



2018 CORPORATE GOVERNANCE STATEMENT

Macmahon is committed to operating in accordance with high standards of corporate governance. We believe that doing so enhances the Company's sustainable long-term performance and value creation for all stakeholders.

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

As required by the Australian Securities Exchange Limited ("ASX") Listing Rules ("ASX Listing Rules"), this Statement also reports on:

- the extent to which the Company has followed the Corporate Governance Recommendations contained in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) ("ASXCGC Recommendations"); and
- the reasons for any departures from the ASXCGC Recommendations, in compliance with the "if not, why not" regime.

The Board of Macmahon (the "Board") is satisfied that the Company either meets the ASXCGC Recommendations, or where it does not, has sound reasons for not doing so as explained in this Statement. A checklist cross-referencing the ASXCGC Recommendations to the relevant sections of this Statement and other Company publications is provided later in the Statement.

1. The Board of Directors

1.1 Board role and responsibilities

The Company's constitution provides that the business and affairs of the Company are to be managed by or under the direction of the Board. The Board has established and disclosed (on the Company's website) its Board Charter which details the Board's role, powers, duties and functions. Other than as specifically reserved to the Board in the Board Charter, responsibility for the management of Macmahon's business activities is delegated to the Chief Executive Officer ("CEO") who is accountable to the Board. The Board Charter and the delegation of Board authority to the CEO are reviewed regularly.

1.2 Board composition and expertise

At the commencement of the 2018 financial year, the board comprised four independent Non-Executive Directors; Mr. Jim Walker (Chairman), Ms. Eva Skira, Mr. Giles Everist and Mr. Vyril Vella.



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

- on August 8 2017, Mr. Arief Sidarto and Mr. Alexander Ramlie were appointed as to the Board as part of the Company's transaction with Indonesian mining firm PT Amman Mineral Nusa Tenggara ("AMNT");
- on 17 December Mr. Everist resigned as a Director after accepting the position of Chief Financial Officer of the Company; and
- on 26 March 2018 Mr. Kim Horne was appointed as a Non-Executive Director of the Company,

As a result of these changes, the Board now comprises four independent Non-Executive Directors and two non-independent, Non-Executive Directors. Details on each of the Directors including experience, knowledge and skills and their status are set out in the Directors' Report and on the Company's website.

In assessing the composition of the Board, the directors have regard to the following policies:

- the Chairman should be an independent, non-executive;
- the role of the Chairman and CEO should not be filled by the same person;
- the CEO should be a full-time employee of the Company;
- the Board should represent a broad range of qualifications, diversity, experience and expertise considered of benefit to the Company; and
- the Board should include a majority of independent non-executive directors.

Where a casual vacancy arises, the Board will seek to appoint a Non-executive Director with the appropriate skills and experience to fill any potential expertise gaps.

The Directors on the Board collectively have the skills and experience outlined in the Board Skills Matrix on the Company's website. The Board considers that the non-executive directors collectively bring an appropriate range of skills, knowledge and experience to direct the Company.

Section 1.6 on Board succession planning provides further information on the mix of skills and diversity the Board seeks to achieve in membership of the Board.

1.3 Chairman of the Board

Mr Jim Walker, who joined the Board in October 2013, assumed the Chairmanship when Mr Scott-Mackenzie retired in March 2014. Details of Mr. Walker's career including experience, knowledge and skills are set out in the Directors' Report and on the Company's website.

As Chairman of the Board, Mr. Walker is responsible for leadership and effective performance of the Board and for the maintenance of relations between Directors and management that are open, cordial and conducive to productive cooperation. The Chairman's responsibilities are set out in more detail in the Board Charter.

Mr Walker is currently Non-executive Chairman of Austin Engineering Limited (appointed November 2016), the State Training Board WA (appointed December 2014), Wesley College Council, and Australian Potash Limited (appointed August 2018). He is also the Non-



executive Deputy Chairman of Seeing Machines Limited (appointed May 2017), Non-executive Director of RACWA Holdings Pty Ltd (appointed November 2013) and Trustee for the WA Motor Museum. The Board does not consider that these roles, nor any of his other commitments, interfere with the discharge of his duties to the Company. The Board is satisfied that Mr Walker commits the time necessary to discharge his role effectively.

1.4 Director independence

In assessing the independence of each Director, the Board considers, amongst other things, whether the Director:

- is a substantial Shareholder of the Company (as defined by the Corporations Act) or an officer of, or otherwise associated directly with a substantial Shareholder of the Company;
- within the last three years, has been employed in an executive capacity by the Company or another Group member or been a Director after ceasing to hold any such employment;
- within the last three years, has been a principal of a material professional advisor or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company or another Group member other than as a Director of the Company;
- has served on the Board for a period which could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Considering these factors, the Board has determined that; Mr. Jim Walker, Mr. Kim Horne, Mr. Vyril Vella and Ms. Eva Skira are independent Non-executive Directors while Mr. Arief Sidarto and Mr. Alexander Ramlie, are Non-independent Non-executive Directors.

The independent status of Directors standing for election or re-election is identified in the notice of the Company's annual general meeting ("AGM"). If the Board's assessment of a Director's independence changes, that change is disclosed.

1.5 Conflicts of interest

Directors are required to disclose any actual or potential conflict or material personal interests on appointment as a Director and are required to keep these disclosures up to date.

In the event that there is, or may be, a conflict between the personal or other interests of a director, then the director with an actual or potential conflict of interest in relation to a matter before the Board does not receive the Board papers relating to that matter. When the matter comes before the Board for discussion, the Director withdraws from the meeting for the



period the matter is considered and takes no part in the discussion or decision making process.

Minutes reporting on matters in which a Director is considered to have a conflict of interest are not provided to that Director. However, the Director might be given notice of the broad nature of the matter for discussion and is updated in general terms on the progress of the matter.

The Company has established and disclosed (on its website) a Board Conflict of Interest Policy that dictates the appropriate procedures to be followed.

1.6 Board succession planning and performance evaluation

The Board manages its succession planning with the assistance of the Remuneration & Nomination Committee, reviewing its size, composition, diversity and effectiveness as a whole and the mix of existing and desired competencies across members. In conducting the review, the Board Skills Matrix referred to in section 1.2 is used to enable the Committee to assess the skills and experience of each Director and the combined capabilities of the Board.

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

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

The Board undertakes an annual evaluation of its size, composition, diversity and effectiveness against a broad range of good practice criteria and where deemed appropriate engages the services of an external facilitator to assist with this process. The Chairman reviews the performance of individual Board members and meets individually with each Director to discuss the findings of their report, including performance of the Chairman. The Board reviews the performance of individual Board members seeking re-election prior to any Board recommendation being given to Shareholders.

Any Director whose performance is consistently unsatisfactory will be asked to retire.

1.7 Director retirement and re-election

Non-executive Directors must retire and stand for re-election at the third AGM following their election or most recent re-election. At least one Non-executive Director must stand for election at each AGM. Any Director appointed to fill a casual vacancy since the date of the previous AGM must submit themselves for election at the next AGM.

Board support for a Director's re-election is not automatic and is subject to satisfactory Director performance (in accordance with the evaluation process described above).



1.8 Directors' appointment, induction training and continuing education

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

Induction training is provided to all new Directors. It includes comprehensive meetings with the CEO, key executives and management, information on key corporate and Board policies, and the opportunity to visit the Company's primary operations.

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

1.9 Board access to information and independent advice

Directors may, in carrying out their Company related duties, seek external professional advice. If external professional advice is sought, a Director is entitled to reimbursement of all reasonable costs where such a request for advice is approved by the Chairman. In the case of a request made by the Chairman, approval is required by the Chair of the Audit & Risk Committee.

1.10 Directors' remuneration

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

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

1.11 Board meetings

During FY 2018, the Board held 11 scheduled Board meetings and four unscheduled Board meetings on short notice. Details of Directors' attendance at Board and committee meetings are set out in the Directors' Report.

The Chairman sets the agenda for each meeting in conjunction with the CEO and the company secretary. Any Director may request additional matters be added to the agenda.

Members of the management team attend Board meetings by invitation, but at each scheduled Board meeting there is a session for N-executive Directors to meet without management present. This session is presided over by the Chairman.



Copies of Board papers are circulated in advance of the meetings predominantly in electronic form. Directors are entitled to request additional information where they consider further information is necessary to support informed decision making.

1.12 Company Secretary

Details of the company secretary are set out in the Directors' Report. The appointment and removal of a Company Secretary is a matter for decision by the Board. The position of company secretary is responsible for providing advice to Directors and executives on corporate governance and regulatory matters, ensuring that Board procedures are complied with and that governance matters are addressed, recording minutes of Board and committee meetings, developing the Company's corporate governance framework and giving effect to the Board's decisions. All Directors have access to advice from the Company Secretary (or secretaries when there is more than one) who is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

2. Board committees

2.1 Board committees, membership and charters

The Board delegates its powers and responsibilities to committees of the Board in order to allow the Directors to spend additional and more focused time on specific issues. The areas of risk management and safety remain items of elevated strategic importance to the Company and hence remain standing Board agenda items. All committees operate under individual charters approved by the Board which are disclosed on the Company's website. The Board currently has the following standing committees to assist in discharging its responsibilities:

Board of Directors	Committee	Description	Members
	Audit & Risk Committee	Monitors the financial reporting process, the risk management framework, and external and internal audit functions.	Ms. Eva Skira (Chairman) Mr. Vyril Vella Mr. Jim Walker
	Remuneration & Nomination Committee	Assists the Board with Board appointments, and in considering remuneration policies, practices and decisions. Ensures the Board and the CEO have the necessary range of skills, expertise and experience to further corporate objectives.	Mr. Vyril Vella (Chairman) Ms. Eva Skira Mr. Jim Walker Mr. Kim Horne



The relevant executive management attend committee meetings by invitation. Details of the attendance of directors at meetings held during the year are set out in the Directors' Report.

Minutes of all committee meetings are available to all Directors and a Company Secretary provides secretariat services for each committee.

2.2 Audit & Risk Committee

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

The Audit & Risk Committee is required to have a minimum of three members and be composed of all Non-executive Directors, a majority of whom should be independent. The Chair of the Audit & Risk Committee must not be the Chair of the Board and must be an Independent Director.

The external auditor, the Directors who are not members of the Audit & Risk Committee and relevant members of senior management are all invited to attend Audit & Risk Committee meetings at the discretion of the Audit & Risk Committee.

Key activities undertaken by the Audit & Risk Committee during the year included:

- approval of the scope, plan and fees for the external audit;
- review of the independence and performance of the external auditor;
- review of significant accounting policies and practices;
- review of tax compliance and developments in taxation matters;
- monitoring developments in accounting and financial reporting relevant to Macmahon;
- oversight of internal audit matters;
- assessment of the impact of material commercial disputes on the Company's financial performance;
- reviewing the Group's key risks and risk management framework and confirming that the framework was sound;
- monitoring matters arising under the Code of Conduct and the Whistleblower Policy;
- reviewing and making recommendations to the Board on amendments to the Committee's charter; and
- review and recommendation to the Board for the adoption of the Group's half-year and annual financial statements.

The number of Audit & Risk Committee meetings that were held during the reporting period and the attendance of the Committee members at those meetings are set out in the Directors' Report.



2.3 Remuneration & Nomination Committee

The role of the Remuneration & Nomination Committee is to assist the Board in reviewing its composition, performance and succession planning, and by reviewing and approving the Company's remuneration policies and practices for Directors and executives. The Committee's responsibilities include:

- assessing the necessary and desirable competencies of Board members against the Board Skills Matrix;
- reviewing the size and composition of the Board and Board succession planning;
- reviewing the Company's remuneration framework, which is used to attract, retain and motivate Directors and employees to achieve operational excellence and create value for Shareholders;
- reviewing the remuneration packages and incentive schemes for the CEO and Executives, to establish rewards, which are fair and responsible, having regard to the Company's strategic goals, individual performance and general remuneration conditions; and
- reviewing the performance and succession planning for the CEO and Executives.

In accordance with the ASX Principles, the Remuneration & Nomination Committee has more than three members and is composed of a majority of independent Non-executive Directors.

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

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

Further details regarding Non-executive Directors' remuneration are set out in the Remuneration Report.

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

Further details regarding executive remuneration are set out in the Remuneration Report.



Key activities undertaken by the Remuneration & Nomination Committee during the year included:

- monitoring legislative and corporate governance developments in relation to employment and remuneration matters relevant to Macmahon;
- reviewing the Company's remuneration policies and practices;
- reviewing the Company's recruitment and retention strategies;
- monitoring the remuneration packages of executives reporting directly to the CEO;
- monitoring progress against measurable objectives in respect of gender diversity; and
- reviewing and making recommendations to the Board on remuneration for Non-executive Directors and the CEO and the criteria for the evaluation of the performance of the CEO.

Any Director who is not a member of the Remuneration & Nomination Committee, and relevant members of senior management are invited to attend Committee meetings at the discretion of the Remuneration & Nomination Committee. The CEO is not present where decisions are being made in respect to their own remuneration.

The number of Committee meetings that were held during the reporting period and the attendance of the Committee members at those meetings are set out in the Directors' Report.

3. Shareholders and corporate responsibility

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

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

3.1 Shareholder communications

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

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

- the disclosure of full and timely information about Macmahon's activities in accordance with the disclosure requirements contained in the ASX Listing Rules and the Corporations Act;



- all information released to the market to be placed on Macmahon's website promptly following release;
- the Company's market announcements to be maintained on Macmahon's website for at least three years; and
- all disclosures, including notices of meetings and other Shareholder communications, are drafted clearly and concisely using plain English.

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

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

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

The Company recognises the importance of shareholder participation in general meetings and supports and encourages that participation. The Company provides facilities for online voting through Computershare, allowing shareholders unable to attend the AGM to direct voting on resolutions through the appointment of a proxy. Shareholders are also able to register their voting instructions electronically.

The results of voting on the items of business are disclosed to the market and posted to the Company's website after the AGM or any other Shareholder meeting.

All Macmahon Directors attended the Company's 2017 AGM and are expected to attend the 2018 AGM.

The Company's external auditor attends the Company's AGM to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

3.2 Continuous disclosure

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

Macmahon's Continuous Disclosure Policy reinforces the Company's commitment to ASX continuous disclosure requirements and outlines management's accountabilities and the



processes to be followed for ensuring compliance. The policy also describes Macmahon's guiding principles for market communications.

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

4. Promoting ethical and responsible behaviour

4.1 Code of conduct and whistleblower policy

Macmahon has a Code of Conduct which outlines its commitment to appropriate and ethical corporate practices and reflects the high ethical standards of conduct necessary to maintain confidence in the Company's integrity.

The Code of Conduct describes Macmahon's mission, vision and values together with the business principles approved by the Board. It sets out the principles, practices and standards of personal and corporate behaviour Macmahon expects in daily business activities. The Code of Conduct covers matters such as compliance with laws and regulations, responsibilities to Shareholders and the community, sound employment practices, confidentiality, privacy, conflicts of interest, giving and accepting business courtesies and the protection and proper use of Macmahon's assets. Compliance with the Code of Conduct also assists Macmahon in effectively managing its operating risks and meeting its legal and compliance obligations, as well as enhancing Macmahon's corporate reputation.

The Company's Code of Conduct is issued to every new employee and an online refresher is issued to all staff and Officers each year. The Code of Conduct is available on the Company's intranet and website. The Company's Whistleblower Policy highlights Macmahon's commitment to maintaining an open working environment in which employees and contractors are able to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal. The Whistleblower Policy is available on the Company's website.

In addition to the above, all Executives and key Finance Managers complete a questionnaire from the Directors on a half-yearly basis which includes questions on compliance by the managers and all employees within their area of responsibility with the Code of Conduct and other Company policies. The responses to the questionnaire, together with a report on any breaches of the Code of Conduct and matters that might be raised through the Whistleblower Policy, are considered by the Audit & Risk Committee.

4.2 Trading in shares policy

Macmahon's Trading in Shares Policy provides a brief summary of the law on insider trading and the ASX Listing Rule requirements, and sets out the restrictions on dealing in securities by Directors and Officers. The Policy is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities.

Directors and Officers are encouraged to follow a long-term investment strategy and are prohibited from any trading of a short-term or speculative nature in the securities of the Company. Directors and Officers may not deal in securities of the Company (other than the exercise of employee options and performance rights, dividend reinvestment and rights issues



and transfers to related parties) in the four week period leading up to the profit announcement in respect of each June and December half year, or immediately prior to announcements in relation to any material changes in the Company's financial performance or changes to major contracts.

Any Director wishing to deal in the Company's securities may only do so after first having obtained the prior approval of the Chairman (who will consult with the CEO, CFO or Company Secretary). Any dealings by the Chairman require prior approval of the Chair of the Audit Committee (who will consult with the CEO, CFO or Company Secretary). An Officer may only deal in the Company's securities after first having obtained the prior approval of the CFO (who will consult with the CEO and Company Secretary). Confirmation of any dealing must also be given to the Company by the Director or Executive within two business days after the dealing.

All Officers and employees are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme. Any hedging of unvested equity will result in immediate forfeiture.

The Company's Trading in Shares Policy is available on the Company's website.

5. Risk management and internal controls

5.1 Approach to risk management

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

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

5.2 Risk management roles and responsibilities

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

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



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

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

More information on the Company's risks is set out in the Company's Annual Report. In 2018, the Audit & Risk Committee reviewed the company's risk management framework and confirmed that the framework was sound.

5.3 Internal Audit

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

Internal audits provide assurance on the adequacy and effectiveness of the Group's systems for risk management, internal control and governance, along with recommendations to improve the efficiency and effectiveness of systems and processes. Internal audits are performed by a variety of external and internal service providers as appropriate.

5.4 CEO and CFO assurance on corporate reporting

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

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

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

6. External auditor relationship

The Board has a policy requiring rotation of the audit partner at least every five years, prohibits the re-involvement of a previous audit partner in the audit service for two years



following their rotation, and provides that a former partner of the audit firm, or member of the audit team, may only be recruited into a position as a Director or senior employee of Macmahon after the expiry of at least two years, unless alternate agreement is reached between Macmahon and the audit firm, and that firm ensures no significant connection remains between the individual and the firm. External audit services are the subject of market tender from time to time.

Furthermore, the Audit & Risk Committee oversees the terms of engagement of the Company's external auditor. Guidelines referenced to in the Code of Ethics published by the International Federation of Accountants ("IFAC") are utilised to assist the Board in maintaining the independence of the external auditor and in assessing whether the provision of any non-audit services by the external auditor that may be proposed are appropriate.

The guidelines contain a set of controls which address threats to the independence of the external auditor including, in particular, any threat which may arise by reason of self-interest, self-review, advocacy, familiarity or intimidation (all terms defined by the IFAC's Code of Ethics). The guidelines classify a range of non-audit services which are considered not acceptable for provision by the external auditor.

As the current external auditor, KPMG attends the Company's AGM and the lead partner is available to answer questions from shareholders relevant to the audit at, or ahead of, the AGM. KPMG's Independence Declaration is contained in the Directors' Report of the Annual Report.

7. Diversity

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

7.1 Targets

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

Group	Target for 2018	Actual 2018	Target for 2019
Indigenous Australians	7.5%	3.7%	5.0%
Female Directors	1	1	1
Percentage of females in senior Management positions*	20.0%	10%	20.0%
Percentage of female employees across the whole organisation	14.0%	12%	14.0%

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