
- Financing risk
- Acquisition risk

Outlined below is the way that Macmahon manages these risks:

- Macmahon is committed to the effective management of the environmental impacts associated with its operations. The implementation of Macmahon's ISO AS/NZS 14001 certified environmental management system includes a range of measures to plan, monitor and audit the Company's operations;
- Macmahon implements environmental management strategies and plans to ensure the highest levels of compliance and to prevent unwanted impacts to the environment. In FY19 Macmahon was able to uphold this compliance across all jurisdictions in which it operates. No prosecutions or any infringements or other penalties were received during the period;
- Macmahon also acknowledges that climate change poses a threat to the environment and will have implications for the industries it services. During the year the Company developed a

- Climate Change Position Statement which is available on the Company's website and includes a commitment to continual improvement in energy efficiency across the business;
- Macmahon targets a diversity of commodities, clients and geographic locations in its order book, whilst also placing a strong focus on key customer relationships. In addition Macmahon aims to work on financially robust projects and closely manages its level of debt to reduce risk in the event of an industry or commodity price downturn. Furthermore, Macmahon implements a range of retention strategies for its employees including training, career development and incentives;
 - Macmahon has a number of policies and procedures to reduce the risk of breakdowns in stakeholder relationships. These include authority level controls; contract review and approval processes; project management controls; and the employment of appropriately skilled personnel project managers. Macmahon also has a strong focus on maintaining communications with its key stakeholders. Macmahon uses external public relations firms to assist Management to manage brand reputation risks on specific issues; and
 - to manage safety risks, Macmahon has HSE management systems and behaviour expectations; work planning and injury management procedures within divisions; appropriate insurances in place to support injured workers; and conducts audits of compliance with group standards and procedures.

Full details are outlined in the 2019 Annual Report.

Principle 8: Remunerate fairly and responsibly

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executive and to align their interests with the creation of value for security holders and with the entity's values and risk appetite.

Recommendation 8.1: *The board of a listed entity should:*

- (a) *have a remuneration committee which:*
 - (1) *has at least three members, a majority of whom are independent directors; and*
 - (2) *is chaired by an independent director,*

and disclose:

 - (3) *the charter of the committee;*
 - (4) *the members of the committee; and*
 - (5) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

The Board has established a Remuneration & Nomination Committee. The Remuneration & Nomination Committee operates under the Remuneration & Nomination Committee Charter, which is available on the Company's website.

During the reporting period, the Remuneration & Nomination Committee consisted of:

Name	Role	Independent	Status
Eva Skira (Chair of the Remuneration & Nomination Committee)	Non-executive Chair	Yes	Member for the whole period, appointed Chair of the Committee on 29 June 2019
Vyiril Vella	Non-executive Director	Yes	Chairman of the Committee to 23 August 2018 and then reappointed a member on 29 June 2019
Alexander Ramlie	Non-executive Director	No	Member since 29 June 2019
Kim Horne	Non-executive Director	Yes	Member to 23 August 2019 and then appointed Chairman of the Committee from 23 August 2019 to 26 June 2019
Jim Walker	Non-executive Director	Yes	Member to 27 June 2019

Details of the number of meetings of the Remuneration & Nomination Committee held during the reporting period and members' attendance at those meetings is set out in the 2019 Annual Report (as part of the Directors' Report).

Recommendation 8.2: *A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*

Details of remuneration paid to Directors (Executive and Non-executive) are set out in the Remuneration Report. The Remuneration Report also contains information on the Company's policy for determining the nature and amount of remuneration for Directors and Executives and the relationship between the policy and Company performance.

Shareholders will be invited to consider and approve the Remuneration Report at each Annual General Meeting.

The Company's Non-executive Directors' Remuneration Policy is available on the Company's website. The Company's Non-executive Directors receive fees as remuneration for acting as a Director of the Company and if applicable, a standard fee when acting as chair of a standing Committees or the Board. Non-executive Directors are not entitled to participate in equity incentive schemes of the Company and are not entitled to receive performance based bonuses. The Company has not established any schemes for the provision of retirement benefits, other than statutory superannuation, for Non-executive Directors.

In 2018 the Board adopted a policy for Non-executive Directors to hold certain minimum shareholding in the Company during the time they serve as Directors. These minimal shareholdings are equivalent to 25% of the Director's remuneration within one year, increasing each year up to 100% within four years. Details of this policy are set out in the Company's Non-executive Directors Share Ownership Policy available on the Company's website.

The Company's Senior Executives Remuneration Policy is available on the Company's website. The Company's senior Executives are remunerated in accordance with the principles described in that policy, which provides that senior executive remuneration is to consist of elements of fixed salary, short-term incentives based on performance, participation in long-term incentive equity schemes and other benefits including superannuation. It is the Company's policy to prohibit employees from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme.

Further details on the Company's remuneration policies, including how the structure of the remuneration of Non-executive Directors is distinguished from that of Executive Directors and Senior Executives, are set out in the Remuneration Report in the 2019 Annual Report (as part of the Directors' Report).

Recommendation 8.3: *A listed entity which has an equity-based remuneration scheme should:*

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*
- (b) disclose that policy or a summary of it.*

Consistent with section 206J of the Corporations Act, it is the Company's policy to prohibit senior management from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes. This is also dealt with in the Trading in Shares Policy.

Principle 9: Additional recommendations that apply only in certain cases

The following additional recommendations apply to the entities described within them.

Recommendation 9.1: *A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.*

All Directors of the Company speak English, which is the language that all board and security holder meetings are held and all key corporate documents are written.

Recommendation 9.2: *A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.*

The Company is established in Australia and all meetings of security holders are held at a reasonable place and time.

Recommendation 9.3: *A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.*

The Company is established in Australia and the Company arranges for the Company's external auditor to attend the Company's AGM and be available to answer shareholder questions as described above in recommendation 6.3.