



VEC CIVIL ENGINEERING PTY LTD
ABN 42 067 541 879

Corporate Governance Statement

(Approved by the Board 4th May 2011)

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1. INTRODUCTION

This Statement outlines VEC Civil Engineering Pty Ltd's ("VEC") principal corporate governance practices.

This overarching document forms part of VEC's Corporate Governance Framework, which encompasses the following regularly reviewed documents and policies:

- Board Charter
- Statement of Delegated Authority
- Code of Conduct
- Deed of Indemnity and Access to Documents
- Charter for Audit and Governance Committee
- Charter for Risk Committee
- Procedures for the Oversight and Management of Material Business Risks
- The Role of the Chairman
- The Role of the Managing Director
- Policy on Independence of Directors
- Communications and Media Policy
- Remuneration policy
- Policy for Selection and Appointment of Directors
- Conflict of Interest Policy
- Whistleblower Protection Policy

2. ROLE OF SHAREHOLDERS

The shareholder(s) of VEC play an important role in corporate governance by virtue of their responsibility for voting for the appointment of Directors.

The Board has adopted a Communications and Media Policy which assists on ensuring that shareholder(s) are kept fully informed on developments affecting the Company.

Shareholder(s) are also (under the current VEC structure) invited to attend Board Meetings.

3. BOARD OF DIRECTORS

Directors have adopted a Board Charter which sets out the:

- Role and Functions of the Board
- Powers of the Board
- Specific Responsibilities Reserved for the Board
- Roles and Responsibilities of the Chairman
- Board Membership
- Board Process
- Delegations
- Board Performance Evaluation

The "Board Charter" should be read in conjunction with this Statement.

The VEC Board is accountable to shareholders for the business and affairs of the Group and it sets the framework for the Company's long-term success.

The Board charts the direction, policies, strategies and financial objectives for VEC and monitors the implementation of those policies, strategies and financial objectives.

It monitors compliance with regulatory requirements and ethical standards and appoints and reviews the performance of the Chief Executive Officer (Managing Director).

The Board ensures that appropriate policies and procedures for the management of material business and financial risks and associated internal controls are in place and monitors environmental and safety performance.

It also monitors compliance with laws and ethical behaviour.

3.1 Size and Composition of the Board

The Directors determine the size of the Board, subject to VEC's Constitution, which provides that there can be no less than one (1) nor more than twelve (12), but the number so determined at a particular time must not be less than the number of Directors when the determination takes effect.

The number of Directors and composition of the Board is determined having regard to what is appropriate for VEC to achieve efficient and prudent decision making.

The Board will consist of a majority of Non-Executive, independent Directors. The Board has adopted a Policy on Independence of Directors as a basis for assessing Director independence.

The Company in General Meeting may (or, if there is only one Shareholder, that Shareholder may by declaration) appoint a Director as Chairman of the Board for any period it resolves, or if no period is specified, until that person ceases to be a Director.

The Company in General Meeting may (or, if there is only one Shareholder, that Shareholder may by declaration) remove the Chairman of the Board at any time.

The Chairman may be an independent Non-Executive Director. Where circumstances are such that this is not the case, then the Board may appoint a "Lead" Independent Non-Executive Director.

The Managing Director may be an Executive Director. A Managing Director who ceases to hold that position will also resign as a Director if applicable.

VEC aims to have Directors with an appropriate range of skills, experience, gender, race, ethnicity, age and expertise and an understanding of and competence to deal with current and emerging issues in the Company's business. VEC's succession plans are designed to maintain an appropriate balance of skills, experience and expertise on the Board.

As a matter of principle, the Board is committed to the ongoing development of both individual Directors and the Board as a whole. Each year the Board will conduct an evaluation of its performance that:

- compares the performance of the Board with the requirements of its Charter;
- sets forth goals and objectives of the Board for the upcoming year; and
- effects any improvement to the Board Charter deemed necessary or desirable.

The performance evaluation shall be in a manner as the Board deems appropriate.

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3.2 The Work of Directors

In addition to the preparation for and attendance at Board and Committee Meetings, Non-Executive Directors shall visit operational sites from time to time, conduct business planning Meetings, and attend conferences and other industry occasions.

Each Director has the right to seek advice and clarification from the Company's auditors, financial and legal advisers on any matter relating to the Company or Board performance at VEC's expense.

A Director may engage, at the Company's expense, professional advisers to advise the Director on matters pertinent to Company affairs, including the performance of the Director's duties. Before this expense can be incurred on behalf of the Company, the approval of the Chairman is necessary or, in the absence of that approval, Board approval.

Each Director is covered by relevant Company insurance policies and is expected to enter into a Deed of Indemnity with the Group.

3.3 Board Meetings

General:

All Board Meetings will be conducted in accordance with VEC's Constitution and the Corporations Act.

Directors are committed to collective decision making, but have a duty to question and raise any issues of concern to them. Matters are to be debated openly and constructively amongst the Directors. Individual Directors must utilise their particular skills, experience and knowledge when discussing matters at Board Meetings.

Directors must keep Board discussions and resolutions confidential, except where they are required or agreed to be disclosed.

All Directors are generally expected to prepare adequately, attend and participate at each Board Meeting. Non-Executive Directors will periodically meet without Executive Directors or Management present.

Frequency:

Board Meetings will be held regularly throughout the year, and at least as many times as it is necessary for the Board to discharge its obligations. Special Meetings may be convened as required.

Meetings are regularly held on-site.

Notice:

A notice of each Meeting confirming the date, time, venue and agenda shall be distributed to each Director within a reasonable period in advance of each Meeting.

The notice of Meeting will include the relevant supporting papers for the agenda items to be discussed.

Agenda:

The Board shall develop and agree an annual program capable of fulfilling its responsibilities.

The Chairman, with the assistance of the Company Secretary, will develop the agenda for each Meeting on the basis of the annual program and any other matters deemed to be relevant to the particular Meeting.

Quorum and Voting:

A quorum will comprise of two Directors however also has specific attendance representation criteria relating to Kees van Ek more specifically detailed in the Board Charter.

Each Director shall have one vote.

The Chairman of the Board shall not have a second or casting vote

Attendance:

In addition to the members of the Board, such Executives and/or external parties as the Chairman and members of the Board think fit may be invited to attend Meetings.

Minutes:

The minutes of Board Meetings and Committee Meetings will be confirmed at the next Meeting and signed by the respective Chairman

4. REMUNERATION POLICY

Remuneration of Directors and Executives is to be determined and structured in accordance with the Company's Remuneration Policy and Director Terms of Appointment

The Board has the role of reviewing VEC's Remuneration Policy and practices.

VEC's philosophy for the remuneration of its Directors and Executives is premised on providing a strong nexus between shareholder value creation, employee remuneration and productivity improvement.

4.1 Non-executive Directors

Remuneration of Non-Executive Directors is approved by shareholders and:

- with regard to the Company's need to maintain appropriately experienced and qualified Board members;
- and in accordance with competitive pressures in the marketplace.

The Remuneration Policy is designed to attract and retain suitable Directors.

The fees which are paid may also be periodically reviewed with the assistance of independent advice.

Subject to the Corporations Act, the Company may, or may agree to, pay provide or make any payment or other benefit to a Director, a Director of a related body corporate of the Company or any other person in connection with that person's or someone else's retirement, resignation from or loss of office, or death while in office.

Any Non-executive Director who is called to perform services for the Company which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director may be paid a fixed sum determined by the Directors for the provision of such services.

All Directors will be reimbursed for traveling and other expenses properly incurred by them in attending and returning from Meetings of the Directors, or any Committee of the Directors, or general Meetings of the Company, or otherwise in connection with the business of the Company.

4.2 Senior Executives

The Company aims to reward the Managing Director and senior Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company, and so as to:

- reward them for business unit and individual performance against targets set by reference to appropriate benchmarks and key performance indicators;
- align their interests with those of shareholders;
- link their reward with the strategic goals and performance of the Company; and
- ensure their total remuneration is competitive by market standards.

In determining the level and make-up of the Managing Director's and senior Executive's remuneration, the Board may obtain independent advice on the appropriateness of remuneration packages, given remuneration trends in other companies, from which the recommendations are made to the Board.

Remuneration may consist of both fixed and variable or a combination of both remuneration components. The variable remuneration component may consist of a short and long term incentive arrangements or a combination of both

The proportion of fixed remuneration and variable remuneration is established for the Managing Director and each senior Executive by the Board.

The structure and disclosure of the Company's remuneration policies for senior executives is governed by a Remuneration Policy adopted by the Board.

5. BOARD COMMITTEES

The Board operates Committees to increase its efficiency and effectiveness. Each Committee has a formal annually reviewed Charter.

5.1 Board Audit and Governance Committee

The Audit and Governance Committee will consist of at least two (2) members of the Board (and may also include designated and approved individuals acting in the capacity as formally appointed Board Advisors) each of whom will be appointed or removed by the Board, following in each case, a review by the Board in consultation with the Chairman of the Committee (other than in respect of the Chairman's own appointment or removal).

The Chairman of the Committee:

- will be elected by the Board;
- must be a member of the Committee;
- must be an independent Non-Executive Director; and
- must not be the Chairman of the Board

The primary function of the Audit and Governance Committee is to:

- assist the Board of Directors in fulfilling its corporate governance and oversight responsibilities by reviewing and monitoring:
 - (i) VEC's financial reporting principles and policies, controls and procedures;
 - (ii) the integrity and reliability of VEC's Annual Financial Statements;
 - (iii) the effectiveness of the systems of internal control and risk management in so far as they influence the outcomes of the external audit (the Company has a separate Risk Committee dealing with risk management);
 - (iv) the external auditors qualifications, performance and independence;
 - (v) the adequacy of practices and procedures with respect to the Company's compliance with legal and regulatory requirements and actual compliance with these laws and regulations; and
- make recommendations to the Board in relation to the appointment of the external auditor, internal auditor (or equivalent) and approving their remuneration and the terms of their engagement.

Committee Meetings shall be held not less than two (2) times a year. Special Meetings may be convened as required. External auditors may convene a Meeting if they consider that it is necessary.

The Committee ensures that the Annual Financial Statements are prepared in accordance with appropriate standards and statutory requirements, and reviews all matters raised by external auditors, risks associated with the business and reports to the Board on any material item. It develops audit policy and monitors audit functions within the Group. The Committee will also review any material changes in accounting policy. The Committee reports to the Board after each Meeting.

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Management and external auditors are invited to attend Committee Meetings to ensure that adequate controls and practices are maintained throughout the Group. The Committee reviews progress in and reports arising from the internal and external audit process. The external auditors will have direct access to the Committee without management involvement.

The Committee plays an active role in reviewing the adequacy of the existing external audit arrangements, and is responsible for ensuring that the auditors have the necessary qualifications and skills, and that the scope and quality of the audit is appropriate. The Committee makes recommendations to the Board in relation to the appointment of external auditors. The Committee will conduct a formal assessment of external auditor performance each year and report the outcome to the Board. The Committee has developed "Guidelines on External Auditor Selection, Evaluation and Rotation" and "Guidelines on Provision of Audit and Other (Non-Audit) Services by the External Auditor" to assist it in meeting its external Auditor responsibilities.

5.2 Risk Committee

The Risk Committee will comprise at least two (2) members of the Board (and may also include designated and approved individuals acting in the capacity as formally appointed Board Advisors).

The Chairman of the Committee:

- will be elected by the Board;
- must be a member of the Committee; and
- may be an independent Director.

Committee Meetings shall be held not less than two (2) times a year. Special Meetings may be convened as required. External auditors may convene a Meeting if they consider that it is necessary.

The primary function of the Risk Committee is to assist the Board of Directors in fulfilling its corporate governance and oversight responsibilities by reviewing and monitoring:

- the efficiency and effectiveness of corporate policies and internal control procedures for identifying, assessing, monitoring and managing material business risks (i.e.: business, market, credit, financial instruments, operational, liquidity and reputational);
- the effectiveness of the related systems of internal control and risk management; and
- the adequacy of practices and procedures with respect to the Company's compliance with legal and regulatory requirements and actual compliance with these laws and regulations pertaining to effective risk identification, management and mitigation.

Without limiting its scope, and in accordance with the Company's Procedures on Oversight and Management of Material Business Risks, the Committee will ensure Management has established and operates a business risk management system which is designed to:

- identify, assess, monitor and manage material business risk; and

- inform investors of material changes to VEC's risk profile.

The Company is exposed to a range of risks categories encompassing:

- credit risk;
- market risk;
- liquidity risk;
- operational risk;
- compliance and regulatory risk
- reputation risk
- other risks.

The Committee's oversight responsibilities with respect to the above business risks encompass, but are not restricted to, the following:

- reviewing and monitoring the risk management framework;
- ensuring there is, and evaluating the effectiveness of, a satisfactory system for monitoring the relevant risk profile, mitigation and management practices; and
- ensuring the development and ongoing review of appropriate risk management policies.

6. POLICIES AND PROCEDURES

6.1 Health and Safety, Environment and Climate Change

VEC is committed to ensuring compliance with relevant health, safety, climate change and environmental legislation. The Board is accountable for the development, establishment and review of appropriate policy in these areas. The Board requires a best practice approach in these areas and has implemented appropriate management objectives and structures, and a regular reporting process to ensure that this objective is achieved.

VEC's health, safety, climate change and environmental policies are under continuous review and are updated when required.

OH & S:

VEC is committed to providing a healthy and safe workplace that is, as far as is reasonably practicable, without risk of injury or illness.

VEC believe that no job is so important that it cannot be done safely. Each and every VEC employee has a responsibility to themselves, their colleagues, their families and their community to ensure that this is upheld and turned in to action.

VEC undertakes to:

- Ensure that all its facilities, plant and machinery operate in compliance with applicable legislative and regulatory criteria, including codes of practice.
- Continuously seek improvement in reducing hazards in the workplace through consultation, planning, implementation and review of the safety management system.
- Educate and support all employees and contractors of expectations and requirements.
- Provide the necessary resources to meet the OHS goals

Environment:

VEC is committed to protecting community living standards and the environmental heritage of future generations.

As a responsible corporate member of the community, VEC seeks to conduct a profitable business with a commitment to protecting the quality of the air, water and soil environments and seeks to prevent pollution and minimise the environmental impact of all its operations.

VEC undertakes to:

- Work towards ensuring its plants and facilities operate in compliance with applicable regulatory requirements.
- Promote the efficient use of resources and energy.
- Strive to minimise the impact on the environment.

Climate Change:

VEC considers that increasing greenhouse gas concentrations in the atmosphere and associated climate change risks need to be addressed at both a global and local level.

As a responsible corporate member of the community, VEC seeks to conduct a profitable business with a commitment to reduce our contribution to greenhouse gas emissions and reduce the risks of adverse effects from climate change while operating in an emission constrained environment.

VEC believes that the risks of climate change associated with increasing greenhouse gas concentrations needs to be addressed through accelerated action. Behavioural change, innovation and technical progress are essential to achieve a balance in meeting natural resource and energy needs. VEC will take action within our own business and work with industry, governments and other stakeholders to address this global challenge and find lasting solutions congruent with our goals.

6.2 Ethical Standards

All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Company has implemented a Code of Conduct for all Directors and employees and a Conflict of Interest Policy is required to be adhered to by all Directors.

6.3 Whistleblower Protection

VEC's Whistleblower Protection Policy is a mechanism by which VEC employees may voice serious concerns or escalate serious matters on a confidential basis, without fear of reprisal, dismissal or discriminatory treatment.

The Policy is aligned to VEC's Code of Conduct and is one of a number of policies and procedures within VEC to support and promote honest and ethical behaviour.

The Policy is intended as a last option, when all other internal reporting avenues have been exhausted or are not available.

Unethical, unlawful or undesirable conduct is referred to in this Policy as unacceptable conduct. The purpose of this Policy is to promote responsible whistleblowing about issues where the interests of others, including the public, or of the organisation itself are at risk.

This Policy applies to the following "VEC Persons":

- VEC Directors and employees;
- VEC contractors; and
- employees of VEC contractors.

7. REVIEW OF THIS STATEMENT

The Board will review and update this Statement at least annually.

8. BEST PRACTICE GOVERNANCE

In carrying out all of its functions the Board will have due regard to the provisions of the Australian Securities Exchange Corporate Governance Council Corporate Governance Principles and Recommendations with a view to ensuring that the Group seeks to adhere to the highest standards of corporate governance.

9. WHO TO CONTACT

Any questions relating to the interpretation of this Statement should be forwarded to the Managing Director.