

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

Watpac Limited

ABN / ARBN:

010 562 562

Financial year ended:

30 June 2015

Our corporate governance statement² for the above period above can be found at:³

☐ These pages of our annual report:

☒ This URL on our website:

<http://www.watpac.com.au/investor-centre/corporate-governance>

The Corporate Governance Statement is accurate and up to date as at 23 October 2015 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 23 October 2015



Mark Baker
Company Secretary

¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (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 fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i> ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> in our Board Charter at http://www.watpac.com.au/investor-centre/corporate-governance	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate 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 fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
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.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

⁴ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) 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.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at 1.5 Corporate Governance Statement</p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at http://www.watpac.com.au/investor-centre/corporate-governance</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input checked="" type="checkbox"/> in our 2015 Annual Report – Directors' Report http://www.watpac.com.au/investor-centre/publications</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ 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:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>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.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
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 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.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i> ... and, where applicable, the information referred to in paragraph (b): <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i> ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
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.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input checked="" type="checkbox"/> at http://www.watpac.com.au/investor-centre/corporate-governance	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at http://www.watpac.com.au/investor-centre/corporate-governance</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> in our 2015 Annual Report – Directors' Report</p> <p>http://www.watpac.com.au/investor-centre/publications</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive 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 operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
4.3	A 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 fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input checked="" type="checkbox"/> at http://www.watpac.com.au/investor-centre/corporate-governance	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: <input checked="" type="checkbox"/> at http://www.watpac.com.au/investor-centre	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at http://www.watpac.com.au/investor-centre/corporate-governance</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input checked="" type="checkbox"/> in our 2015 Annual Report – Directors' Report</p> <p>http://www.watpac.com.au/investor-centre/publications</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(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 risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.4	<p>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.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input checked="" type="checkbox"/> in our 2015 Annual Report – Directors' Report</p> <p>http://www.watpac.com.au/investor-centre/publications</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at http://www.watpac.com.au/investor-centre/corporate-governance</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input checked="" type="checkbox"/> in our 2015 Annual Report – Directors' Report</p> <p>http://www.watpac.com.au/investor-centre/publications</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
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.	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input checked="" type="checkbox"/> in our 2015 Annual Report – Remuneration Report</p> <p>http://www.watpac.com.au/investor-centre/publications</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(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</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input checked="" type="checkbox"/> Securities Trading Policy at http://www.watpac.com.au/investor-centre/corporate-governance</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>



Watpac Limited

2015 Corporate Governance Statement

DATE: 12 OCTOBER 2015

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Executive Summary

The Board of Directors (**Board**) of Watpac Limited (**Watpac** or **Group**) is pleased to present Watpac's 2015 Corporate Governance Statement (**Statement**). The Statement has been dated 12 October 2015 by order of the Board.

Watpac's corporate governance principles have been framed with reference to the Australian Securities Exchange (**ASX**) Corporate Governance Council's (**Council**) principles and recommendations (3rd edition) (**Principles**). The Principles set out the recommended corporate governance practices for entities listed on the ASX that, in the Council's view, are likely to achieve good governance outcomes and meet the reasonable expectations of most investors in most situations.

Watpac has in place structures, policies, and procedures that have been developed by the Board progressively to ensure that operations are founded on the same core principles advocated by the Council. The Group's culture supports the effectiveness and appropriateness of rules, relationships, systems and processes by which authority is exercised and controlled by the Board and Watpac's senior executives (**Senior Executives** or **Management**).

As has been recognised by the Council, the Board's determination on what are appropriate governance practices for Watpac is based on a range of factors, including the Group's size, complexity, history and corporate culture.

The Board seeks to adopt all of the Council's recommendations, where possible and appropriate, and believes that the adoption of robust corporate governance principles is for the benefit of all of Watpac's shareholders (**Shareholders**).

Included below is a summary of the Principles, together with an assessment of Watpac's corporate governance policies and procedures against the Council's framework.

The Statement discloses the extent to which Watpac has followed the recommendations set by the Council during the 30 June 2015 financial year. If the Group has not followed a recommendation for any part of this financial year, this has been separately identified, together with:

- the period during which it was not followed;
- the reasons for the Group not following the recommendation; and
- what (if any) alternative governance practices have been adopted in lieu of the recommendation during the period of non-compliance.

1. Lay solid foundations for management and oversight

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

1.1. Recommendation 1.1 – The roles of the board and management

A listed entity should disclose:

- 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.

Watpac has rules in place governing the respective roles and responsibilities of the Board and Management.

The Board is responsible to Shareholders for the Group's corporate governance practices, and is responsible for the direction and oversight of the Company's businesses on behalf of Shareholders.

The operation of the Board is governed by a Board Charter, which sets out the role and responsibilities of the Board and those delegated to Management. A copy of the Board Charter is available at <http://www.watpac.com.au/investor-centre/corporate-governance>.

The general responsibilities of the Board are listed below:

- the protection and enhancement of Shareholder value;
- the review and approval of the objectives and strategic direction of Watpac, developed with the Managing Director and the Group Senior Executive Team;
- establishing specialised committees where appropriate to assist in carrying out its responsibilities;
- safeguarding the integrity in financial reporting and monitoring the financial performance of Watpac by reviewing and approving budgets and monitoring results;
- the approval of Directors' Reports, Financial Statements and the Statement;
- approving all significant business transactions including acquisitions, divestments and capital expenditure;
- with the guidance of the Audit and Risk Committee, monitoring the adequacy of internal control systems and procedures and that compliance with these systems and procedures is maintained, and reviewing the Watpac's risk management framework at least annually to satisfy itself that this continues to be sound;
- the review of performance and remuneration of Directors and staff, with the guidance of the Remuneration Committee;
- safeguarding the effectiveness of the corporate governance structure and practice in place;
- monitoring Board composition and performance with the guidance of the Nomination Committee;
- monitoring the adherence to Watpac Policies by the Managing Director, Group Senior Executive Team and all employees of Watpac;
- where required by any Watpac Policy, reviewing and approving any change to those Watpac Policies;
- providing oversight that other appropriate policies, practices and procedures are in place to monitor compliance with applicable laws;
- maintaining professional and ethical conduct at all times by establishing a code of conduct for Directors;
- promoting ethical and responsible decision making of the Managing Director, the Group Senior Executive Team and all other employees of Watpac;

- monitoring adherence to the Group's Continuous Disclosure Policy to safeguard timely and balanced disclosure;
- reviewing and monitoring communication to shareholders in relation to the Group's performance and major developments; and
- performing other functions as are prescribed by the Watpac Constitution (**Constitution**), the *Corporations Act (2001)* (**Corporations Act**) and other applicable laws and regulations.

The Board delegates responsibility for the day-to-day operations and administration of Watpac to the Managing Director. This delegated responsibility is documented in various Group policy documents and the Watpac Schedule of Delegated Authority, and includes (but is not limited to):

- developing and recommending to the Board strategies, business plans and policies for Watpac and its subsidiary companies;
- the ongoing management of Watpac in accordance with Board approved strategies and policies;
- negotiating terms and conditions of Senior Executive appointments for Board approval;
- ensuring a safe workplace;
- ensuring the Board is given sufficient information to enable it to perform its functions, set strategies and monitor performance;
- monitoring the financial performance and financial position of Watpac;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- ensuring the integrity in financial reporting;
- ensuring the Watpac Policies are adhered to by the Group Senior Executive Team and all employees of Watpac;
- ensuring that other appropriate policies, practices and procedures are in place to ensure compliance with applicable laws;
- promoting ethical and responsible decision making of the Group Senior Executive Team and all other employees of Watpac;
- presenting regular reports to the Watpac Board detailing operational reviews, management accounts, financial statements (audited and unaudited) status reports, marketing and public relations and general finance; and
- acting within authority delegated by the Board.

1.2. Recommendation 1.2 – Checks conducted and information provided on new directors

A listed entity should:

- a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate 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.

Watpac has in place requirements for appropriate checks to be undertaken as deemed appropriate before appointing a person as a Director. These include:

- background reference checks;
- police checks; and/or
- receipt of an appropriately witnessed statutory declaration from the proposed Director confirming that they:
 - (i) have not been the subject of any criminal or civil penalty proceedings or other enforcement action by any government agency in which they were found to have

- engaged in behaviour involving fraud, dishonesty, misrepresentation, concealment of material facts or breach of duty;
- (ii) have not been refused membership of, or had a membership suspended or cancelled by any professional body on the ground that they were engaged in behaviour involving fraud, dishonesty, misrepresentation, concealment of material facts or breach of duty;
 - (iii) have not been the subject of any disciplinary action (including any censure, monetary penalty or banning order) by a securities exchange or other authority responsible for regulating securities markets for failure to comply with his/her obligations as a director of a listed entity;
 - (iv) have not been a Director of a listed entity (or, in the case of a listed trust, in respect of which he/she was a director of the responsible entity) at the time conduct has been the subject of any disciplinary action (including any censure, monetary penalty, suspension of trading or termination of listing) by a securities exchange or other authority responsible for regulating securities markets; and
 - (v) are not aware of any pending or threatened investigation or enquiry by a government agency, professional body, securities exchange or other authority responsible for regulating securities markets that could lead to proceedings or action of the type described in (i), (ii), (iii) or (iv) above.

These checks are therefore conducted before any Director is put forward to Shareholders as a candidate for election, as a Director.

Furthermore Shareholders are provided, in a Notice of Meeting, all material information the Board believes is relevant to a decision on whether or not Shareholders elect or re-elect a Director.

1.3. Recommendation 1.3 – Written agreements with directors

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

Non-executive Directors

Commencing with all appointments to the Board from 1 July 2014, being the effective date of the Principles, new Directors are required to enter into a written agreement pertaining to their role as a Director of Watpac.

Non-executive Directors' letters of appointment include confirmation that:

- The appointment is and will be governed by the Constitution, the Corporations Act, the *Corporations Regulations 2001* (Cth) and the ASX Listing Rules (**Listing Rules**).
- The Constitution requires that the appointment be confirmed by Watpac's shareholders at the next annual general meeting.
- Thereafter Non-executive Directors must retire from office as a Director and may submit themselves for re-election from time to time, as required by the Constitution and the ASX Listing Rules.
- The appointment may be terminated in accordance with the Corporations Act and the Constitution.
- During the period of appointment, Directors must carry out their duties as a Director in accordance with their fiduciary and common law duties, the duties and powers of directors set out in the Corporations Act, the Listing Rules, other relevant pieces of legislation, and the Constitution.
- Directors are required to comply with all of the Board and Board Committee charters, policies, codes and procedures in force, as well as such other requirements or policies as the Board may specify from time to time.

- It is expected that a Director of Watpac will commit a significant number of hours each month to the Group and that all Directors will devote sufficient time to adequately discharging duties as Directors and to be fully prepared for all meetings.
- Directors will receive Directors' fees commencing from their date of appointment as a Director, and that this amount may be reviewed from time to time, and are subject to the requirements of the Constitution.
- Directors must not place themselves in a position where duties to Watpac conflict with their own personal interests or duties to another organisation.
- Watpac will enter into a Deed of Indemnity, Access and Insurance with each Director, which sets out the rights and obligations of Watpac and Directors in relation to indemnification, maintenance of insurance and access to Board documents.
- Any confidential information which is acquired by a Director during their tenure as a Director of Watpac must be kept confidential and not used for any purpose other than the performance of their duties as a Director. This is in addition to Directors' obligations under the Corporations Act, the Constitution and the general law.

Executive Directors and Senior Management

The Managing Director and all other employees (including Senior Executives) have written letters of appointment. These employment agreements include details such as:

- terms of employment such as commencement date, term, location, hours of work and remuneration;
- performance review process;
- leave entitlements;
- a summary of key Group policies and the requirement for employees to comply with all other policies and procedure documents;
- termination provisions; and
- confidentiality, intellectual property rights and post-employment restrictions.

In addition, each employee of the Group is provided with a position description which details:

- key information relevant to the position;
- key responsibilities;
- delegated authority; and
- required skills and experience.

The Group's employment contracts are reviewed regularly and updated as and when required for all new employees, or where existing employees have a change in role or responsibility that warrants a new employment contract.

Further details on the Group's employment arrangements with Non-executive Directors, Executive Directors and Senior Management can be found in the 2015 Watpac Remuneration Report, which forms part of the Watpac 30 June 2015 Financial Report which is available at <http://www.watpac.com.au/investor-centre/publications>.

1.4. Recommendation 1.4 – Reporting line of company secretary

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.

The role of Watpac's Company Secretary is to:

- ensure that Watpac conforms to its obligations under the Listing Rules and requirements of the Australian Securities and Investments Commission (**ASIC**) and that all other Group companies comply with the requirements of ASIC;
- attend to the execution of corporate documents as required/authorised;
- supervise all share register related activities emerging from secretarial duties;
- as directed by the Chair, make arrangements for and give notice of all Board and Shareholder meetings;
- direct the preparation of all minutes, agendas, notices, and other correspondence related to meetings of the Board and Board Committees as required;
- direct preparation of the Group's annual report;
- manage all aspects of Shareholder relations; and
- perform special assignments as requested by the Board.

Watpac's Company Secretary reports directly to the Board, through the Chair.

1.5. Recommendation 1.5 – Diversity policy and achievement against objectives

A listed entity should:

- a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- b) disclose that policy or a summary of it; and
- c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
 - 1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
 - 2) 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.

Watpac is committed to providing an inclusive workplace and an organisational culture that embraces diversity and equality. Watpac has a Diversity Policy that applies to Directors, employees, consultants, sub-contractors and all other parties transacting with the Group.

Watpac's Diversity Policy provides a framework for the Group to achieve a diverse and skilled workforce, a workplace characterised by inclusive practices and behaviours, and a workplace environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

Watpac also has a specific Gender Equity Strategy, which strives to cultivate a workplace allowing each employee to achieve their very best potential.

The Group operates in business sectors that have traditionally had low representation of women. This means that the availability of employees and workers with industry experience can be a limiting factor in achieving gender diversity. To address this issue the Group has implemented a long-term strategy of developing the work environment and workplace culture to be more attractive to all existing and potential employees, including women, and to allow each employee to achieve his or her potential.

The Board believe that the implementation of policies and associated training in the area of diversity, equal employment opportunities, harassment and bullying and occupational health and safety form part of the Group's inherent corporate responsibility.

The Group's gender equity objectives are:

- to improve gender diversity in non-traditional industries and locations;
- safeguard equity in remuneration; and
- ensure diversity in the talent pipeline.

The specific business activities and objectives which form part of the Group's current Diversity Program are as follows:

Business Activity	Objectives
Recruitment and staffing	<ul style="list-style-type: none">• Improve gender diversity in non-traditional industries and locations.
Remuneration	<ul style="list-style-type: none">• Remuneration Equity
Career Development and Leadership Diversity	<ul style="list-style-type: none">• Increase the percentage of women in leadership roles• Diversity in talent pipeline

Demonstrating and championing appropriate actions and behaviours that support achievement of diversity and gender equity objectives remains a key non-financial individual performance measure in the Group's Short Term Incentive Plan, which operates for selected key Senior Executives of the Group.

The Group currently employs approximately 950 staff, of which approximately 14% are female. There is one female staff member on the Group Senior Executive Team (which currently comprises 11 personnel) and two of seven Non-executive Directors are female.

The gender diversity results achieved on the Watpac Board in the past 12 months are a positive demonstration of the Group's commitment to its measurable objectives in this area.

Consistent with the Group's overall position regarding the employment of females, new members of the Board and/or Group Senior Executive Team will continue to be selected solely with regard to the best possible candidates for the positions who demonstrate they have the appropriate skills required to fulfil their respective responsibilities.

1.6. Recommendation 1.6 – Evaluating the performance of the board

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, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board has in place a method by which the performance of the Board, its committees and individual Directors are periodically evaluated.

This responsibility has been delegated to the Group's Nomination Committee, with the Board having defined this committee's purpose to, amongst other duties, assist the Board in its oversight of the following key matters:

- the assessment of the performance of individual Directors and the endorsement of retiring Directors seeking election; and
- assisting the Board as required in relation to the performance evaluation of the Board, its committees and individual Directors, and in developing and implementing plans for identifying, assessing and enhancing Director competencies.

Substantial changes have occurred to the Watpac Board over the past 12 months including:

- the retirement / resignation of four Directors,
- the appointment of four new Directors; and
- the appointment of one new Alternate Director.

These Board changes were consistent with the previously stated rejuvenation strategy.

Given these changes, however, the Nomination Committee decided that it was not appropriate to complete a Board/individual Director performance review during the 30 June 2015 financial year.

With Board rejuvenation now substantially complete, it is the intention of the Nomination Committee that a performance evaluation be completed in the second half of the 30 June 2016 financial year.

1.7. Recommendation 1.7 – Evaluating the performance of senior executives

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Watpac has in place comprehensive processes for the evaluation of the Managing Director and Senior Executives. While performance is monitored continuously, Watpac also has a structured annual performance review process that provides for an assessment of employees’:

- performance against the Group’s core values of One Team, Commitment, Inspiration, Innovation and Candour;
- achievement of previously identified performance goals and personal development objectives;
- new performance goals and personal development objectives for the following 12 months;
- core competencies, and identification of strengths and weaknesses, focussing on improvement areas and how these can be achieved; and
- short and long term, and on the job and personal development plans.

In the 30 June 2015 financial year a performance appraisal was undertaken on the Managing Director and each Senior Executive of the Group.

The outcome of the performance assessments of the Managing Director and Senior Executives are a key non-financial performance measure used by the Chair (in the case of the Managing Director) and the Managing Director (in the case of Senior Executives) when assessing the awards due to these individuals under the Group’s Short Term Incentive Plans.

2. Structure the board to add value

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

2.1. Recommendation 2.1 – Nomination committee

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 Group has a Nomination Committee, the composition of which as at the date of this report is detailed below.

Director	Independence
Richard McGruther (Chair)	Independent
Brad Bowton	Independent
Carlo Schreurs	Not Independent

This Board committee therefore has at least three members, a majority of whom are independent Directors, and it is chaired by an independent Director.

The Board has defined the Nomination Committee's purpose as assisting the Board in its oversight of:

- the identification of suitable candidates for appointment to the Board, the Managing Director position, and members of the Group Senior Executive Team (as appropriate and following consultation with and recommendation by the Managing Director);
- the plan for succession of the Managing Director and periodic evaluation of it;
- the assessment of the performance of individual Directors and the endorsement of retiring Directors seeking re-election;
- assisting the Board to develop 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;
- undertaking appropriate checks before appointing a person, or putting forward to shareholders a candidate for election, as a Director;
- monitoring the length of service of current Board members, considering succession planning issues and identifying the likely order of retirement by rotation of non-executive Directors;

- assisting the Board as required in relation to the performance evaluation of the Board, its committees and individual Directors, and in developing and implementing plans for identifying, assessing and enhancing director competencies; and
- reviewing any Annual Report disclosures relevant to the functions of the Nomination Committee, including any statement detailing the Committee's activities and the process used for appointments.

The Nomination Committee's roles and responsibilities are governed by the Nomination Committee Charter. A copy of this charter is available at <http://www.watpac.com.au/investor-centre/corporate-governance>.

Further information on the relevant qualifications and experience of the members of the Group's Nomination Committee and the number of times the committee met during the 30 June 2015 financial year can be found in the Directors Report included in the Group's 30 June 2015 Annual Report, which is available at <http://www.watpac.com.au/investor-centre/publications>.

2.2. Recommendation 2.2 – Board skills

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 Board has developed and adopted a skills matrix. This skills matrix identifies:

- the current skills, knowledge, experience and capabilities of the Board, and
- any gaps in skills or competencies that can be addressed in future Director appointments.

This matrix, current as at the date of the Statement is as follows:

Watpac Limited
Board Skills Matrix
From 1 July 2014 to 12 October 2015

Desired Skills	Directors with specific and significant experience in this area	Targeted minimum number of Directors with such expertise	Target Met?
Significant executive experience	5	4	Yes
Significant non-executive experience	4	4	Yes
Industry and sector experience or knowledge			
Construction	4	4	Yes
Mining	3	2	Yes
Civil	4	2	Yes
Property	5	2	Yes
Leadership	5	4	Yes
Governance and compliance	6	5	Yes
Strategic thinking	8	8	Yes
Desired behavioural competencies	8	8	Yes
Geographic experience	5	2	Yes
Subject matter expertise			
Accounting	3	2	Yes
Capital management	5	2	Yes
Corporate finance	3	2	Yes
Taxation	3	2	Yes
Risk management	8	6	Yes
Legal	3	2	Yes
Information technology	3	2	Yes
Human resources	3	2	Yes
Workplace health and safety	6	4	Yes
Industrial relations	5	4	Yes
Environment and sustainability	5	4	Yes
Public policy or government relations	5	4	Yes
Community relations	6	4	Yes

This skills matrix is used aimed at clarifying board thinking on composition and is used by the Nomination Committee for Board assessment purposes. The disclosure of the skills matrix applicable to the Board is aimed at providing confidence to the Shareholders on the Board's decision-making credentials.

Following the appointment of several new Directors to the Board, details of which can be found in the Directors' Report included in the Group's 30 June 2014 and 30 June 2015 Annual Reports, which are available at <http://www.watpac.com.au/investor-centre/publications>, all skills targets have now been met. This is demonstrative of the substantial work that has been completed by the Nomination Committee and Board on execution of the Board rejuvenation strategy in recent years.

2.3. Recommendation 2.3 – Director independence and length of service

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 the Principles 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.

In making its assessment of independence, the following interests, positions, associations and relationships have been considered by the Board:

- **Executive Capacity** - is, or has the Director been, employed in an executive capacity by Watpac or any subsidiaries, and there has not been a period of at least three years between ceasing such employment and serving on the Board.
- **Professional Services Provider** - is, or has the Director within the last three years been, a partner, director or senior employee of a provider of material professional services to the entity or any of Watpac or any subsidiaries .
- **Business Relationship** - is, or has the Director been within the last three years, in a material business relationship (e.g. as a supplier or customer) with Watpac or any subsidiaries, or an officer of, or otherwise associated with, someone with such a relationship.
- **Substantial Holder** - is the Director a substantial security holder of the entity or an officer of, or otherwise associated with, a substantial security holder of the entity.
- **Contractual Relationship** - does the Director have a material contractual relationship with Watpac or any subsidiaries other than as a director.
- **Family Ties** - does the Director have close family ties with any person who falls within any of the categories described above.
- **Tenure** - has the Director been in office at Watpac for such a period that his or her independence may have been compromised.

These criteria are taken from the Principles and have been deemed appropriate by the Board.

Details on the composition of Watpac's Board and its assessment of the independence of each Director, which has been determined with reference to the specific criteria listed above, is detailed in the following table.

Watpac Limited
Board Independence Matrix
As at 12 October 2015

Name	Date of Appointment	Executive Capacity	Professional Services Provider	Assessed as Impact on Independent Judgement					Independent?
				Business Relationship	Substantial Holder	Contractual Relationship	Family Ties	Tenure	
Brad Bowton	28/08/13	×	×	×	×	×	×	×	Yes
Bronwyn Morris	3/02/15	×	×	×	×	×	×	×	Yes
Carlo Schreurs	10/10/14	×	×	×	✓	×	×	×	No
Garret Dixon	12/02/14	×	×	×	×	×	×	×	Yes
Johan Beerlandt / Geert Aelbrecht	27/05/13	×	×	×	✓	×	×	×	No
Linda Evans	25/08/15	×	×	×	×	×	×	×	Yes
Martin Monro	10/10/14	✓	×	×	×	×	×	×	No
Richard McGruther	17/12/93	×	×	×	×	×	×	×	Yes
Total independent									5
% of Board independent									63%
Target									50%
Target Met?									Yes

As a nominated Director of the Group's major shareholder BESIX Group, which currently holds approximately 24% of the shares on issue, and being the Chief Executive Officer of that organisation, Mr Johan Beerlandt has been assessed by Directors as being a non-independent Director. Similarly, Mr Carlo Schreurs, who is also a nominee of BESIX Group and its Chief Development Officer, has also been assessed by Directors as being a non-independent Director of Watpac.

While classified as non-independent, the Board does not believe that the actions of either Mr Beerlandt (or his alternate) or Mr Schreurs are in any way impaired, but rather that their decisions are always made in the best interests of Watpac's shareholders. Both Mr Beerlandt and Mr Schreurs bring substantial skills and experience to the Board, as is illustrated in the Board skills matrix included in section 2.2 of the Statement.

Mr Martin Monro, the Managing Director of the Group, has not been classified as an independent Director given his executive role within Watpac.

As is illustrated above, in the Board's view, the mere fact that a Director has served on the Board for a substantial period does not mean that he/she has become too close to management to not be considered independent.

The issue of length of service is relevant to the Board's assessment of the independence of Mr Richard McGruther, and prior to his retirement from office on 31 July 2015, Mr Robert Lette. Notwithstanding the length of their tenure on the Board is greater than 10 years, the other Directors do not consider that this has affected either Mr McGruther or Mr Lette's ability to exercise independent decision making in discharging their duties as Directors of Watpac. Rather the other Directors believe that this level of experience is a tremendous attribute, particularly for the Chair, given his role in what is now a relatively new group of Directors.

The Board concurs with the Council that the interests of a listed entity and its security holders are likely to be well served by having a mix of directors, some with a longer tenure with a deep understanding of the entity and its business and some with a shorter tenure with fresh ideas and perspective.

The overriding objective of the Board is to ensure it is comprised of members with the appropriate skills and attributes to maximise value for Shareholders.

2.4. Recommendation 2.4 – Composition of the board and independence

A majority of the board of a listed entity should be independent directors.

As is noted above, Watpac's Board currently complies with the requirement of the Principles to have a majority of independent Directors.

While this position is current as at the date of this Statement, the Board acknowledges that this Council recommendation was not complied with between 25 November 2014 and 31 December 2014. This situation arose as a consequence of the timing of certain Director retirements and new appointments, in line with the Board's rejuvenation strategy.

Details of the Group's compliance with the Council's recommendation to have a majority of independent Directors throughout the various periods of its differing composition over the 30 June 2015 financial year, and up to the date of this report, are as follows:

Watpac Limited Board Independence Assessment From 1 July 2014 to 12 October 2015

Key
Yes - Independent
No - Non-independent

	Period							
	01-Jul-14 to 28-Sep-14	29-Sep-14 to 09-Oct-14	10-Oct-14 to 24-Nov-14	25-Nov-14 to 31-Dec-14	01-Jan-15 to 02-Feb-15	02-Feb-15 to 31-Jul-15	31-Jul-15 to 24-Aug-15	25-Aug-15 to Present
Richard McGruther	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Johan Beerlandt / Geert Aelbrecht	No	No	No	No	No	No	No	No
Brad Bowton	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Garret Dixon	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Carlo Schreurs			No	No	No	No	No	No
Martin Monro			Yes	No	No	No	No	No
Bronwyn Morris						Yes	Yes	Yes
Linda Evans								Yes
Bob Lette	Yes	Yes	Yes	Yes	Yes	Yes		
David Little	No	No	No	No				
Kevin Mooney	Yes	Yes	Yes					
Chris Freeman	Yes							
Number of Directors in office	8	7	9	8	7	8	7	8
Total independent	6	5	6	4	4	5	4	5
% of Board independent	75%	71%	67%	50%	57%	63%	57%	63%
Target	50%	50%	50%	50%	50%	50%	50%	50%
Target Met?	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes

Whilst the Board acknowledges that the majority of the Board was not independent between 25 November 2014 and 31 December 2014:

- this was an unfortunate consequence of the timing of retirements/appointments of Directors;
- the issue was addressed with the appointment of Ms Bronwyn Morris on 2 February 2015; and
- throughout this period 50% of Directors were still independent.

2.5. Recommendation 2.5 – Independence of the chair from the CEO role

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 McGruther, the current Chair of the Board, has been determined to be independent by the other Directors.

Mr Martin Monro currently occupies the position of Managing Director/CEO, and is therefore independent of the role of Chair of the Board.

2.6. Recommendation 2.6 – New director induction

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The Group has an extensive program for inducting new Directors. This includes the provision of a substantial amount of information relevant to the operation of the Group and the Board, including:

- a Group structure chart;
- details of key personnel, including the contact details of other Board members and members of the Watpac Group Senior Executive Team;
- the Constitution;
- Group insurance details;
- the Directors' Code of Conduct;
- copies of the Board Charter and Board Committee Charters;
- the Group's Material Personal Interest Policy;
- the Securities Trading Policy;
- Directors' guide;
- historical reports on Watpac's financial and operational performance; and
- copies of previous Board meeting minutes and papers.

New Directors also visit at least one project site soon after their appointment, and receive a site-based induction, including a safety induction and complete a site safety walk.

The Nomination Committee is responsible for overseeing the induction process for any new Director of the Group.

The Nomination Committee is also delegated the responsibility to review and make recommendations to the Board in relation to Directors' training and development opportunities.

3. Act ethically and responsibly

A listed entity should act ethically and responsibly.

3.1. Recommendation 3.1 – Code of conduct

A listed entity should:

- a) have a code of conduct for its directors, senior executives and employees; and
- b) disclose that code or a summary of it.

Watpac has in place the following policies, which apply to all of the Group's Directors and employees:

- Code of Business Conduct and Ethics;
- Gifts and Hospitality Policy; and
- Fraud and Unethical Conduct Policy.

The Code of Business Conduct and Ethics provides employees with guidance on the way they are expected to work and their responsibilities and obligations with respect to acceptable and unacceptable behaviour and conduct in the workplace. This includes day-to-day operations as well as guidance for handling an ethical dilemma or conflict of interest in the workplace.

Watpac's Gifts and Hospitality Policy is a new policy implemented in March 2015, which details the circumstances in which employees can offer or receive a gift (including hospitality or attending events). The Gifts and Hospitality Policy introduced a new requirement that all gifts/hospitality valued at \$300 or more must be declared.

Watpac has no tolerance for fraudulent or unethical conduct. The Fraud and Unethical Conduct Policy, which was also implemented in March 2015, provides employees with examples of such behaviour and, importantly, encourages employees to report any behaviour or situation which breaches or potentially breaches the Code of Business Conduct and Ethics or the law.

Watpac also has a Whistleblower Service, which is accessible to all employees of the Group. This Whistleblower Service went live in March 2015 and encourages employees to report any behaviour or situation which is considered to be fraudulent or unethical conduct. This service also provides employees with a confidential means for employees to report or escalate potential concerns that relate to fraud or unethical conduct quickly and easily, and operates 24 hours a day, 7 days a week.

Watpac also has a specific Code of Conduct for Directors.

A copy of the Code of Conduct for Directors can be found on the Group's website at <http://www.watpac.com.au/investor-centre/corporate-governance>.

The Board encourages the highest standards of ethical conduct by all Directors and employees of the Group.

The Managing Director and other members of the Group Senior Executive Team investigate all unethical and irresponsible conduct by employees, with appropriate levels of disciplinary action applied where departures from the Group's principles are found.

More severe incidents are investigated under the direct instruction of the Group's Audit & Risk Committee and may involve the use of external consultants.

4. Safeguard integrity in corporate reporting

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

4.1. Recommendation 4.1 – Audit committee

The board of a listed entity should:

- a) have an audit committee which:
 - 1) has at 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 the 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.

Watpac has an Audit and Risk Committee, which operates in accordance with a formal Charter approved by the Board. A copy of this charter can be found at <http://www.watpac.com.au/investor-centre/corporate-governance>.

The primary purpose of the Audit and Risk Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities by reviewing and reporting to the Board on the following matters:

- the integrity of financial statements;
- internal control systems and risk management;
- the objectivity and effectiveness of internal auditors;
- the independence, objectivity and effectiveness of external auditors;
- the formal policy on the provision of non-audit services;
- Group insurances; and
- corporate governance controls generally.

Details of the current members of the Audit and Risk Committee are included below.

Director	Independence
Bronwyn Morris (Chair)	Independent
Brad Bowton	Independent
Linda Evans	Independent
Carlo Schreurs	Not Independent

This Board committee therefore has at least three members, a majority of whom are independent Directors and is chaired by an independent Director.

On 29 September 2014 Mr Richard McGruther was appointed as the Chair of the Board. At that time, Mr McGruther was also the Chair of the Audit and Risk Committee. The Group therefore did not strictly comply with the Principles from this time until the appointment of Ms Bronwyn Morris as Chair of the Audit and Risk Committee on 24 February 2015. This non-compliance was, however, a result of circumstances beyond the Board's control, and was quickly rectified during the financial year.

Further information on the relevant qualifications and experience of the members of the Group's Audit & Risk Committee and the number of times the committee met during the 30 June 2015 Financial Year can be found in the Directors' Report included in the Group's 30 June 2015 Annual Report at <http://www.watpac.com.au/investor-centre/publications>.

4.2. Recommendation 4.2 – CEO and CFO declaration

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive 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 operating effectively.

The Managing Director / CEO and the CFO provide a statement in accordance with section 295A of the Corporations Act to the Board each reporting period, prior to the Directors' Declaration being made to adopt the Half Year and Annual Financial Reports.

With effect from the 30 June 2015 financial year, the Managing Director / CEO and the CFO are also required to provide the Board with a representation letter pertaining to the key inputs into the half and full year financial results of the Group.

4.3. Recommendation 4.3 – Annual General Meeting

A 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 Board encourages full participation of shareholders at Annual General Meetings (**AGM**) to ensure a high level of accountability and identification with the Group's strategy and goals. The Group's auditor attends the AGM and is available to Shareholders should they have any questions.

Shareholders are also given the opportunity to submit questions to the Group's auditor in advance of the AGM.

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.

5.1. Recommendation 5.1 – Continuous disclosure

A listed entity should:

- a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- b) disclose that policy or a summary of it.

The Directors have established processes and procedures for complying with its continuous disclosure obligations under the ASX Listing Rules, which are documented in the Group's Continuous Disclosure Policy.

The purpose of this Continuous Disclosure Policy is to:

- set out the general and continuous disclosure obligations of Watpac under the Listing Rules and the Corporations Act;
- ensure Watpac's commitment to these disclosure obligations are promulgated throughout the organisation; and
- develop processes to ensure and monitor compliance with this policy.

The policy covers various topics, including:

- when information must be disclosed;
- exceptions to the general disclosure rules;
- examples of matters that would require disclosure;
- who determines what should be disclosed;
- the use of trading halts and voluntary suspensions;
- process for the release of ASX announcements;
- appropriate responses to market speculation and rumours; and
- processes for dealing with media and analysts.

Watpac's Continuous Disclosure Policy ensures that matters having a material effect on the price of the Company's securities are notified to ASX in a timely manner.

A copy of the Group's Continuous Disclosure Policy can be found at <http://www.watpac.com.au/investor-centre/corporate-governance>.

All announcements made on ASX are published on Watpac's website.

6. Respect the rights of security holders

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

6.1. Recommendation 6.1 – Shareholder information available on websites

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

Watpac provides a substantial amount of information on the Group's operations on its website, www.watpac.com.au. This information includes:

- the names, photographs and brief biographical information for each Director and Senior Executive;
- the Board Charter and the charters of each Board Committee; and
- the Group's corporate governance policies and other corporate governance materials.

The Company aims to keep shareholders informed of all major developments in an ongoing manner as follows:

- All shareholders are provided with a hard copy of, or access to an electronic copy of:
 - a full annual report, which includes relevant information about the operations of the Group during the past financial year, changes in the state of affairs and details of future developments.
 - a half-yearly update containing summarised information relating to the financial performance for the half-year including a review of the activities of the Company for that period.
- The annual and half-yearly financial reports are lodged with ASX, and are available to view both via ASX and on the Watpac website.
- A Company newsletter is prepared annually and sent to shareholders to keep them informed of the Company's activities.
- All other ASX announcements, including regular project updates and media releases relating to the Group's activities are made available on the Watpac website.

Watpac's website also has a dedicated Investor Centre. This includes:

- recent ASX announcements;
- matters of Corporate Governance; and
- details relevant to the maintenance of Shareholders' securities in Watpac.

6.2. Recommendation 6.2 – Investor relations program

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

In February 2015, Watpac established a new investor relations program. This program is based around increasing the investment community's awareness and level of understanding of the Group's activities.

There are two key objectives underpinning the Watpac's investor relations strategy, being:

- to build relationships with broker research analysts to encourage broader broker coverage; and
- to maintain relationships with existing investors and build relationships with potential new investors not currently on the Watpac share register.

In addition to undertaking half and full year investor road shows, Watpac's Managing Director and Chief Financial Officer regularly attend meetings with current and prospective shareholders, analysts and brokers, in an attempt to fulfil these broad objectives. The Chair of the Board and Chair of the Remuneration Committee also attend meetings with current shareholders and their advisors as is deemed necessary.

The Board believe a proactive approach to investor relations activities will put Watpac in the best position to maximise shareholder value.

6.3. Recommendation 6.3 – Encouraging shareholder participation at meetings

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

At each general meeting of Watpac, the chair of the meeting provides shareholders and authorised proxy holders with an opportunity to ask questions in relation to any voting item to be considered at the meeting and / or any other aspect of the company's past operations and financial performance or future strategies.

Furthermore shareholders not able to attend the meeting are provided with an opportunity to submit a written questions to the Group's auditor prior to an Annual General Meeting provided that the question relates to:

- the content of the Auditor's Report; or
- the conduct of the audit in relation to the Financial Report.

6.4. Recommendation 6.4 – Option of electronic communication for shareholders

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

Watpac's share registry provides the option for shareholders to receive communication electronically, and similarly send communication electronically.

Furthermore shareholders are equally able to correspond with Watpac via electronic communication.

Shareholders can update preferences by accessing the Investor Centre on Watpac's website at www.watpac.com.au.

7. Recognise and manage risk

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

7.1. Recommendation 7.1 – Risk committee

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

Watpac has a combined Audit and Risk Committee, a primary purpose of which is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to recognising and managing risk.

Additional information on the Group's Audit and Risk Committee is included in section 4.1 above.

7.2. Recommendation 7.2 – Review of risk management framework

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
- b) disclose, in relation to each reporting period, whether such a review has taken place.

The Watpac Board places a high priority on the management of risk. The Managing Director, Company Secretary and Group Risk Manager work closely with the Group Senior Executive Team and report regularly to the Audit and Risk Committee on the status of the Group's risks. The assessment of risk is an ongoing process.

The Group's risk management objective is to protect and enhance shareholder value, while safeguarding its people, reputation and operating environment through continuous improvement and innovation in our approach to risk management.

Watpac's approach to risk management is guided by the International Standard on Risk Management ISO31000. In addition to operational and financial risk, the Group is also committed to implementing a best practice approach in the key categories of Legal and Compliance Risk and Environment, Health and Safety Risk.

At Watpac, safety is an absolute priority and a core value, and the Board is acutely aware of its safety, social and environmental responsibilities. The Group's national management systems have been accredited at the highest level, achieving certification for AS4801 (Safety), ISO9001 (Quality Assurance)

and ISO14001 (Environmental) standards. The Board is committed to continually improving the Company's systems and performance.

The approach to enterprise risk management is also focused on identifying opportunities to enhance value, increase competitive advantage and improve profitability.

The Group's risk management policies are designed to:

- integrate risk management within all project planning and management processes;
- identify, evaluate, treat, monitor, quantify and report all significant risks to the Group's Audit and Risk Committee;
- ensure all risk management evaluations take into account any potential value creation, or competitive advantage, which may be derived for the business;
- provide the information, training and processes to enable our people to effectively implement and maintain risk management practices;
- ensure risks and business objectives are appropriately balanced when designing risk treatments and risk transfer arrangements to drive business value; and
- encourage our associated entities, suppliers and subcontractors to adopt Watpac's risk management practices.

Risk management and internal controls are in place to manage assessed key business risks throughout the Group.

A committee comprising the Managing Director, Company Secretary, Group Risk Manager and Group Commercial Manager undertake regular reviews of significant projects. Key project and business risk areas are continually monitored and reported within each operating division in accordance with the Group's risk management framework.

The Group's internal control environment is also continually monitored and reported to and discussed by the Audit and Risk Committee. Amendments to the Group's internal control environment are overseen by the Managing Director, Company Secretary and the Group Risk Manager, with formal approval for any changes required to be endorsed by the Audit and Risk Committee.

The Group's existing risk management framework was first implemented in February 2013, and since that time has been subject to periodic review by the Audit and Risk Committee.

A more structured annual review process has recently been implemented, with the first review under this new arrangement to be undertaken in the first half of the 30 June 2016 financial year. This exercise will thereafter be undertaken annually by the Audit and Risk Committee, or more frequently if circumstances warrant.

7.3. Recommendation 7.3 – Internal audit

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 risk management and internal control processes.

During the 30 June 2014 financial year, Watpac established tailored internal audit procedures across a number of key aspects of the Group's operations. This work has continued in the 30 June 2015 financial year under a structured internal audit program.

The Group's internal audit activities are currently:

- undertaken by internal personnel, supplemented by specialist consultants from Deloitte; and
- subject to work activities approved by the Audit and Risk Committee following recommendation by the Group Risk Manager and/or Deloitte, or as others identified as appropriate by the Audit & Risk Committee, and are based on key project, business unit and Group-level risks.

It is the Audit and Risk Committee's expectation that in the 30 June 2016 financial year the scope of the Group's internal audit function will continue to be expanded to include more regular testing of more routine processes and transactions, which will supplement the more targeted internal audit activities currently being undertaken on the Group's identified key risks.

7.4. Recommendation 7.4 – Material exposure to certain risks

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.

The Group's future operating and financial performance is mainly subject to economic risks.

Details of the Board's assessment of these risks are included in the 2015 Directors' Report, which forms part of the 30 June 2015 Financial Report, and which can be accessed at <http://www.watpac.com.au/investor-centre/publications>.

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 executives and to align their interests with the creation of value for security holders.

8.1. Recommendation 8.1 – Remuneration committee

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.

Watpac has an Remuneration Committee, which operates in accordance with a formal Charter approved by the Board. A copy of this charter can be found at <http://www.watpac.com.au/investor-centre/corporate-governance>.

The purpose of the Remuneration Committee is to review and make recommendations to the Board in relation to the overall remuneration policy for Watpac and, specifically:

- Non-executive Director remuneration;
- Remuneration of the Managing Director, and on the recommendation of the Managing Director, other members of the Group Senior Executive Team and other Senior Executives;
- the implementation of, and amendment of, any short term or long term incentive plans;
- the annual performance review of the Managing Director; and
- other matters referred to the Committee by the Board.

The Remuneration Committee also monitors management of succession planning and assists the Chair of the Board in the annual performance review of the Managing Director. In fulfilling its responsibilities, the Remuneration Committee monitors Group wide remuneration levels with reference to independent market assessments and is responsible for the Company's policies in respect of short and long-term incentives, and retirement and termination benefits.

Remuneration levels are competitively set to attract and retain the most qualified and experienced Directors and Senior Executives. The Remuneration Committee also obtains independent advice where required on the appropriateness of remuneration packages given trends in comparative companies, both locally and nationally.

Details of the members of the Remuneration Committee are detailed below.

Director	Independence
Garret Dixon (Chair)	Independent
Richard McGruther	Independent
Johan Beerlandt / Alternate	Not Independent

This Board committee therefore has at least three members, a majority of whom are independent Directors and is chaired by an independent Director.

While the composition of the Remuneration Committee has changed throughout the 30 June 2015 financial year, at all times the majority of the committee has been comprised of independent Directors and it has been chaired by an independent Director.

Further information on the relevant qualifications and experience of the members of the Group's Remuneration Committee and the number of times the committee met during the 30 June 2015 Financial Year can be found in the Remuneration Report included in the Group's 30 June 2015 Annual Report at <http://www.watpac.com.au/investor-centre/publications>.

8.2. Recommendation 8.2 – Remuneration policies and practices

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.

Further information on the policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other Senior Executives can be found in the Remuneration Report included in the Group's 30 June 2015 Annual Report at <http://www.watpac.com.au/investor-centre/publications>.

8.3. Recommendation 8.3 – Limiting economic risks of equity-based remuneration

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.

Employees participating in equity-based remuneration schemes are bound by the terms of the Watpac Securities Trading Policy, which can be found at <http://www.watpac.com.au/investor-centre/corporate-governance>.

Under the terms of this policy, participants may not trade in instruments or other financial products which operate to limit the economic risk of any Watpac securities held under any equity based incentive schemes provided by Watpac while those holdings are subject to performance hurdles or are otherwise unvested.

Any sale or other trade involving those securities once performance hurdles have been met and they have vested must be done in compliance with the terms of the Securities Trading Policy.