

Risk Management Policy

Overview

This document sets out the Company's policy and processes in relation to risk management.

Role of the Board and Delegated Responsibility

The Board of Macmahon is responsible for setting the risk appetite of the organization, and oversees the establishment, implementation and monitoring of the Company's risk management system.

The Board is to be satisfied that management has developed and implemented a sound system of risk management and internal control.

Role of the Chief Executive Officer and Accountabilities

The CEO is responsible for:

- the identification, monitoring and reporting of risk to the Board;
- the day to day management of risk in accordance with the parameters approved by the Board; and
- reporting to the Board on a regular basis regarding the effectiveness of the Company's management of its material risks.

Operational Processes to Manage Risk

A range of procedures are utilised across the business during the project selection, tendering and contract negotiation phases to manage risk. Project Managers are responsible for project execution and management of their project specific risks. Project risk must be reported upward from each project on a monthly basis as part of the regular project performance reports. These reports should be collated at the BU level for assessment by the BU General Manager and ultimately the CEO and Board.

Governance Practices

The Company has implemented a number of governance practices to help manage business risks. These include:

- **Having an Audit and Risk Committee**

The Company has formed a separate Audit and Risk Committee which has the role of, among other things, monitoring and reviewing the integrity of the financial reporting of the Company and any significant financial reporting judgments. It also reviews the Company's internal financial control system and, unless expressly addressed by the Board itself, risk management systems. The role of the Audit Committee is set out in the Company's Audit Committee Charter.

- **Regular budgeting and financial reporting**

The Company sets budgets and monitors its financial performance on a regular basis. The Audit and Risk Committee reviews the integrity of the Company's financial reporting and advises the Board about matters which may significantly impact the financial conditions or affairs of the business.

- **Clear limits and authorities for expenditure levels**

A summary list of delegations and authorities is provided to all operating units and company locations via Macmahon's business systems.

- **Financial Risk Management Practices**

The nature of the Company's business requires certainty in relation to specific cost elements, in particular, the cost of equipment and the cost of finance. The Company therefore implements financial risk management practices designed to increase certainty in relation to these costs.

- **Insurance**

The Company maintains an asset and liability insurance program which is reviewed annually with the Company's insurance broker prior to approaching underwriters both in Australia and overseas.

- **Capital Management Program**

The Company has a Capital Management Program in place.

- **Others**

The Company also has procedures and controls to manage environmental and occupational health and safety risk, and procedures to ensure it complies with regulatory requirements such as the continuous disclosure obligations under the ASX Listing Rules.

- Procedures for compliance of continuous disclosure obligations under the ASX Listing Rules.

Continuous Improvement

The Company's risk management system is regularly reviewed and updated to ensure it is appropriate for the Company's current circumstances, and reflects developments in the market and the reasonable expectations of stakeholders.