

Board Functions

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The responsibility for the operation and administration of the Company is delegated, by the Board, to the Managing Director and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director and the executive management team.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end the Board has established the following committees:

- Audit
- Nomination
- Remuneration

The roles and responsibilities of these committees are discussed throughout this Corporate Governance Statement.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risk identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- ongoing development of the strategic plan and approving initiatives and strategies designed to ensure continued growth and success of the entity; and
- implementation of budgets by management and monitoring progress against budgets – via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

- approval of the annual and half-yearly financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- reporting to shareholders.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report on page 43. The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required. Directors of Monadelphous are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, 'materiality' is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the Company's loyalty.

In accordance with the definition of independence, and the materiality thresholds set, Mr P. J. Dempsey and Mr C. P. Michelmore are considered to be independent directors.

The Board believes that while the Chairman is not independent, the current composition of the Board with its combined skills and capability, best serve the interests of the shareholders.

The role of Chairman and Chief Executive Officer are not exercised by the same individual.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each director in office at the date of this report is as follows:

C. G. B. Rubino	22 years	Executive Director
R. Velletri	21 years	Executive Director
I. Tollman	21 years	Non-Executive Director
P. J. Dempsey	10 years	Lead Independent Non-Executive Director
C. P. Michelmore	6 years	Independent Non-Executive Director

Trading Policy

Under the Company's Share Trading Policy, Key Management Personnel and other employees may only trade in securities of the Company during specific periods, and then only if they do not possess any unpublished, price-sensitive information in relation to those securities.

The trading periods in which buying and selling of the Company's securities, either directly or indirectly, by a Key Management Personnel or other employee is allowed, spans the periods between 24 hours and 30 working days after each of the following events:

- release of the annual and half-yearly results to the ASX;
- the close of the Annual General Meeting; or
- any other time as the Board of Directors of Monadelphous permits.

All other periods are "closed periods" during which Key Management Personnel and other employees are prohibited from dealing in Monadelphous securities. From time to time, the Board of Directors of Monadelphous may also declare that Key Management Personnel and other employees are prohibited from dealing in Monadelphous securities during trading periods even though those trading periods are not closed periods.

Before commencing to trade, a Key Management Personnel or other employee must first notify the Company Secretary of their intention to do so. The notification must state that the proposed purchase or sale is not as a result of access to, or being in possession of, price sensitive information that is not currently in the public domain.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by the Directors in the securities of the Company.

For a copy of the Share Trading Policy, please refer to our website.

Nomination Committee

The Board has a nomination committee which operates under a charter and meets at least annually. The nomination committee is responsible for ensuring that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director. The nomination committee comprises of two independent non-executive directors and one executive director. Members of the nomination committee throughout the year were:

- C. G. B. Rubino (Chairman)
- C. P. Michelmore
- P. J. Dempsey

For details of directors' attendance at meetings of the nomination committee, refer to page 53 of the Directors' Report.

Audit Committee

The Board has an audit committee which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the audit committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee are non-executive directors. The members of the audit committee during the year were:

- P. J. Dempsey (Chairman)
- I. Tollman
- C. P. Michelmore

Qualifications of audit committee members

P. J. Dempsey has over 41 years experience in the management of risks associated with the industry in which Monadelphous operates.

I. Tollman has significant experience in the management of Monadelphous having served as the finance director of Monadelphous for 11 years and as a non-executive director for 10 years.

C. P. Michelmore has over 41 years experience in the management of risks associated with the construction industry.

For details on the number of meetings of the audit committee held during the year and the attendees at those meetings, refer to page 53 of the Directors' Report.

Risk

In conducting its business, the Group takes commercial and business risks to achieve its objectives. The Group's exposure to risks covers areas such as tendering, execution and delivery, safety, reputation, contracts, human resources, liquidity and finance.

The Board is responsible for setting the strategic direction of the Group and for creating and maintaining the environment and structures within which risk management practices can operate effectively.

The audit committee assists the Board and is responsible for the assessment of the effectiveness of risk management procedures, internal controls, policies and procedures in identifying business and financial risks and controlling their financial impact by considering any significant matters identified by management.

The Managing Director and Chief Financial Officer have ultimate accountability to the Board for the risk management and internal control system. The Group Risk and Business Process Management function is responsible for the risk management framework. Group Assurance is responsible for providing an appraisal of the adequacy of and compliance with, the risk management and internal control system.

The Board regularly receives updates from management as to the effectiveness of the Company's management of its material business risks.

For further information on the Company's risk management plan, refer to our website.

Managing Director and CFO Certification

In accordance with section 295A of the *Corporations Act 2001*, the Managing Director and Chief Financial Officer have provided a written statement to the Board that:

- their views provided on the consolidated entity's financial reports are founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- that the consolidated entity's risk management and internal compliance and control systems are operating effectively in all material respects.

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the nomination committee conducted performance evaluations which involved an assessment of the Board's and Senior Executives' performance against qualitative and quantitative performance criteria. The performance criteria against which the Board and executives are assessed are aligned with the financial and non-financial objectives of Monadelphous.

Remuneration Committee

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the remuneration committee links the nature and amount of executive directors' and officers' remuneration to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives
- attraction of quality management to the Company
- performance incentives which allow executives to share in the rewards of the success of Monadelphous.

For full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period, please refer to the Remuneration Report, which is contained within the Directors' Report.

In relation to the issuing of options, discretion is exercised by the Board, having regard to the overall performance of Monadelphous and the performance of the individual during the period. The Monadelphous Group Limited Employee Option Plan rules have been approved by shareholders.

There is no scheme to provide retirement benefits, other than statutory superannuation, to directors. There is no scheme to provide retirement benefits to non-executive directors.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the executive team. The Board has established a remuneration committee, comprising three non-executive directors. Members of the remuneration committee throughout the year were:

- C. P. Michelmore (Chairman)
- I. Tollman
- P.J. Dempsey

For details on the number of meetings of the remuneration committee held during the year and the attendees at those meetings, refer to page 53 of the Directors' Report.

Diversity

At Monadelphous, we recognise that the source of our competitive advantage is our people, and our success is a reflection of their quality and skills. We focus on attracting, developing and retaining the right people who are highly competent, live our values and actively contribute to the long term success of our business. Our workforce consists of people with diverse cultures, backgrounds and skills, and this diversity enriches our breadth of knowledge, capability and experience.

On 30 June 2010, The Australian Securities Exchange Corporate Governance Council introduced a number of new recommendations in respect of diversity reporting. The changes applied to listed entities for the financial year commencing on or after 1 January 2011.

Monadelphous is committed to diversity, and we manage and recruit based on competence and performance. We believe in the principle of equal opportunity in employment for all people, regardless of any personal attributes such as gender, sexual preference, marital status, pregnancy, family responsibilities, race, political or religious belief, disability and age.

This commitment to diversity is evidenced through, among other things:

- Promoting the awareness of, and commitment to, workplace diversity principles
- Recruitment strategies that ensure we attract employees from a diverse pool of qualified candidates
- Actions and policies which ensure all employees are valued, encouraged and provided with opportunities to develop to their full potential
- Integration of workplace diversity principles into business and human resources processes and systems
- Establishing and assessing measurable objectives for achieving greater diversity

Monadelphous has established the following measurable objectives across the organisation to enhance gender diversity:

Action	Progress
Ensuring all female employees in senior management positions receive formal performance feedback with identified development opportunities, and are encouraged to enter into formal career mentoring relationships.	Formal performance feedback for employees is communicated at least once annually.
An annual executive review of development plans for female senior executives is performed by the General Manager Human Resources to ensure their appropriateness in developing and retaining Monadelphous' key female talent.	The General Manager Human Resources completes the review at least once annually.
The provision of suitable working arrangements for employees returning from maternity leave and the ongoing engagement with these employees during this period.	In place and subject to periodic review.
Continued promotion of career opportunities in the resources sector including presentations at career exhibitions, universities, professional institutions and other suitable forums to amongst other things, engage females to consider engineering as a career choice.	During the year Monadelphous attended a number of universities, national career expos and employment events to continue promoting career opportunities in the resources sector. Efforts to engage female graduates in the Engineering discipline were enhanced by the sponsorship and provision of on-campus presentations to Women in Engineering Curtin Division (WICED) at Curtin University, coupled with the on-going involvement in the Monadelphous Integrated Learning Centre at UWA.
A review of the number of candidates from diverse backgrounds identified as key talent for the purposes of succession planning.	Annual review completed.
An annual pay audit across all key roles within the business to ensure gender parity in our pay levels.	A thorough pay audit was conducted during the year to ensure gender parity in the Company's pay levels.
The establishment of confidential reporting avenues to allow employees to report matters of discrimination.	In place.
Prominent communication of our Equal Employment Opportunity policy across the organisation.	In place.

These objectives, and the progress towards them, will be assessed on an annual basis.

At 30 June 2013, 12% of our workforce was female. This reflects the reality of the industry within which we operate and the generally low participation rates of women in the engineering and manual trades workforce across Australia. The available pool of female candidates for engineering and manual roles is limited and consequently constrains the ability of the Company to increase female participation through internal promotion and external recruitment both across the workforce and at the senior executive level. Across the Group's service and support functions the female participation rate increases to 51%.

At the senior level, currently 22% of our senior executives, being those who report to the Managing Director, and their direct reports, are female.

Diversity (continued)

We currently have five directors on the Board of Monadelphous all of whom are male. The Board regularly reviews its composition and structure to ensure its membership is the most suitable to achieve long-term sustainable shareholder wealth. The nomination committee of the Board reviews its membership and recommends the appointment of new directors based on competency, experience and knowledge whilst being cognisant of the benefit of diversity to the Board's make-up.

Furthermore, we recognise the special place of Indigenous people, the traditional custodians of the land, and the role that they play in the success of our business, and we acknowledge the special hardship and disadvantage which they have historically experienced.

Our Reconciliation Action Plan is a commitment by Monadelphous to make Indigenous people feel welcomed, respected and valued as employees, business partners and members of the community, especially those communities in which we operate.

We are committed to offering meaningful and sustainable employment for Indigenous people, increasing the number of Indigenous people we employ and giving them genuine support to build their careers with us. Our executive team, and a number of our key site based leaders attended cultural awareness training throughout the year to facilitate improved cultural understanding. The objective of these training sessions is to enhance the experience of our Indigenous site based employees.

For further details of the Diversity Policy and Code of Conduct covering Equality of Employment (including gender) and Harassment please refer to our website.

Your directors submit their report for the year ended 30 June 2013.

DIRECTORS

The names and details of the directors of the Company in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Calogero Giovanni Battista Rubino	<p><i>Chairman</i> Appointed 18 January 1991 Resigned as Managing Director on 30 May 2003 and continued as Chairman 47 years experience in the construction and engineering services industry</p>
Robert Velletri	<p><i>Managing Director</i> Appointed 26 August 1992 Mechanical Engineer, Corporate Member of the Institution of Engineers Australia Appointed as Managing Director on 30 May 2003 34 years experience in the construction and engineering services industry</p>
Irwin Tollman	<p><i>Non-Executive Director</i> Appointed 26 August 1992 Chartered Accountant, Member Institute of Chartered Accountants in Australia 21 years experience in the construction and engineering services industry Retired as Executive Director on 25 July 2003 and continued as a Non-Executive Director</p>
Peter John Dempsey	<p><i>Lead Independent Non-Executive Director</i> Appointed 30 May 2003 Civil Engineer, Fellow of the Institution of Engineers Australia 41 years experience in the construction and engineering services industry Also a non-executive director of the following other publicly listed entities: Service Stream Limited (ASX: SSM) – appointed 1 November 2010; and Becton Property Group Limited (ASX: BEC) – appointed 25 July 2008, resigned 26 February 2013</p>
Christopher Percival Michelmore	<p><i>Independent Non-Executive Director</i> Appointed 1 October 2007 Civil Engineer, Fellow of the Institution of Engineers Australia Member Institution of Structural Engineers, UK 41 years experience in the construction and engineering services industry</p>
COMPANY SECRETARIES	
Zoran Bebic	<p><i>Company Secretary and Chief Financial Officer</i> Appointed 24 August 2009 Certified Practising Accountant, Member of CPA Australia 20 years experience in the construction and engineering services industry</p>
Philip Trueman	<p><i>Company Secretary and General Manager, Human Resources</i> Appointed 21 December 2007 Chartered Accountant, Member Institute of Chartered Accountants in Australia and the South African Institute of Chartered Accountants 13 years experience in the construction and engineering services industry</p>