



Corporate Governance Statement

2018

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

1. CORPORATE GOVERNANCE AT RCR TOMLINSON

The Board of Directors of RCR Tomlinson ("the Company") is ultimately responsible for all corporate governance matters of the Company and is accountable to its Shareholders for the performance of the Company.

The Board oversees a governance framework which operates under policies and procedures approved by the Board.

The Company is committed to a high standard of corporate governance policies and practices across all parts of its business. As part of this commitment, the Board continues to refine and develop its governance policies and practices to address its obligations as a responsible corporate entity.

Details of the Company's corporate governance policies can be found on the Company's website, www.rcrtom.com.au.

This statement reports on the Company's key governance framework, principles and practices as at 30 June 2018 and has been approved by the Board.

1.1 ASX Principles of Corporate Governance

As a listed entity, the Company must report on the extent to which it has followed the ASX Corporate Governance Principles and Recommendations 3rd Edition ("ASX Principles").

The Company considers that, throughout the reporting period, the Company's corporate governance framework complied with the ASX Principles.

The Company's compliance with the ASX Principles is further detailed below.

2. BOARD OF DIRECTORS

2.1 The Role and Responsibilities of the Board

The Board Charter sets out the role and responsibilities of the Board, describes the separate functions of Directors and management and matters specifically reserved for the Board and powers delegated to its committees and to the Managing Director.¹

The primary role of the Board is to set the Company's strategic direction, report to shareholders and to appoint the Managing Director to oversee the day-to-day management and operations of the Company.

In addition to matters required by law to be approved by the Board, the Board is responsible for:

- strategy - approving strategic plans, including acquisitions and disposal or cessation of any significant business of the Company;
- board composition - determining the size and composition of the Board as well as recommending to shareholders the appointment and removal of Directors;
- leadership selection - the appointment of the Managing Director, evaluating the performance of the Managing Director and approving the remuneration for the Managing Director and those Executives reporting directly to the Managing Director;
- shareholders equity - authorising the issue of shares, equity instruments or other securities, declaration of any dividends, and the implementation of any capital return or buyback program;
- operational budgets - approving the Company's annual operating budget;
- borrowings - authorising borrowings and the grant of security over undertakings of the Company or any of its assets;
- policies - approving policies of Company-wide or general application;

¹ On 7 August 2018 (after the balance date of this Corporate Governance Statement), the Company announced that Dr Paul Dagleish had stepped down from his role as Managing Director & Chief Executive Officer of the Company, and that Mr Bruce James had been appointed as Interim Chief Executive Officer. As at the release date of this Corporate Governance Statement, the role of Managing Director of the Company remains vacant.



- risk management - approving the Company's risk management policy, monitoring systems of risk management and oversight of the internal audit function;
- reporting to shareholders - communicating with the Company's shareholders and the investment community; and
- company financial statements - authorising the annual and half year financial statements.

➤ A copy of the Board Charter is available in the corporate governance section of the Company's website.

2.2 Board Composition, Skills and Experience

The Constitution provides that the maximum number of Directors must be no more than seven and no less than three (including the Managing Director).

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

- the Chairman should be an independent, Non-Executive Director;
- the role of the Chairman and Managing Director should not be filled by the same person;
- the Managing Director should be a full-time employee of the Company;
- the majority of the Board should comprise Directors who are both Non-Executive and independent; and
- the Board should comprise a broad range of qualifications, diversity, experience and expertise.

At the date of this statement, the Board consists of seven Directors, including six independent Non-Executive Directors and the Managing Director. The details of the composition of the Board are set out in Table 1.

Table 1 - Composition of the Board

Director	Position	Independence	Qualifications	Term in Office
Mr Roderick Brown	Chairman, Non-Executive Director	Independent	AWASM, MAICD, AusIMM	Director since October 2005, Chairman since January 2008
Dr Paul Dalglish	Managing Director and CEO ²	Executive	DBA, MA, BEng (Hons), FIEAust, MAICD	CEO since May 2009 Managing Director since October 2011
Ms Eva Skira	Non-Executive Director	Independent	BA (Hons), MBA, SF Fin (Life Member), FAICD, FAID, FCIS	Director since May 2008
Mr Lloyd Jones	Non-Executive Director	Independent	BEng, MBA, GAICD	Director since November 2013
Mr Bruce James	Non-Executive Director ³	Independent	BEng (Civil), MAICD	Director since January 2014
Ms Sue Palmer	Non-Executive Director	Independent	BCom, CA, FAICD	Director since August 2014
Mr David Robinson	Non-Executive Director	Independent	BEng (Civil), FAICD, FIEAust	Director since March 2018

Details on each of the Directors and Executives backgrounds including experience, knowledge, skills and their status as an independent Non- Executive Director are set out in the 2018 Annual Report and on the Company's website.

Where a casual vacancy arises, the Board will seek to appoint a Non-Executive Director with requisite skills and experience in the industry.

Before appointing a Director, the Board undertakes appropriate checks and provides shareholders with all material information which is relevant to the decision to elect or re-elect a Director.

Directors receive formal letters of engagement setting out the key terms, conditions and expectations of their engagement.

Where a Director is seeking election or re-election, details on the Director's skills, experience and qualifications are given in the notice for the meeting in which the shareholders will vote on the appointment.

The Board, through the Chairman, reviews the composition of the Board and succession planning for Non-Executive Directors.

The Board uses the skills matrix below to guide its assessment of the skills and experience of the current Non-Executive Directors and the future needs of the Board.

² As of 7 August 2018, Dr Paul Dalglish no longer occupies the role of Managing Director or Chief Executive Officer.

³ Due to his appointment as Interim Chief Executive Officer on 7 August 2018, Mr Bruce James is no longer considered an independent Non-Executive Director.

Table 2 - Areas of Competence and Skills of the Board

Area	Competence
Leadership	Business and Executive Leadership; Public Company Experience; Commercial Acumen Corporate Governance; Health & Safety; Industrial Relations; Government Relations.
Strategy, Business and Finance	Accounting qualifications; Business Strategy; Mergers & Acquisition; Financial Literacy; Understanding of Risk Management.
Technical and Projects	Engineering qualifications; Experience in construction and maintenance, oil & gas, water, energy, mining and infrastructure sectors; Large contract management experience.
International	Experience with businesses in New Zealand, Asia and other countries.

➤ A copy of the 2018 Annual Report is available on the Company's website.

2.3 Chairman Responsibilities

The Chairman of the Board, Mr Roderick Brown is an independent, Non-Executive Director.

The Chairman is responsible for the leadership of the Board, for the efficient running of the organisation and conduct of the Board's function, and for the promotion of relations between Board members and management that are open, cordial and conducive to productive co-operation. The Chairman's responsibilities are set out in more detail in the Terms of Reference for the Chairman.

Key responsibilities include:

- Leading the Board in its duties;
- Facilitating effective Board meeting discussion; and
- Overseeing the process to evaluate the performance of the Board and individual Directors.

Mr Brown is also Chairman of Immersive Technologies Pty Ltd. The Board considers that neither his role as Chairman of Immersive Technologies, nor any of his other commitments interfere with the discharge of his duties to the Company. The Board is satisfied that Mr Brown commits the time necessary to discharge his role effectively.

2.4 Director Independence

The independence of a Director is assessed by determining whether the Director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

The test of whether a relationship or business is material is based on the nature of the relationship or business and on the circumstances and activities of the Director. Materiality is considered from the perspective of the Company, the persons or organisations with which the Director has an affiliation and from the perspective of the Director. Materiality thresholds are considered by the Board from time to time.

Relationships that the Board take into consideration when assessing independence are whether a Director:

- is not a substantial shareholder (i.e. 5% or more of the voting stock) of the Company or any subsidiary or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not been employed in an executive capacity by the Company or any subsidiary within the last three years, or been a Director after ceasing to hold any such employment;
- has not been a principal of a material professional adviser or a material consultant to the Company or any subsidiary within the last three years, or an employee materially associated with the service provided;
- is not a material customer of the Company or any subsidiary who accounts for more than 5% of the Company's consolidated gross revenue;
- is not a supplier to the Company or any subsidiary who accounts for more than 5% of the supplier's gross revenue;
- has no material contractual relationship with the Company or any subsidiary other than as a Director of the Company;
- 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 interest of the Company; and
- has been a Director of the Company for such a period that his/her independence may have been compromised.



- A copy of the Company's policy on Independence of Directors is available in the corporate governance section of the Company's website.

2.5 Responsibilities of Managing Director

The Managing Director is appointed by the Board under the Company's Constitution. The Managing Director is responsible for the day-to-day management of the Company and his authority is delegated and authorised by the Board. The Managing Director's objective is to direct profitable operation and development of the Company, consistent with the primary objective of enhancing long-term shareholder value.

The Managing Director's services are governed by a written employment agreement, which is regularly reviewed against corporate objectives and other KPI's. The responsibilities of the Managing Director are detailed in the Terms of Reference for the Managing Director and in his Services Agreement. The powers of the Managing Director are set out in the Company's Delegation of Authority.

2.6 Board Meetings

The Chairman, in conjunction with the Managing Director, sets the agenda for each Board meeting. Any Director may request additional matters be added to the agenda. The Chief Financial Officer, Company Secretary and other members of the senior executive team attend Board meetings by invitation.

The Company's Non-Executive Directors confer regularly without management present at various times throughout the year.

Directors are entitled to request additional information where they consider the information is necessary to support informed decision making.

Particulars of the number of meetings of the Board of Directors and each Board Committee of Directors held and attended by each Director during FY18 are set out in the Directors' Report.

2.7 Board Access to 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 at least two Board members.

2.8 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.

2.9 Board Succession Planning

The Board, in conjunction with the Remuneration & Nomination Committee, reviews from time to time, the size and composition of the Board and the mix of existing and desired competencies across members.

The appointment of Directors is governed by the Company's Constitution, the Board Charter and the Remuneration & Nomination Committee Charter. The Remuneration & Nomination Committee is responsible for evaluating Board candidates and recommending individuals for appointment to the Board. The Committee evaluates prospective candidates against a range of criteria including skills, experience, expertise and diversity that will best complement Board effectiveness. The Board may engage an independent recruitment firm to undertake a search for suitable candidates, undertake reference checks and review relevant clearances.

Any Director appointed to fill a casual vacancy since the date of the previous Annual General Meeting must submit themselves to shareholders for election at the next Annual General Meeting.

Directors are appointed for a term of three years. Retiring Directors are not automatically re-appointed. Any Director who retires at the end of their term may offer themselves for re-election by shareholders at the next Annual General Meeting.

2.10 Directors' Appointment, Induction Training and Continuing Education

All Board candidates are screened by professional recruitment agencies, which undertake the appropriate checks before putting a candidate forward to the Board.

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.

A formal induction is provided to all new Directors. It includes comprehensive meetings with the Managing Director, key executives and management, information on key corporate and Board policies and the option to visit some of the Company's primary operations either upon appointment or with the Board during its next site tour.

All Directors are expected to maintain the skills required to discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education. This includes attending industry seminars, briefings, and approved education courses (e.g. via the Australian Institute of Company Directors education programs). Subject to consultation with the Chairman, the reasonable cost of continuing education and training is met by the Company.

To assist the Directors in maintaining an appropriate level of knowledge of the operations of the Company, the Board receives regular briefings at Board meetings from executives who have responsibility for relevant lines of business and undertake site visits.

2.11 Board Performance Evaluation

The Board undertakes ongoing self-assessment and review of performance of the Board, committees and individual Directors at least every two years.

The Chairman of the Board is responsible for determining the process for evaluating Board performance. The performance evaluation process includes completion of a formal assessment and questionnaire that has been approved by the Remuneration & Nomination Committee. Responses to the questionnaire and outcomes from the assessment are then tabulated and reported on in a format approved by the Board. A copy of that report is provided to the Chairman and the contents of the report are then discussed by the full Board.

2.12 Management Performance

During the year an annual performance review was completed for the Managing Director and for certain other executives.

2.13 Company Secretary

The appointment and removal of the Company Secretary is a matter for decision by the Board. The Company Secretary is accountable to the Board, through the Chairman, on all matters to do with the functioning of the Board. This includes assisting the Board and its committees with meetings and Directors' duties, advising the Board and executives on corporate governance matters, recording minutes of Board and committee meetings and acting as the interface between the Board and executives. All Directors have access to advice from the Company Secretary.

The Company Secretary is required to be a member of the Governance Institute of Australia. Details regarding the Company Secretary, including his experience and qualifications are set out in the Directors' Report.

3. BOARD COMMITTEES

3.1 Board Committees, Membership and Charters

The Board has the ability, under the Company's Constitution, to delegate its powers and responsibilities to committees of the Board. This allows the Directors to spend additional and more focused time on specific issues. The Board currently has three standing committees to assist in the discharge of its responsibilities.

Committee members are chosen for the skills, experience and other qualities they bring to the committees. Each committee is chaired by an independent Non-Executive Director. All committees comprise only independent Non-Executive Directors.



Table 3 - Board Committees and Membership

Committee	Members	Key Responsibilities	Composition
Audit & Risk Committee	Sue Palmer (Chair) David Robinson Bruce James	Monitors the financial reporting process, and external audit functions. It oversees the management of material business risks and the development of corporate governance principles.	At least three Non-Executive Directors
Remuneration & Nomination Committee	Eva Skira (Chair) Roderick Brown Lloyd Jones	Assists the Board in considering remuneration policies, practices and decisions. Ensures the Board and the Managing Director have the necessary range of skills, expertise and experience to further corporate objectives.	At least three Non-Executive Directors
Takeover Response Working Group	Eva Skira (Chair) All Directors	Assists the Board to manage and prepare for any unsolicited takeover response.	Such members as the Board determines from time to time

Each committee has a charter, detailing its membership, role, responsibilities and powers where conferred on a committee by the Board. Committee charters are reviewed regularly and updated as required. Prior to the commencement of each year the committees set an annual agenda for the coming year with reference to the committee charter and other issues the committee members or Board considers appropriate for consideration by the committee. Committee charters are reviewed annually to ensure the committee is structured to meet the needs of the organisation.

All papers considered by the standing committees are available to Directors who are not on that committee.

Following each committee meeting, generally at the next Board meeting, the Board is given a verbal update by the Chair of each committee. In addition, minutes of all committee meetings are provided to all Directors.

Executive management attends, by invitation, Board committee meetings and the Company Secretary provides secretariat services for each committee.

Other committees are convened as required to address major transactions or other matters calling for special attention.

3.2 Audit & Risk Committee

The Audit & Risk Committee assists the Board to meet its oversight responsibilities in relation to the Company's financial reporting, external audit function, internal control structure, risk management procedures and the Company's corporate governance system. In doing so, it is the Committee's responsibility to maintain free and open communication between the Committee, the independent auditors and the management of the Company.

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

Independent Non-Executive Director, Ms Sue Palmer, is the Chair of the Audit & Risk Committee. Ms Palmer is highly experienced in financial management of large engineering and construction companies.

Details of the names and qualifications of those appointed to the Audit & Risk Committee and their attendance at Committee meetings are set out in the Directors' Report.

The independent auditor, the Managing Director, the Chief Financial Officer and the Company Secretary regularly attend Committee meetings by invitation. The Committee meets at least four times per year.

The Audit & Risk Committee participates in a formal self-review every two years. The next Audit & Risk Committee review is scheduled to be conducted in FY19, with the outcome of the review to be discussed with the full Board.

- A copy of the Company's Audit & Risk Committee Charter is available in the corporate governance section of the Company's website.

3.3 Remuneration & Nomination Committee

The Board has established a Remuneration & Nomination Committee to assist the Board to review and approve the Company's remuneration policies and practices and the appointment of Non-Executive Directors to the Board.

The Committee's key responsibilities include:

- reviewing Board and executive performance and succession plans;
- reviewing the Company's remuneration framework and policy, which is used to attract, retain and motivate Directors and executives to achieve operational excellence and create value for shareholders;
- reviewing incentive schemes for executives, to establish rewards, which are fair and reasonable, having regard to the Company's strategic goals, individual performance and general remuneration conditions;
- approving the annual remuneration report; and
- approving the Company's diversity policy.

The Remuneration & Nomination Committee is required under ASX Principles to have a minimum of three members and to mostly comprise independent Non-Executive Directors.

The Remuneration & Nomination Committee meets between four to six times per year. The Managing Director and Company Secretary attend Committee meetings by invitation. For further information in relation to the remuneration of Directors and executives, refer to the Remuneration Report.

During the year, the Remuneration & Nomination Committee engaged external independent remuneration consultants, Guerdon Associates, for advice on remuneration matters.

- A copy of the Company's Remuneration & Nomination Committee Charter is available in the corporate governance section of the Company's website.

4. SHAREHOLDERS

4.1 Shareholder Communication

The Company is committed to giving all shareholders comprehensive, timely and equal access to information about its activities so that they can make informed decisions. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of shares in the Company.

A wide range of communication approaches are employed including direct communications with shareholders and presentations to shareholders at the Company's Annual General Meeting ("AGM").

All relevant company information for shareholders and investors is included in the Company's Annual Report and available in the investors and corporate governance sections of the Company's website at www.rcrtom.com.au. Shareholders are also given the opportunity to receive information in print or electronic format.

The Company also has an investor relations program to facilitate communication of the Company's objectives to investors. This program includes briefings to institutional investors post the release of the Company's half year and full year results and at investor conferences, including ASX investor conferences.

The Company's Shareholder Communication Policy provides that the Company will communicate effectively with its shareholders, give shareholders ready access to balanced and understandable information about the Company and encourages shareholder participation at general meetings and AGMs.

The way it does this includes:

- ensuring that financial reports are prepared in accordance with applicable laws;
- ensuring the disclosure of full and timely information about the Company's activities in accordance with the general and continuous disclosure principles of the ASX Listing Rules and the *Corporations Act 2001* (Cth);
- the Chairman and Managing Director reporting to shareholders at the Company's AGM;
- placing all market announcements (including quarterly reports and financial reports) on the Company's website as soon as practicable following release; and



- ensuring that reports, notices of meeting and other shareholder communications are prepared in a clear and concise manner.
- A copy of the Company's Shareholder Communication Policy is available in the corporate governance section of the Company's website.

4.2 Continuous Disclosure

The Company is committed to maintaining a level of disclosure that meets the standards and provides all investors with timely and equal access to information issued by the Company.

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

- A copy of the Company's Continuous Disclosure Policy is available in the corporate governance section of the Company's website.

5. PROMOTE RESPONSIBLE AND ETHICAL DECISION-MAKING

5.1 Code of Conduct, Whistleblower and Anti-Bribery and Corruption Policies

5.1.1 Code of Conduct

The Board has approved a Code of Conduct for Directors and a Code of Conduct for Employees, which describes the standards of ethical behaviour that Directors and employees are required to maintain. Compliance with the relevant Code of Conduct assists the Company to effectively manage its operating risks and meet its legal and compliance obligations, as well as enhance the Company's reputation.

The Code of Conduct describes the Company's requirements on matters such as confidentiality, conflicts of interest, sound employment practices, compliance with laws and regulations, the protection and proper use of Company assets and the responsibilities and accountabilities of individuals for reporting and investigating reports of unethical practices.

- A copy of the Company's Employee Code of Conduct is available in the corporate governance section of the Company's website.

5.1.2 Whistleblower Policy

The Company operates a Whistleblower Policy and is committed to maintaining an open working environment in which employees are able to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal.

The purpose of the Whistleblower Policy is to:

- help detect and address unacceptable conduct;
- help provide employees with a supportive working environment in which they feel able to raise issues of legitimate concern to them and the Company;
- provide an external confidential helpline which can be used for reporting unacceptable conduct; and
- help people who report unacceptable conduct in good faith.

The Audit & Risk Committee receives regular reports on matters reported under the Whistleblower Policy.

- A copy of the Company's Whistleblower Policy is available in the corporate governance section of the Company's website.

5.1.3 Anti-Bribery and Corruption Policy

The Company's Anti-Bribery and Corruption Policy, details the Company's commitment to conducting business and associated activities with integrity, free from dishonesty and improper behaviour.

- A copy of the Company's Anti-Bribery and Corruption Policy is available in the corporate governance section of the Company's website.

5.2 Securities Trading Policy

The Company's Securities Trading Policy remains in compliance with the ASX Listing Rule requirements.

The Company's Securities Trading Policy is binding on all Directors and employees. The policy provides a brief summary of the law on insider trading and other relevant laws, sets out the restrictions on dealing in securities by people who work for or are associated with the Company and is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities.

The policy prohibits Directors and employees from dealing in the Company's securities when they are in possession of price sensitive information that is not generally available to the share market. It also prohibits dealings by Directors and certain restricted employees outside defined trading windows, which are set out in the Company's Securities Trading Policy.

Non-Executive Directors and the Managing Director are required to seek the approval of the Chairman before dealing in Company securities or entering into any financial arrangement by which the Company's securities are used as collateral. In the case of the Chairman, the approval from two Directors is required before dealing in Company securities. Restricted employees are required to seek the approval of the Managing Director before dealing in Company securities or entering into any financial arrangement by which the Company's securities are used as collateral.

Directors and restricted employees must also give the Company Secretary notice of trading within two business days after the dealing. Any dealing in the Company's securities by Directors (including the Managing Director) is notified to the ASX within five business days of the dealing.

It is a condition of the Company's Securities Trading Policy that Directors and employees participating in an equity-based incentive plan are prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any person the risk of any fluctuation in the value of unvested entitlements in the Company's securities. This prohibition is also contained in the rules of the Long-Term Incentive Plan.

➤ A copy of the Company's Security Trading Policy is available in the corporate governance section of the Company's website.

5.3 Health, Safety and the Environment

The Board has approved a Health and Safety Policy consistent with RCR's commitment to standards of occupational health and safety management at its operations. The health, safety and wellbeing of our people, contractors, suppliers, visitors and local communities are a key value for the Company.

The Company's health, safety and environment systems are regularly reviewed with the objective of ensuring continuing compliance and to improve health, safety and environment practices. The Company's management system includes standards for health, safety and environment, to guide management at operations.

The Company's philosophy is that all personnel share the responsibility for a safe workplace. Safety performance is closely monitored by the Board and is a subject of standing item at all regular Board meetings.

6. RISK MANAGEMENT AND INTERNAL CONTROLS

6.1 Approach to Risk Management

The Board and management recognise that risk management and internal compliance and control are key elements of good corporate governance.

6.2 Risk Management Roles and Responsibilities

The Board is responsible for approving the Company's Risk Management Policy. The Audit & Risk Committee reviews the Company's Risk Management framework annually and receives quarterly reports on material risks and is also briefed on any potential fraud, whistleblower matters and internal audit findings. The Company's management is responsible for applying the Risk Management Policy, identifying risks and implementing mitigation measures.

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:

- annual review of the Company's strategic plan;



- implementation of Board approved annual operating budgets and plans, then monitoring of actual progress against those;
- an approved Delegation of Authority, which sets out the financial and non-financial approval limits reserved for the Board and delegated by the Board to the Managing Director, executive management and other personnel;
- Board oversight of material tenders and contracts that exceed the delegation of the Managing Director. The Board has reserved powers to approve material tenders as defined in the Company's Delegation of Authority;⁴
- the Audit & Risk Committee assisting the Board in fulfilling its governance and oversight responsibilities in relation to financial statements, financial controls and enterprise risk; and
- both Board and Audit & Risk Committee receive quarterly reports on material business risks.

6.3 Risk Framework and Material Risks

The Company's risk framework is based on International Standard ISO 31000:2009, Risk Management - Principles and Guidelines and forms the basis of the Company's risk management activities.

During the year, the Audit & Risk Committee undertook a review of the Company's Risk Framework and Risk Management Policy and received regular updates on material risks.

The Directors' Report outlines the Company's performance, the financial position and main business strategies and prospects during the year. It also highlights the material business risks associated with the Company's ongoing business operations and achievement of stated strategies.

- A copy of the Company's Risk Management Policy is available in the corporate governance section of the Company's website.

6.4 Economic, Environmental and Social Sustainability Risks

The Company's operations are largely service-based and therefore the Company does not consider it has any material environmental risks. The Company's material economic and social sustainability risks are set out in the Directors' Report, which include:

Risk Type	Identified Material Risk
Social	■ Health and Safety
	■ Reputational Risk
Economic/strategic	■ Demand Risks
	■ Competition Risks
	■ Strategic and Operational Risks
	■ Project Delivery

The Company's ability to manage the sustainability of its business is important for its long-term success. The following summarises how the Company manages some of its Occupational Health and Safety ("OH&S") and environmental risks. The Company has various OH&S and Environmental Policies that set out the accountabilities of the Company and its employees who are expected to take personal responsibility and be involved in setting and complying with standards and policies.

The Company's OH&S system provides standards and accountabilities to safeguard against hazards and manage risks. In addition to regular audits of its OH&S system, the Directors and executives undertake site visits to confirm/observe the Company's safety systems are operating soundly. The Company uses Australian Standard AS4801 to maintain the integrity of its OH&S management systems. The Company's health and safety performance is monitored through a number of leading and lagging indicators, including LTIFR and TRIFR.

The Company operates across a diverse range of industries and manages environmental risks through a risk-based approach using AS14001. The Company records all environmental incidents. The Company monitors its impacts on the environment, energy consumption and carbon emissions annually under the *National Environment Protection (National Pollutant Inventory) Measure Act 1998* (Cth) and *National Greenhouse and Energy Reporting Act 2007* (Cth).

⁴ Following the events of August 2018 (and after the balance date of this Corporate Governance Statement), an additional Tender Review Committee has been established to review significant tenders and make recommendations to the Board.

6.5 CEO and CFO Assurance Declaration

The Company has in place a structure of review and authorisation which independently verifies and safeguards the integrity of its financial reporting.

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

The Managing Director and Chief Financial Officer provide, at the end of each six-monthly period, a formal declaration to the Board confirming that the Company's financial reports present a true and fair view, in all material respects, and the Company's financial condition and 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 sections to the Financial Statements are founded on a sound system of risk management, internal compliance and control which implements the policies approved by the Board, and that the Company's risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.

6.6 Internal Audit

The internal audit process is independent from business management and is aimed at ensuring that the design and operation of the Company's risk management and internal control system is effective.

The Audit & Risk Committee oversees and monitors internal audit activities and reviews internal audit's activities and reports. It also approves the internal audit program and receives internal audit reports which include management's responses to internal audit reviews. The internal audit is supplemented by external audit and forensic data analytics services.

The internal audit function operates in accordance with International Auditing Standards. The internal auditor has full access to all necessary Company information.

Internal audits and external audits are separate and independent of each other.

6.7 Other Audits for Accreditations

In addition to internal audit activities, the Company is subject to external audits from clients and third parties who seek to verify the Company's compliance for the purposes of various accreditations (i.e. quality, safety and industry accreditations).

7. INDEPENDENT AUDITOR RELATIONSHIP

7.1 Independent Auditor Relationship

The Board is committed to the basic principles that:

- financial reports represent a true and fair view;
- accounting practices are comprehensive, relevant and comply with applicable Accounting Standards and policies; and
- the external auditor is independent and serves shareholders' interests.

7.2 Attendance of Independent Auditors at Annual General Meetings

The lead audit partner attends the Company's AGM and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

7.3 Appointment and Rotation of Auditors

The Board has adopted an External Auditor Policy which covers the terms of appointment of the Company's independent auditor. The policy includes provisions to maintain the independence of the independent auditor and to assess whether the provision of any proposed non-audit services by the independent auditor are appropriate. Such provisions are referenced to the Code of Ethics published by the International Federation of Accountants ("IFAC").

- A copy of the Company's External Audit Policy is available in the corporate governance section of the Company's website.



Furthermore, the External Auditor Policy requires 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 the Company after the expiry of at least two years.

The Non-Audit Services Guidelines contain a set of controls which address threats to the independence of the independent 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 Non-Audit Services Guidelines classify a range of non-audit services which are considered unacceptable for provision by the independent auditor.

- A copy of the Company's Non-Audit Services Guidelines is available in the corporate governance section of the Company's website.

7.4 Independence and Restrictions on the Performance of Non-Audit and Assurance-Related Services

The Company's independent auditor has provided the required independence declaration to the Board for the financial year ended 30 June 2018. The independence declaration forms part of the Directors' Report and is provided in the Company's Annual Report.

The Board has considered the nature of the non-audit and assurance-related services provided by the independent auditor during the year, and has determined that the services provided, and the amount paid for those services, are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth).

Details of fees paid (or payable) to the independent auditor for non-audit and assurance-related services provided to the Company in FY18 are set out in Section 3.6 in the Financial Report.

8. DIVERSITY WITHIN RCR

The Company recognises that a diverse workforce can be a reflection of the quality and skills of its people. The Company has established a Diversity Policy.

- A copy of the Company's Diversity Policy is available in the corporate governance section of the Company's website.

At 30 June 2018, the gender representation metrics were as follows:

- two of six Non-Executive Directors on the Board are female;
- one female holds an executive role;
- 13% of senior management/professional roles are occupied by females, an increase of 2% on the prior year; and
- 5% of management and supervisory roles are held by women, a decrease of 1% on the prior year.

This representation is reflective of the industry within which the Company operates.

Proportionally, a significant number of the Company's workforce are blue collar employees with qualifications in trades such as, boiler making, welding, fitters, machinists, mechanical fitters, electricians and trades assistants. The number of qualified female tradespersons in these areas are low across the industry as a whole, and this is reflected in the gender balance of the Company's workforce and industry. Whilst female participation rates are typically higher in functions such as administration, legal, human resources, finance, and project support, the Company continues to advocate the recruitment of diversity in non-traditional functions.

8.1 Age Diversity

The Company recognises the value of having a multi-generational workforce. This enables the Company to provide high quality, practical services that deliver innovation to our diverse client base by incorporating the breadth of knowledge, skill and expertise of mature age employees and the new ideas and application of new technologies engendered by younger employees.

The Company's workforce is balanced at an average of:

- 33% 17 - 34 years old;
- 25% 35 - 44 years old; and
- 43% aged 45 and above.

8.2 Diversity Objectives for FY18

These objectives are reviewed on an annual basis as will any progress made through the year.

Objective	Outcome
Provision and promotion of suitable flexible working arrangements for employees with family responsibilities	The Company has arrangements in place for employees whose family responsibilities require flexibility.
Creation of a diverse workforce	In broad terms, the Company aims to increase all aspects of its diversity profile and improve all aspects of its operations that have the ability to positively influence diversity and inclusion.
Annual remuneration review to ensure gender parity	During the period, an annual remuneration review was undertaken to ensure gender parity.
To promote indigenous employment and supplier participation in the workforce	The Company actively participates in arrangements with indigenous companies to increase indigenous participation on projects awarded to the Company.
Further develop training on Diversity and Inclusion	The Company will provide diversity and inclusion training. All new employees will be invited through the onboarding process to participate via Corporate Induction.
Promotion of trade apprentices to females, indigenous and mature age candidates	The Company actively encourages female, mature age and indigenous candidates to apply for apprenticeships and traineeships.

8.3 Workplace Gender Equality Agency Report

The Company lodged its Workplace Gender Equality Agency ("WGEA") Annual Report on gender equality performance as required under the Workplace Gender Equality Act.



ASX CORPORATE GOVERNANCE COMPLIANCE STATEMENT

Principle	ASX Corporate Governance Principles and Best Practice Recommendations	Reference	Compliance
1.0	Lay Solid Foundations for Management and Oversight		
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	2.1, 2.3, 2.5	Comply
1.2	Prior to appointing a Director a company should undertake appropriate checks (e.g. checks as to the person's character, experience, education, criminal record and bankruptcy history) before appointing a person, or putting forward to security holders a candidate for election, as a Director and 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.	2.10	Comply
1.3	A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	2.10, Remuneration Report	Comply
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.	2.13	Comply
1.5	A Listed entity shall have: <ol style="list-style-type: none"> 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: <ul style="list-style-type: none"> • 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 • if the entity is a "relevant employer" under the WGEA, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. 	8	Comply
1.6	A listed entity should: <ol style="list-style-type: none"> 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. 	2.11	Comply
1.7	A listed entity should have and disclose a process for periodically evaluating the performance of its senior executives; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	2.12	Comply
2.0	Structure the Board to Add Value		
2.1	The Board of a listed entity should have a nomination committee which: <ul style="list-style-type: none"> ▪ has at least three members, a majority of whom are independent Directors; and ▪ is chaired by an independent Director, and disclose: <ul style="list-style-type: none"> ▪ the charter of the committee; ▪ the members of the committee; and ▪ 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. 	3.1, 3.3, Directors' Report	Comply
2.2	A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	2.2	Comply

Principle	ASX Corporate Governance Principles and Best Practice Recommendations	Reference	Compliance
2.3	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.	2.2, 2.4	Comply
2.4	A majority of the Board of a listed entity should be independent Directors.	2.2, 2.4	Comply
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 Managing Director of the entity.	2.2, 2.3	Comply
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.	2.10	Comply
3.0	Promote Ethical and Responsible Decision-Making		
3.1	The Board of a listed entity should have a code of conduct for its Directors, senior executives and employees and disclose that code or a summary of it.	5.1	Comply
4.0	Safeguard Integrity in Corporate Reporting		
4.1	The Board of a listed entity should have an audit committee which: <ul style="list-style-type: none"> ▪ has at least three members, all of whom are Non-Executive Directors and a majority of whom are independent Directors; and ▪ is chaired by an independent Director, who is not the chair of the board, and disclose: <ul style="list-style-type: none"> ▪ the charter of the committee; ▪ the relevant qualifications and experience of the members of the committee; and ▪ 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. 	3.1, 3.2, Directors' Report	Comply
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its Managing Director and Chief Financial Officer a declaration that, in their opinion: <ul style="list-style-type: none"> ▪ the financial records of the entity have been properly maintained; ▪ 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; ▪ the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively; and ▪ the institution of processes to ensure Managing Director and the Chief Financial Officer declarations are tabled at Board meeting that approve financial statements. 	6.5	Comply
4.3	Ensure that its independent auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	7.2	Comply
5.0	Make Timely and Balanced Disclosure		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	4.2	Comply
6.0	Respect the Rights of Security Holders		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	4.1, Company Website	Comply
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	4.1, Company Website	Comply
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.	4.1	Comply
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.	4.1	Comply



Principle	ASX Corporate Governance Principles and Best Practice Recommendations	Reference	Compliance
7.0	Recognise and Manage Risk		
7.1	The Board of a listed entity should have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> ▪ has at least three members, a majority of whom are independent Directors; and ▪ is chaired by an independent Director, ▪ and disclose: <ul style="list-style-type: none"> ▪ the charter of the committee; ▪ the members of the committee; and ▪ 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. 	3.1, 3.2, Directors' Report	Comply
7.2	The Board or a committee of the Board should: <ol style="list-style-type: none"> 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. 	3.2, 6.2, 6.3	Comply
7.3	A listed entity should disclose if it has an internal audit function, how the function is structured and what role it performs.	6.6	Comply
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	6.4	Comply
8.0	Remunerate Fairly and Responsibly		
8.1	The Board should establish a Remuneration Committee.	3.1, 3.3	Comply
8.2	The Remuneration Committee should be structured so that it: <ul style="list-style-type: none"> • has at least three members, a majority of whom are independent Directors; and • is chaired by an independent Director, and disclose: <ul style="list-style-type: none"> • the charter of the committee; • the members of the committee; and 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.	3.1, 3.3, Remuneration Report, Directors' Report	Comply
8.3	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.	Remuneration Report	Comply
8.4	A listed entity which has an equity-based remuneration scheme should 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 disclose that policy or a summary of it.	Remuneration Report	Comply

Roderick Brown
Chairman
RCR Tomlinson Ltd



E. I. ENGINEERING INTELLIGENCE.
That's what we do.



RCR Tomlinson Ltd
ABN 81 008 898 486

Registered Office
Level 23, 1 Macquarie Place
Sydney NSW 2000

Ph: +61 2 8413 3000
E: enquiries@rcrtom.com.au
W: www.rcrtom.com.au