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# **Corporate Governance Statement**

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Ausenco's Board of Directors' key responsibility is the protection and enhancement of long-term shareholder value within an appropriate risk framework.

The Board believes that there is a provable link between high standards of corporate governance and equity performance. In order to maintain Ausenco's high global standards for leading edge engineering and project management services in the resources and energy sectors, we are committed to operating in accordance with the Group's corporate governance policies.

We believe that good corporate governance practices are about conducting business in a transparent and ethical way that enhances value for all stakeholders. We strive to develop and nurture throughout the Group a culture which involves high ethical standards, personal and corporate integrity and respect for the values of others. We operate in an open, honest and collaborative fashion with all stakeholders and within the communities in which we have a presence.

The guiding principle is that the Board acts honestly, conscientiously and fairly, in accordance with the law and in the best interests of Ausenco's shareholders, its personnel and all other stakeholders.

Ausenco's key corporate governance principles are contained in the Board Charter, which has been approved by the Board and is published on the Ausenco website [www.ausenco.com](http://www.ausenco.com). The Board Charter is kept under review and amended from time to time as appropriate.

Except as noted below, Ausenco's practices are consistent with the Second Edition of the Australian Securities Exchange (ASX) Corporate Governance Council's Principles and Recommendations, including the 2010 amendments, hereinafter referred to as the Principles.

In the following discussion comments are made in relation to the Company's compliance with each Principle. The single area of non-compliance is in respect of the establishment of a Nomination Committee (Principle 2.4) which is described below.

## **Principle 1 – Lay solid foundations for management and oversight**

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| 1.1 | The Board has established clear delegation of authority between the Board and Management.                                       | ✓ |
| 1.2 | Senior executives are subject to a formal performance review process on an annual basis.  | ✓ |
| 1.3 | The performance of senior executives was assessed during the financial year in accordance with the policy adopted by the Board. | ✓ |

The Board establishes the strategic direction and a policy framework within which management undertakes the day-to-day business of the Group. It is the role of management to manage the Company in accordance with the directions and delegations of the Board and it is the responsibility of the Board to oversee the activities of management in carrying out these delegated duties. The Board has established a Delegated Authorities Matrix which clearly sets out the delegation of authority from the Board to management.

Senior executives are subject to an annual formal performance review. The focus of the review is to set specific objectives, which are aligned to the Ausenco business plan, and to monitor each executive's performance against those objectives. The performance of senior executives was assessed during the financial year in accordance with the policy adopted by the Board.

## Principle 2 – Structure the Board to add value

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| 2.1 | A majority of the Board are independent directors.  | ✓ |
| 2.2 | The Chairman is an independent director.  | ✓ |
| 2.3 | The role of the Chairman and Chief Executive Officer are exercised by different individuals.  | ✓ |
| 2.4 | The Board has not established a Nomination Committee as it considers this task important enough to remain the responsibility of the entire Board. | ✗ |
| 2.5 | An internal evaluation of the Board and Board Committees was undertaken during the year in accordance with the policy adopted by the Board.       | ✓ |
| 2.6 | All the information set out in the Guide to reporting on Principle 2 is provided in this report.  | ✓ |

At 31 December 2014 Ausenco's five member Board comprised four non-executive Directors and the Chief Executive Officer. The Chairman is an independent non-executive Director. Two non-executive Directors retired during the year and they have not been replaced.

The Board considers that independent decision-making is essential for effective governance. The independence of non-executive Directors is assessed annually. The Board has reviewed the independent status of the each Director and determined that, as at 31 December 2013, the majority of Directors were independent.

Mr Bob Thorpe is a substantial shareholder of the Company and, although retaining a strong independence of mind and attitude, does not meet the criteria of independence set out in the Principles. The Board recognises that the need for independence be balanced with the need for Board members with a thorough understanding of the Group and the industry sector in which it operates in this regard the Board values Mr Thorpe's knowledge of both the Group and the industry in which it operates very highly.. The Chief Executive Officer, Mr Zimi Meka, is an Executive Director and as such is not independent.

The composition of the Board is balanced. Directors possess a broad range of skills, experience, expertise, qualifications and contacts relevant to the business of the Group. The Board Charter outlines in more detail the procedure for the selection and appointment of new Directors.

Ausenco's constitution states that at each Annual General Meeting (AGM) one third of the Directors (excluding the Chief Executive Officer), and any Director who has held office for three or more years since election, are required to retire from office. Any Director appointed by the Board since the last AGM must stand for election at the next AGM. Retiring Directors are eligible for re-election.

The Board has a policy of allowing Directors to seek independent professional advice at the Group's expense. If appropriate, this advice will be shared with other Directors. The Chairman will review for reasonableness the estimated costs of obtaining advice but will not impede the seeking of advice

Recommendation 2.4 states that the Board should establish a Nomination Committee. Ausenco's Board considers the selection and appointment of Directors is such an important task that it should be the responsibility of the entire Board. While individual activities may be delegated from time to time, the overall process will remain a function of the Board.

The Board carries out an annual Board assessment. The performance of the Chairman is reviewed and assessed by the other Directors, and the Chairman reviews and assesses the performance of the other Directors. During 2013, an internal evaluation of the Board and Board Committees was undertaken in accordance with the policy adopted by the Board.

## Principle 3 – Promote ethical and responsible decision-making

- 3.1 The Board has adopted a Code of Ethics and Values which applies to Directors and Principles of Ethics and Fairness which applies to all Group personnel. The Code of Ethics and Values, Principles of Ethics and Fairness and Code of Conduct for Dealing in Securities are available on the Ausenco website at [www.ausenco.com](http://www.ausenco.com) ✓
- 3.2 The Board has adopted a Diversity Policy which is available on the Ausenco website at [www.ausenco.com](http://www.ausenco.com). ✓
- 3.3 The Board has adopted measureable objectives for achieving gender diversity. ✓
- 3.4 The proportion of woman employees in Ausenco at Board level, Senior Management level and across the whole organisation is disclosed in the annual report. ✓
- 3.5 All the information set out in the Guide to reporting on Principle 3 is provided in this report ✓

The Board has adopted a Code of Ethics and Values and a Code of Conduct for Dealing in Securities, both of which are published on the Ausenco website. The purpose of the Code of Ethics and Values is to guide Directors in the performance of their duties. The purpose of the Code of Conduct for Dealing in Securities is to define the circumstances in which Directors, employees and contractors, and their related parties, are permitted to deal in Ausenco securities. Both codes have been designed with a view to ensuring the highest ethical and professional standards as well as compliance with legal obligations and therefore compliance with the Principles. A Whistleblower Policy has also been adopted to ensure that all people and representatives of the Group can raise concerns regarding actual or suspected contravention of our ethical and legal standards without fear of reprisal and without feeling threatened by doing so.

The Code of Conduct for Dealing in Securities allows Directors, employees and contractors, and their related parties, to buy or sell or otherwise deal in Ausenco securities during the six weeks following the release of the full year results, the half year results and the AGM. Directors must give written notice to the Chairman and Company Secretary of their intention to deal in Ausenco securities prior to dealing. Trading outside the permitted windows is allowed only with the written approval of the Chief Executive Officer or Chief Financial Officer. Directors must also provide written notice and receive written approval from the Chairman before trading outside the permitted windows. The Chairman must provide written notice and receive written approval from another non-executive Director.

Any transaction by Directors in Ausenco shares is notified to the ASX. Each Director has entered into an agreement with Ausenco to provide information to enable the Company to notify the ASX of any share transactions within five business days.

Ausenco is committed to operating to the highest standards of ethical behaviour, honesty and fairness in all relationships with our stakeholders. The Principles of Ethics and Fairness outline the Group's approach to all of its stakeholders. Ausenco expects all of its personnel to act with the utmost integrity with all stakeholders. Ausenco does not make political donations, but does participate in a number of industry bodies that promote and support the industries in which the Group works.

The Board has adopted a Diversity Policy which is available on the Ausenco website. The Board and Management believe that a balanced approach to diversity within Ausenco is important; Diversity at Ausenco refers to the characteristics that make individuals different from each other. It includes characteristics or factors such as level of education, skills and training, religion, race, ethnicity, language, gender, sexual orientation, disability, age or any other area of potential difference. Whilst the gender dimension is important, the global nature of Ausenco's business means a broader diversity agenda incorporating the above factors is required,

Ausenco's objective is to maintain or improve the participation of women within the organisation. During 2013, in response to changing business conditions, Ausenco's management structures were flattened

across the organisation and the Company's overall headcount was significantly reduced. Under these circumstances there were limited opportunities to promote and/or hire women into these categories and two of the four categories were slightly below the objectives set.

As of 31 December 2013 the proportion of women employees across Ausenco is as follows:

<b>Position</b>	<b>By Number*</b>	<b>By Percentage*</b>	<b>By Number (as at 31/12/12)</b>	<b>By Percentage (as at 31/12/12)</b>
<b>Board</b>	<b>1</b>	<b>20%</b>	<b>1</b>	<b>14%</b>
<b>Senior Executives</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Business Leadership Team</b>	<b>13</b>	<b>22%</b>	<b>23</b>	<b>25%</b>
<b>Organisation</b>	<b>648</b>	<b>25%</b>	<b>786</b>	<b>27%</b>

#### **Principle 4 – Safeguard integrity in financial reporting**

- 4.1 Ausenco has an Audit and Risk Management Committee. ✓
- 4.2 The Audit and Risk Management Committee has 3 non-executive members. The Committee is comprised of a majority of independent directors and is chaired by Ms Mary Shafer-Malicki, who is not Chairman of the Board. ✓
- 4.3 The Audit and Risk Management Committee Charter, approved by the Board, is available on the Ausenco website at [www.ausenco.com](http://www.ausenco.com). ✓
- 4.4 All the information set out in the Guide to reporting on Principle 4 is provided in this report. ✓

The Audit and Risk Management Committee maintains an ongoing focus on risk management matters. The Audit and Risk Management Committee works directly with the internal audit team to ensure the effective conduct of the internal audit review program.

The Committee provides assistance to the Board in the form of assurance regarding its financial reporting, internal controls, reporting structure and internal and external audit responsibilities. The Committee's role is to assist the Board to independently verify and safeguard the integrity of the Group's financial reporting.

The Committee operates in accordance with the Audit and Risk Management Committee Charter approved by the Board. The charter, which is published on the Ausenco website, is reviewed at least annually to ensure it is in line with market practices.

During the course of 2013, the Committee's members were:

- Greg Moynihan – Chairman, independent, non-executive Director (Mr Moynihan resigned as a Director on 25 June 2013)
- Ms Mary Shafer-Malicki – Chairman, independent, non-executive Director (Ms Shafer-Malicki was appointed to the Committee as Chair on 8 July 2013)
- George Lloyd – independent, non-executive Director
- Wayne Goss – independent, non-executive Director (Mr Goss resigned as a Director on 31 May 2013)

- Bob Thorpe – non-independent, non-executive Director.

Notwithstanding that Mr Thorpe is not an independent director, his role as a founder of Ausenco and his considerable experience in the engineering services industry enable him to bring valuable knowledge and insights, which may not otherwise be available, to the Committee.

The Committee is responsible for reviewing the nomination, performance and independence of the Group's external auditor. The charter outlines in more detail the procedure for the selection and appointment of the external auditor. The external auditor has a policy that the audit partner is rotated every five years.

Each year the external auditor formally presents to the Committee a certificate confirming its independence. The external auditor's independence statement is included in the Audit and Risk Management Committee Report to the Board.

The Chief Executive Officer and the Chief Financial Officer have certified to the Committee that the Group's financial reports present a true and fair view, in all material respects, of Ausenco's financial condition and operational results and are in accordance with relevant accounting standards supported by a succinct risk management and internal compliance and control methodology.

## **Principle 5 – Make timely and balanced disclosure**

- 5.1 The Board has adopted a Continuous Disclosure Policy. ✓
- 5.2 The Continuous Disclosure Policy is available on the Ausenco website at [www.ausenco.com](http://www.ausenco.com). ✓

Ausenco supports a continuous disclosure regime and its current practice is consistent with the Principles. Ausenco has a Board approved Continuous Disclosure Policy, published on the Ausenco website, which assists the Group in ensuring the timely and appropriate communication to its shareholders and the market. Continuous disclosure is a routine agenda item at all Board meetings and Ausenco makes regular announcements to the market on commercial activities which may have a material influence on the Company's share price. Ausenco personnel are familiar with the Continuous Disclosure Policy.

Presentations made to analysts or investors are posted on the Ausenco website. If the presentations contain information which has not been in the public domain and may have a material effect on the Company's share price, the presentation is sent to the ASX prior to the presentation being made.

## **Principle 6 – Respect the rights of shareholders**

- 6.1 The Board has adopted a Shareholder Communication Policy. ✓
- 6.2 The Shareholder Communication Policy is available on the Ausenco website at [www.ausenco.com](http://www.ausenco.com). ✓

The Board is committed to communicating with shareholders regularly and clearly. The Annual Report, half-year report and AGM are all important communication forums. Ausenco encourages shareholders to attend and participate at general meetings. Ausenco welcomes questions from shareholders at any time, and these will be answered within the confines of information that is already in the public domain and is not market sensitive.

Shareholder communication is conducted in accordance with Ausenco's Continuous Disclosure Policy and Shareholder Communication Policy, both of which are published on the Ausenco website. All announcements made by Ausenco to the ASX (except disclosures of a compliance nature) are posted on the Ausenco website.

The external auditor attends the AGM and is available to answer any questions with regard to the conduct of the audit and the corresponding report.

The following documents that address corporate governance are available within the Investor Centre section of the Ausenco website:

- Audit and Risk Management Committee Charter
- Board Charter
- Code of Conduct for Dealing in Securities
- Continuous Disclosure Policy
- Corporate Governance Statement
- Code of Ethics and Values
- Diversity Policy
- Principles of Ethics and Fairness
- Remuneration Committee Charter
- Risk Management Policy
- Shareholder Communication Policy
- Standing Rules of Committees
- Whistleblower Policy

## **Principle 7 – Recognise and manage risk**

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| 7.1 | The Board has adopted a Risk Management Policy. Management routinely reports to the Audit and Risk Management Committee on management of the Group's material enterprise risks.  | ✓ |
| 7.2 | The Board has received representations from management regarding the efficient and effective operation of the Group's risk management and internal compliance and control system, including reporting of material enterprise risks.  | ✓ |
| 7.3 | The Board has received written assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. | ✓ |
| 7.4 | The Risk Management Policy is available on the Ausenco website at <a href="http://www.ausenco.com">www.ausenco.com</a> .   | ✓ |

The Board is responsible for establishing policies on risk oversight and management. Ausenco carries out a formal risk review annually. Identified material business risks have appropriate actions developed or mitigating circumstances documented. Ausenco has a risk awareness culture whereby any potential risks which are identified are brought to the attention of management for appropriate action.

Ausenco has a Board approved Risk Management Policy, published on the Ausenco website, that assists the Group in identifying and managing risk in accordance with best practice. The Group Operating Policies and Procedures, which are available to all personnel and with which they are required to comply, contain risk management procedures that aim to address risk management issues.

Each year the Board considers the insurance policies the Group has in place. The Chief Financial Officer report on the internal control environment within the Group and are responsible for immediately alerting the Board if any material breakdowns in internal controls occur.

Management identifies and reviews the major risks impacting on each area of the business and develops strategies to effectively mitigate these risks. Management reports to the Audit and Risk Management Committee, which in turn reports to the Board, on the effectiveness of the Group's management of its material business risks. The Chief Executive Officer and Chief Financial Officer have made representations to the Audit and Risk Management Committee and the Board on the system of risk management and internal compliance and control.

The Chief Executive Officer and Chief Financial Officer have also represented that, to the best of their knowledge, the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects. The representation by the Chief Executive Officer and Chief Financial Officer is supported by representations to them from all senior executives. These representations are supported by a formal sign off framework which is reviewed by management, the Chief Executive Officer, the Audit and Risk Management Committee and the Board as part of the six-monthly financial reporting process.

## **Principle 8 – Remunerate fairly and responsibly**

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| 8.1 | Ausenco has a Remuneration Committee.   | ✓ |
| 8.2 | The Remuneration Committee consists of 3 members, the majority of whom are independent and the Remuneration Committee Chairman is independent   | ✓ |
| 8.3 | Ausenco's remuneration policy clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives.  | ✓ |
| 8.4 | All the information set out in the Guide to reporting on Principle 8 is provided in this report. The Remuneration Committee Charter is available on the Ausenco website at <a href="http://www.ausenco.com">www.ausenco.com</a> . | ✓ |

The Board has established a Remuneration Committee to provide assistance in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive schemes for employees. This Committee reports to the Board on remuneration and issues relevant to remuneration policies and practices including the remuneration of senior executives. The Committee considers the remuneration of the Chief Executive Officer and senior executives as well as fees paid to non-executive Directors. The Committee also determines the overall remuneration framework for all employees in the Group.

The Committee operates in accordance with the Remuneration Committee Charter approved by the Board. The Committee Charter, which is published on the Ausenco website, is reviewed at least annually to ensure it is in line with market practices.

There are no schemes for retirement benefits, other than superannuation, for non-executive directors.

Certain employee incentive schemes provide for the issue of options, performance rights and shares. Company policy forbids any hedging activities in relation to performance rights and options prior to exercise and, once exercised, in relation to any shares issued, which are held via the Ausenco Performance Trust or are otherwise subject to a transfer restriction.

The Committee's members are:

- Hank Tuten – Chairman, non-executive Director
- Wayne Goss – independent, non-executive Director (Mr Goss resigned as a Director on 31 May 2013)
- George Lloyd – independent, non-executive Director.
- Bob Thorpe – non-independent, non-executive Director (Mr Thorpe was appointed to the Committee on 20 August 2013).