

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Monadelphous Group Limited (Monadelphous) is responsible for establishing the corporate governance framework of the consolidated entity having regard to the ASX Corporate Governance Council published guidelines as well as its corporate governance principles and relevant recommendations. The Board guides and monitors the business and affairs of Monadelphous on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Group's compliance with the Corporate Governance Council's Recommendations.

Recommendation	Comply Yes / No	Reference / Explanation
Principle 1 – Lay solid foundations for management and oversight		
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	Page 38
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 41
1.3 Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	
Principle 2 – Structure the Board to add value		
2.1 A majority of the Board should be independent directors.	Yes*	Page 38
2.2 The chair should be an independent director.	No	Page 38
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	Page 38
2.4 The Board should establish a nomination committee.	Yes	Page 39
2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes	Page 41
2.6 Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	
Principle 3 – Promote ethical and responsible decision-making		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> – the practices necessary to maintain confidence in the Company's integrity; – the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; – the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Yes	Website
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	Yes	Page 41
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Yes	Page 42
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes	Page 42
3.5 Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	
Principle 4 – Safeguard integrity in financial reporting		
4.1 The Board should establish an audit committee.	Yes	Page 39
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> – consists only of non-executive directors; – consists of a majority of independent directors; – is chaired by an independent chair, who is not chair of the Board; – has at least three members. 	Yes^	Page 39
4.3 The audit committee should have a formal charter.	Yes	Website
4.4 Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes	

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Recommendation	Comply Yes / No	Reference / Explanation
Principle 5 – Make timely and balanced disclosure		
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Website
5.2 Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	
Principle 6 – Respect the rights of shareholders		
6.1 Companies should design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website
6.2 Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	
Principle 7 – Recognise and manage risk		
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 40
7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes	Page 40
7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the <i>Corporations Act 2001</i> is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 40
7.4 Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	
Principle 8 – Remunerate fairly and responsibly		
8.1 The Board should establish a remuneration committee.	Yes	Page 41
8.2 The remuneration committee should be structured so that it: <ul style="list-style-type: none"> – consists of a majority of independent directors; – is chaired by an independent chair; – has at least three members. 	Yes [^]	Page 41
8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Page 41
8.4 Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	

*Note: The Company complied with the recommendation for part of the year commencing upon the appointment of Mr D. R. Voss to the Board.

[^]Note: The Company did not comply with the recommendation for a period of the year between the resignation of Mr I. Tollman and the appointment of Mr D. R. Voss.

Monadelphous Group Limited's corporate governance practices were in place throughout the year ended 30 June 2014, unless otherwise stated. Monadelphous Group Limited complies in all material respects with the Council's best practice recommendations.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Monadelphous Group Limited refer to our website:

www.monadelphous.com.au

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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 47. 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, Mr C. P. Michelmore and Mr D. R. Voss (appointed 10 March 2014) are all considered to be independent directors, representing the majority of the Board. Mr I. Tollman (resigned 31 January 2014) was not considered to be an independent director due to his previous employment in an executive capacity prior to becoming a Non-Executive Director.

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

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.

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Structure of the Board (continued)

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

C. G. B. Rubino	23 years	Executive Director
R. Velletri	22 years	Executive Director
P. J. Dempsey	11 years	Lead Independent Non-Executive Director
C. P. Michelmore	7 years	Independent Non-Executive Director
D. R. Voss	5 months	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, except with the explicit approval of the Chairman. 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 is comprised of two independent non-executive directors and the Chairman of the Board. Members of the Nomination Committee throughout the year were:

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

During the year, the Nomination Committee undertook a comprehensive process to identify a new director to replace Mr I. Tollman upon his resignation from the Board. The process included a review of the current mix of qualifications, competencies and experience of the Board to identify the requirements of a new director, the shortlisting of potential candidates, interviews and background/reference checks.

For details of directors' attendance at meetings of the Nomination Committee, refer to page 60 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)
C. P. Michelmore
D. R. Voss (appointed 10 March 2014)
I. Tollman (resigned 31 January 2014)

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Audit Committee (continued)

The Company is included in the S&P All Ordinaries Index and is in the top 300 of that Index. Therefore, in accordance with ASX Listing Rule 12.7, the Company is required to comply with the principles and recommendations set by the ASX Corporate Governance Council regarding the composition, operation and responsibility of the Audit Committee. Recommendation 4.2 requires, amongst other things, an Audit Committee to have at least three members. Given that Mr I. Tollman was a member of the Audit Committee when he resigned (on 31 January 2014) the Audit Committee consisted of only two members pending the appointment of his replacement Mr D. R. Voss. Therefore the Company did not fully comply with this Recommendation (or, by extension, Listing Rule 12.7) during this interim period. The Company notified the ASX at the time and was given a period of three months (from 31 January 2014) to remedy this. During this period the Company completed a comprehensive selection process for a suitable replacement. Mr D. R. Voss was appointed as a director, and a member of the Audit Committee, on 10 March 2014.

Qualifications of Audit Committee members

Mr P. J. Dempsey, Chair of the Audit Committee, is a Civil Engineer with 42 years experience in the construction and engineering services industry. He has a Graduate Diploma in Business Administration and is also a member of the Audit Committee at ASX listed entity, Service Stream Limited. His extensive experience in construction has exposed him to the risks and accounting matters relevant to the sector and allows him to effectively assess financial reporting issues requiring critical judgement. Mr P. J. Dempsey has served on the Monadelphous Audit Committee since 2003.

Mr C. P. Michelmore is a Civil and Structural Engineer, having worked in the construction and engineering services industry throughout Australia, South East Asia and the Middle East for 42 years. He has extensive industry and project management experience, including identifying and managing financial and operational risks. Mr C. P. Michelmore has experience in financial management and the review of financial statements gained through his Executive Director roles at Connell Wagner, where he also served on the Finance Committee. Mr C. P. Michelmore is also non-executive director at an unlisted entity, where he provides financial oversight as part of his responsibilities. Mr C. P. Michelmore has served on the Monadelphous Audit Committee since 2008.

Mr D. R. Voss was appointed as a non-executive director on 10 March 2014. He is a Chemical Engineer and has 40 years experience in the oil and gas, and mining and minerals industries, throughout Australia, the US, Europe, the Middle East and Africa. He has worked at a number of global mining and engineering businesses, including BHP Billiton, Hatch and Bechtel. Mr D. R. Voss has an MBA, majoring in Finance and Quantitative Methods, a law degree, and has a range of operational, accounting and finance experience gained during his time in project management and from serving on, and chairing, a number of boards and committees throughout his career. His responsibilities included the oversight, governance and financial management of projects and operations.

Mr I. Tollman is a Chartered Accountant and a Member of the Institute of Chartered Accountants in Australia. He 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 and a half years. Mr I. Tollman resigned as a non-executive director on 31 January 2014.

For details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to page 60 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.

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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 disclosure 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)

P. J. Dempsey

D. R. Voss (appointed 10 March 2014)

I. Tollman (resigned 31 January 2014)

Recommendation 8.2 of the principles and recommendations set by the Corporate Governance Council recommends that, amongst other things, a Remuneration Committee have at least three members. Given that Mr I. Tollman was a member of the Remuneration Committee when he resigned (on 31 January 2014) the Remuneration Committee consisted of only two members pending the appointment of his replacement Mr D. R. Voss. Therefore the Company did not fully comply with this Recommendation during the interim period. The Company notified the ASX at the time and was given a period of three months (from 31 January 2014) to remedy this. During this period the Company completed a comprehensive selection process for a suitable replacement and Mr D. R. Voss was appointed as a director, and a member of the Remuneration Committee, on 10 March 2014.

For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to page 60 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.

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

CORPORATE GOVERNANCE STATEMENT

Diversity (continued)

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.
The provision of a paid parental leave scheme associated with the birth of an employee's child or the placement of a child with an employee for adoption.	In place.
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 provision of on-campus presentations by Monadelphous female engineers, 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 2014, 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 45%.

At the senior level, currently 24% of our senior executives, being those who report to the Managing Director, and their direct reports, are female, an increase on the previous corresponding period.

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. This Plan was reviewed, and updated for the next three years, in early July 2014.

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. 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.

During the period, Monadelphous undertook a detailed review of the Code of Conduct to ensure that it continues to reflect the Company's behavioural expectations in an ever changing business environment.

For further details of the updated version of the Code of Conduct, and the Diversity Policy please refer to our website.